Coca-Cola Europacific Partners

December 05, 2023
04:30 PM EST

Eric Serotta: Great, good afternoon, everyone. I'm Eric Serotta from Morgan Stanley's Beverages and Household Products team, and I'm very pleased to welcome Coca-Cola Europacific Partners to Morgan Stanley's Global Consumer and Retail Conference.

Before we begin, please see the Morgan Stanley Research Website at www.MorganStanley.com/ResearchDisclosures for important disclosures. And if you have any questions, please reach out to your MS sales rep.

CCEP is Coca-Cola's largest bottler by revenue with a strong record of value creation. The company's had a busy few years expanding into the Asia-Pacific region with the 2021 acquisition of Coca-Cola Amatil, and this year, entering into a definitive agreement to acquire Coca-Cola Beverages Philippines in partnership with local player Aboitiz.

Joining us today is CFO Nik Jhangiani. Nik, thanks for joining us.

Nik Jhangiani: Thank you for having me.

Eric Serotta: So to start out, CCEP is wrapping up another really strong year with 8.5% FX neutral revenue growth through the first nine months, even with some headwinds from portfolio rationalization in Indonesia and the exit of bulk water businesses in a number of markets. First, can you talk about some of the drivers of this year's growth, either from a category or market, or price volume mix standpoint, and how do you see those evolving as we look to 2024?

Nik Jhangiani: Yeah, absolutely. And I think if you look at the first half of the year, we were extremely pleased by the volume growth. And I think the volume growth was driven by obviously a strong innovation pipeline. Some elements of still recovery that we were seeing from the COVID period and the away-from-home in some markets, as well as you know, foray into some new categories like ARTDs, strong growth in the energy category. So you know, a multitude of factors that you know, gave us solid volume growth as we were in the first half. Couple that with obviously the fact that we were able to land very good rate and pricing discussions with our customers, which comes back to the power of our brand and our brand equities that allow us to price in a very segmented way, and then mix benefits as we continue to grow in smaller packs, driving more transactions, driving more household penetration, driving frequency of you know, the weekly plus drinkers. All that gave us some really good momentum in the first half of the year.

The price and mix elements continued into Q3. Clearly, volume was a bit of a drag. And I think we had called that out as we were lapping a very, very strong quarter from the year prior in terms of very solid weather. Q3 in some ways was not just, you know, dealing with the headwind of the comp but also another headwind in terms of really poor weather, so we always plan our business for more normalized weather. The good news is, we obviously saw October return to good volume growth, and we were able to reiterate our guidance for 8% to 9% top-line growth and 12% to 13% operating profit growth. We were also able to declare a record dividend, which should have been paid out, actually, or is to be paid out a couple of days from now. But -- and another year of strong free cash flow delivery as well.

So, very excited to go into '24 with potentially also being able to close Q1 with the impending acquisition that you talked about.

Eric Serotta: Great. And then you mentioned the business did return to growth in October. How have trends progressed since then? And then you know, December is kind of make-or-break for the fourth quarter, so what are your leading indicators, whether it's orders or merchandising plans pointing to for the holiday season?

Nik Jhangiani: Yeah. I mean, so listen, we always do some really great stuff and involve a lot of our teams in being able to do MITs, so we go out and you know, build displays and actually get ourselves holiday-ready with -- whether it's promo activities, more end-of-aisle displays, supporting our customers, and being able to you know, be able to sell our products that everybody loves to enjoy. Listen, at the end of the day, Coca-Cola in some ways, you know, I don't want to say created Christmas, but you know, brought a special magic to Christmas. And that's something that we want to continue seeing happening. I think we've got good plans in place, good activities laid out, and we feel good about, again, being able to close quarter four, for you know, with some volume growth and more importantly, continue to deliver on the price and mix, and deliver against objectives for the year.

Eric Serotta: Great. And then earlier this year, you did -- I think even going back to late last year, you did call out some consumer trade down in some ancillary categories, like juices and mixers. Not huge parts of your portfolio. How has that evolved more recently? Are you seeing any changes in consumer behavior in terms of package size, or channel mix?

Nik Jhangiani: Yes, I mean, it's something that we're constantly watching and tracking, and I would say it's definitely not a one-size-fits-all across all markets. So you see different pockets of things happening in different markets. I would say if you look across the markets, Spain is holding up really well. Germany is doing really well. France, Northern Europe, a little more challenged, maybe partly weather, maybe a little bit of some of those signs that we're tracking to see what does it mean in terms of consumer purchasing power and impact on baskets. But nothing that I would call out as a big watch out that we're seeing today, but one that we're conscious of.

Keep in mind again, I think what we offer in terms of range of products, particularly in terms of pack formats in the retail channel, has evolved dramatically over the last five years, right. And you know, where we try and focus is, how do we think about what role each pack plays within a certain channel, and how do we make sure that makes its way into the basket, right? In terms of driving incidence into the basket, household penetration and hence, consumption. We know once we get the product at home it's consumed, right. And where there is a little less of or more elasticity and less ability to compete, we are obviously able to look at promo intensity, and what do we need to do.

As we go into 2024, the great thing is we have some really strong events against which we can activate, which is positive because you can use those events to brand-build, but at the same time, be relevant to your customers and to your shopper/consumer. So next year, we have the Euros in Germany; we've got the Olympics in France; and we've also got the Americas Cup in Barcelona. So all those are great events to help us activate and bring to life our products, but also address potentially with our customers, ways of bringing that incidence into basket through the right type of promotion and footfall-driving activities into store.

Eric Serotta: Great. So just to follow up in terms of pricing, you know, after two rounds of pricing in most or if not all your markets last year clearly in extraordinary inflationary environment, you managed to land pricing across all your markets this year with really no major disruption, nothing showing up in the trade press, nothing you guys had to call out on the conference calls. So could you talk about the lessons that you've learned over the past two years in terms of pricing? Does the relatively low demand elasticity embolden you to be a bit more aggressive going forward? Not talking about '24, but you know, over a medium term, or you know, on the other hand you need to sort of manage to be a lot more price conscious now in terms of rate given some thresholds that you may be reaching with a consumer?

Nik Jhangiani: Yes. I mean, listen, we don't manage our business to any single year, right. And we look at it in terms of, to your point, what are the certain elasticities around certain packs, and how do you leverage that for both the customer as well as ultimately what the consumer/shopper is willing to pay, because they see brand value, equity, right, to be able to support that certain price point. So we always continue to take a very, you know, segmented and surgical approach to how we look at that across the channels, and can play both the premiumization element and what we might be able to do with rate, as well as get the benefit of mix as some consumer/shoppers prefer those types of packs, but at the same time, remain relevant with some of the larger packs, large PET, multi-pack cans, where we've also got to be conscious not just about what the consumer purchasing power is, but what is also our pricing relative to competition for store-owned brands, right. And to ensure that we continue to stay relevant and make that, you know, drop into that basket of our product.

So I think we have a much more sophisticated way of looking at it. We have much more data and insights. We have much more granularity at a store level within a format that allows us to think about what are the activities that we need to put into place to drive ultimately, transactions, ultimately drive household penetration, incidents, frequency, etc.

Eric Serotta: Great. And then relatedly, CCEP and really the Coke system broadly has really elevated the revenue growth management toolkit over the past few years. Can you talk about opportunities to sort of further improve the RGM capabilities across your markets going forward, and how that's evolving in the current macro environment? We had Henrique this morning, earlier this afternoon, reminding people that RGM originated in Latin America in hyperinflationary environments. So how is the RGM playbook for CCEP evolving?

Nik Jhangiani: Yes, so one of the things we've firstly done is, I think we've tried to bring a slightly differentiated view from an angle of not just looking at revenue growth management, but we've actually renamed it or recoined it to R-and-MGM management. So it's revenue and margin growth management, right. Now, you would almost think that's a given, because as you're trying to grow revenue you're going to grow your margin as well, but it's not always the case. But we also wanted our commercial teams and our organization to have a focus on how we're also enhancing our margin, both for ourselves as well as our customer, every time we think about these initiatives, right. So I think we've developed some really strong data and analytic capabilities over the years in terms of tools. Obviously we have a lot more data that allows us to mine that to get the right insights. We've also created a central team because in a lot of ways in the last few years, you know, we've realized becoming a larger company in what we had not touched in the earlier years as we were trying to reinvigorate growth, in some ways, we were doing things on a subscale level, and doing individual things in different markets. Individually they might have been great, but are there -- is there the power of being able to do that at, you know, a multitude of countries with the same types of insights, in a faster pace?

So we brought up those capabilities to a central level. They're still obviously local capabilities, but they work very much in tandem together, and actually identify opportunities and reiterate and be able to put those practices into market. So I think it's still, you know, something that we'll continue to hone, but we clearly have demonstrated the abilities to be able to use those capabilities if you look at the last few years where we've driven rate and mix and volume together. And that balance algorithm as we go forward when we talk about, you know, that circa 4% top-line growth, is critically important off those three levers.

Eric Serotta: Good segue into my next question, which was --

Nik Jhangiani: Guidance for '24? I'm not giving you any. Okay.

Eric Serotta: You give me that offline. So it was just over a year ago at your investor day in London that you raised the mid-term financial targets to 4% comparable FX-neutral revenue growth, 7% operating profit growth, at least EUR 1.7 per annum of free cash flow. So just looking at the top-line piece, can you discuss sort of the building blocks to that 4% as we move past this period of outsize pricing?

Nik Jhangiani: Yes. So I mean, a lot of the work that we do with the Coca-Cola company each year, is we build out our -- not just our annual plan but as we look out at the next three-to-five-year period, is firstly, what is the category growth numbers look like, right. And if you look across our markets, you know, the category is growing very robustly, right. There might be pockets that are growing faster and some that are growing slower, and we'll talk a little bit about that. But category growth is there. And clearly any RTD keeping aside ARTD and coffee is actually growing at a faster clip than what broader FMCG is growing, right.

Also, again, just to call out, you know, private label own-store penetration is significantly lower in NARTD relative to what it is in FMCG, right. So both those are good macro factors as we think about planning.

We then take that a step further and say, okay, where are the profit pools within that category growth as well, right. And how do we make sure that we want to play in the categories back to that top-line and margin growth that are giving us not just the top-line growth but also giving us room to play where the profit pools are growing and hence our margin can grow as well, right. So we've clearly prioritized sparkling, right. Now, sparkling is obviously a very big part of the NARTD category, so it might be growing at a smaller clip but off a much larger base, right. And within that it's not just the volume element. How do we continue growing more transactions? How do we drive household penetration? How do we drive frequency, etc., right?

So we clearly see an opportunity in sparkling with the zero-sugared products, with the innovation that we're doing in flavor extensions, both in the zero and the full-sugar products. A lot more focus around Fanta and Sprite as well, as opposed to just cola, so that's the first big building block. Then you look at energy, and clearly we look at energy and you can see that category is growing in the high single digits, right. And we've been growing, as you've seen, in the mid-teens year-on-year, right. There, again, it's not just about distribution games but it's about distribution games of about a much broader range because you started out this business with effectively Monster Green. You know, then you launched into the whole Ultra range, the Juiced range, the Performance energy drinks, and so you broadened your base of addressable users, both male and female across different age groups that are now buying into a much broader platform of beverages that we offer. So that clearly is a supporter of that top-line volume growth.

Then you look at advanced hydration. You look at tea. Those are all smaller categories that we play in, but profitable, that we want to continue expanding in. And then to that point that I touched upon, you then add on ARTDs, which is new, plus what we can continue to look like in terms of coffee, both in terms of ready-to-drink as well as hot coffee, right. And that gives us the midterm confidence around that algorithm in terms of that balance of volume versus what we will continue to do in terms of rate, because that discipline is very important, right. And more back to that point around we do believe there's opportunities to continue to segment to price, where there are relatively lower elasticities and we can be able to drive our margins, customer margins, and still give the consumer shopper what they want, right, at the right price points based on the brand equities.

And then mix, as you continue to evolve into more transactions, smaller packs, etc., and hence you know, we feel confident then with the developed markets being able to grow. And then you add to that a market like Indonesia, where clearly the per caps are solo. There's a lot of work we've been doing in terms of rationalizing the portfolio, bringing clarity of focus of how we want to win. Must be sparkling and tea-led. Rationalizing our cost base, re-looking at our route to market, working with the Coca-Cola company to really go back to some of the basics in terms of marketing, to address why people should be consuming sparkling. What's the occasion, what does it actually do. And so all that gives us confidence around that midterm algorithm.

Eric Serotta: Great. Another good segue. I was going to ask about Indonesia next. So clearly looks like one of the most exciting growth opportunities for CCEP when you look at demographics, economic growth, and underdeveloped sparkling category. You're now largely through the portfolio rationalization there. So could you talk a bit about the next steps to realize the opportunity in Indonesia, the rollout of the new price pack strategy, potential route to market changes? What's sort of the phasing and sort of the benefits that you're expecting from those going forward?

Nik Jhangiani: Yes. I mean, listen, the phasing of that is all as we speak, right. We've been spending a lot of time with the team there as we've been kind of laying out clarity around back to some of the basics. How do we want to win, where do we want to win, what are the capabilities that we need to have. And clearly, the first point comes back to what I had talked about earlier, being clear around where we want to play. And we're clear that we want to play in sparkling and we want to play in tea. Being clear around recruitment being critically important, right, in terms of new users into the franchise, and ensuring that we protect the existing users by actually helping them understand the intrinsics of the brands that we're selling and how to consume them, when to consume them, right? Whether it's with food, with sporting events, for refreshment, for upliftment, what does that actually mean, right? So working very closely with the Coca-Cola company.

So you can do all that, but you've got to also have your products available, right, for people to be able to try, because we know our products is very much an impulse purchase. So route to market and your network of wholesalers, distributors, become critically important, right. But truly you can only be successful if you can give them a range of products that actually have great consumer pull, and then drive for tremendous execution in the market. So that's what we've been working on in terms of revamping our cost structures to allow us to invest in new route-to-market capabilities with the right partners, and ultimately for me it's about how do we in a sustainable way, grow our top line from a volume perspective. And you know, there's no reason why this business today, which is 170 million cases, shouldn't be able to grow at a nice clip in a sustainable manner year-on-year.

Eric Serotta: And then turning to the Philippines, I realize you're somewhat limited in what you could say as the deal hasn't closed yet. But you know, conceptually that market is a lot more developed than Indonesia. It probably looks more like Australia from a per-cap standpoint. It's also been pretty well run under Coca-Cola. So could you talk a little bit about the opportunities for CCEP and Aboitiz to really further elevate the business? And then in the Philippines -- and then sort of the benefits to CCEP's overall Asia-Pacific business and you know, how that rolls up to the total company?

Nik Jhangiani: Yes. I can -- I can't talk too much about it, since we don't actually own this business today, but we'll be able to spend a lot more time once we close the transaction. But you know, I think going back to the market, it's a tremendous market in terms of how successful they've been with being able to drive per caps across NARTD, right. It's an interesting market because, you know, if you compare that with like an Indonesia, using those two markets, 280 million people in Indonesia, 115 million people in the Philippines. Firstly, that in itself is exciting because we have the two most populous nations in Southeast Asia that will have the ability to work with. But if you look at the category, the NARTD category in both those markets are circa worth about $8 billion in retail value, right.

In Indonesia, 9% of that is in sparkling. In the Philippines, 55% of that category is sparkling. And we have 65% to 70% growth market share in that category, right. So clearly, they've done a great job in terms of building out the category, right. But the great news is that the growth is still there, right. The category is still growing and sparkling is still growing, right. And if you look at that market, it's about 70% general trade and about 30% modern trade, but modern trade is continuing to grow, right, which we can bring a whole lot of capabilities. But then on the general trade side, they can share a lot of the learnings with Indonesia in terms of some of those basics that I just talked about, route-to-market. How do you win with your wholesaler distributor network? How do we build out and use some of the learnings from there in terms of what they've done for brand building? How do we now look at both these markets together in terms of shared platforms for development and growth that allows us to leverage scale?

So there's a lot to be excited about, a lot more to talk about as we close the transaction. But you know, clearly looking for that to happen sometime early in Q1.

Eric Serotta: Great. And then you said that with the Philippines acquisition, you now expect a return to the top end of your 2.5 to 3 times leverage target at some point next year. Can you discuss the capital allocation priorities from there?

Nik Jhangiani: Yes. Very much unchanged. I mean, I think for us, the first thing really is, how do we continue to invest in the business of growth, right. And I think if you look at the CapEx, we've talked about a 4% to 5% NSR to CapEx ratio, so that's very much intact, and that's the critically-important piece around how do you sustain the growth algorithm going forward. I think we've got a clear focus on a very competitive and progressive dividend policy, which is at a 50% dividend payout ratio, which we will continue to be able to grow as the earnings grow. And then you know, obviously the free cash flow generation continues to be strong. That will allow us to continue to de-lever within that range, which we still believe today is fit for purpose in terms of our 2.5 to 3 times net debt to adjusted EBITDA, which then gives us a lot more flexibility in terms of more M&A potentially if there's something out there, and/or share buybacks to you know, supplement what we're doing in terms of shareholder returns through dividends.

And I say and/or, because you know, I think we think about size and scale of potential acquisitions, they might be smaller which allows us to be able to do both, right. So very much intact, unchanged. I think 2024 is obviously a year of integration, getting back to that leverage level. And then you know, we'll continue to see what's out there, but no change in terms of our friendliness towards our shareholders.

Eric Serotta: Good to hear. And then can you provide us a bit of an update on the status of the FTSE listing regime changes in the UK, and how this may benefit CCEP? You know, a lot of people on this side of the pond aren't quite familiar with the FMA types of listings, and going to a single listing versus a premium. So if you could give a little bit of background and then update as to where we are today.

Nik Jhangiani: Sure. Yes. Well I mean, interesting developments that are happening both closer to home. There's the NASDAQ rebalancing that happens at the end of November, so stay tuned for that, and that should be I guess public or publicized on close of business on Friday. On the other side of the pond, as you've said, the FCA has been doing a lot of consulting around potentially looking at making London a more attractive place to either remain listed, or have companies attracted to come and IPO. And one of the things that they realized was the regime that they were operating with, with this dual class of segment of shares of a standard and a premium listing, was in some ways deterring the competitiveness of the market. So they've been reviewing that. It seems, from what we're hearing -- again, this is obviously news that we're waiting for as well, and we understand that it should be imminent in the next week, 10 days, around a view of potentially collapsing that into one segment, so just having a single segment.

If that was to happen without any changes to, you know, governance requirements, which we believe we follow the highest levels of governance being listed on the New York Stock Exchange, the Amsterdam Exchange, this would then mean that we would potentially be a FTSE 25, FTSE 30 company, based on our market cap size.

So then it's a question of whether the FTSE keeps those rules, and more importantly, how do they look at entry of someone as large as us into the index, and there's fast-track routes that they follow sometimes. There's routes that they want to wait until they see the liquidity kind of come through at a certain level. It's not a hugely high threshold which is the good news, but the liquidity does need to build on the local exchange. But I think we'll be able to engage and discuss and talk about that a lot more once we see the rules clarified.

So I guess the bottom line is, stay tuned. If that does happen and we do become a part of it, depending on how that phasing works, well, clearly today we under-index as a percentage of our shareholder register in terms of index trackers and followers. But there's also the other positive benefit that active shareholders who do still look at benchmarks today will then have another benchmark against which they can assess us, which hopefully will attract a new pool of capital that's been kind of closed to us for the last several years.

Eric Serotta: Great. And then does the FTSE have a certain timetable as to when -- you know, as to how they would incorporate these potential changes from the FCA, or is it sort of to -- it's up to them?

Nik Jhangiani: Well, in all honesty, the FTSE has been pretty silent so far because I think it's probably my own understanding, it's probably hard for them to talk about the rules with the absence of what the rules in the FCA are. And then obviously, they'll be able to come out and talk about it. So we're hopeful that once the FCA comes out with some indications, then the FTSE can be hopefully a little more vocal, and more importantly, we can engage with the FTSE then and talk to them about what our circumstances are as well.

Eric Serotta: Great. So then I'm turning back to the business. Let's just touch upon CCEP's ARTD strategy a little bit. That's clearly been an area of experimentation for Coca-Cola, in James' words -- some people speculating it's more than experimentation. So CCEP announced the sunsetting of the Beam Suntory partnership when that contract ends. So a bit more broadly, can you discuss sort of the intent behind that, CCEP's alcohol strategy, and how is the Jack & Coke RTD been performing in your markets?

Nik Jhangiani: Yes. I mean, we've launched the Jack & Coke across a number of our markets, and we've been very pleased with the early results. Obviously, it's still early. But I think the more we can in conjunction with the Coca-Cola and the partnerships that they're evolving, build a platform of ARTDs, and Sprite and Absolut was the new one that was announced that we'll be launching actually in GB being one of the first markets, gives you a better range of products on which you can continue to excite your customers and bring, you know, broader propositions and get more shelf space and drive more activity and ultimately make it into consumers' baskets, right.

The interesting thing about ARTDs, the way we look at it, is it's very complementary to what we do. The manufacturing processes are very similar. I mean, we can produce this in cans, in-house, with the alcohol, without needing to do any new investments, right. We have the ability to leverage our route-to-market. This is effectively a product that's sold in retail, in modern trade, in convenience, in petroleum. We have a strong relationship there, but also our route-to-market that'll enable us to distribute. So it's in a lot of ways very complementary to the business that we do. So we're excited about it. And you know, we're ready to partner up with the Coca-Cola company and their brand partners to continue this experimentation, because I truly do believe that it's a new source of growth that we can bring in.

In line with that, obviously, given the broader range that the Coca-Cola company and the system has aspirations for, you know, we saw that looking at the Australia/New Zealand market where we've been very successful with Jim Beam Suntory in terms of the range of what we offer, ultimately though, at some stage they'll also look at us and say, well, you know, they're probably going to go the route with the Coca-Cola company. And if that is exciting, that brings a lot more alignment and us working together in that market as well. So we felt that in the interest of all sides it probably made sense to terminate that and focus our efforts on what we as a broader [inaudible] system can do. And so we'll be exiting those at the expiration of the contract in June of '25 in Australia and December of '25 in New Zealand and be able to go out and launch some new exciting products within some of the stuff that we're -- that's being developed.

Eric Serotta: Great. And then to wrap up, I think it was about three years ago that you set out some ambitious targets in terms of reaching net-zero by 2040 across the value chain, reducing your greenhouse gas emissions by 30% versus 2019 baseline. And then you added the sustainability metrics to your long-term incentive comp program. So what are some of the kind of tangible initiatives that you have in place to get there, and sort of how is the mindset toward sustainability evolved within the company over the past few years?

Nik Jhangiani: Yeah. I mean, I think, listen. It was actually the right thing for us to include that as a part of our long-term incentive plans to make sure that we're lined with what our stakeholders want from us, right, in terms of being able to lead to a better planet alongside what we want to do on profit and protection of people and everything that goes along with some of those metrics. You're right, we did set out some ambitious targets. And the first thing that we've done this year, which I'm really proud about, is that we've actually gone in to get SBTI validation, right around our targets. And they've come back and validated our targets both for 2030 and towards our net-zero ambition for 2040, which gives a lot more credibility to what we've laid out, but also gives us a lot more often ability to engage with various stakeholders around what do we need to do to get there, including our people, including our suppliers, including what we want to do with our customers.

So there's a strong focus with our customers, because you think -- if you step back and look at where are our carbon emissions coming from, well, roughly 45% to 50% of that comes from our packaging, right. So we need to work with our packaging suppliers, with our can manufacturers, with PET preform manufacturers, and how do we continue to drive up the recycled content into those products, right. Today, we've been making a lot of progress in what we do on plastics. This year, we'll end with being close to circa 60% recycled PET in our European package footprint, and we have a target to get towards 100%, right. But there's a lot of work that needs to be done alongside industry, alongside our suppliers, on how do we drive new methodologies off that recycling to make that material that much more robust, right, and reusable a multitude of times without causing an impact in terms of the appearance of the package as well.

A lot more we can do with cans, right? There's no reason why we can't drive up aluminum content of recycled material up to that 80%, 85% level. All those have a direct impact on your carbon emissions, right, and brings that down. There's a lot of focus around renewable energy and electric fleets that we're doing. And remember, these are all things that actually get your stakeholders, including your employees, excited. Because it's not just things that you're doing -- it's actually driving down costs, it's reducing carbon, it's great for the planet, and you're really putting your money where your mouth is and delivering that change.

So you know, we see sustainability very much at the heart of our strategy. It's ingrained in how we think about it and we want to continue building that across the organization. I can give you a multitude of more examples, but you know, there's a lot that we'll continue to do in that space.

Eric Serotta: Great. Well, with that, I think we could wrap up two minutes early, let people head to cocktails and enjoy an ARTD beverage.

Nik Jhangiani: Yeah. Make sure you mix it with a great Coke product, whatever you're drinking.

Eric Serotta: Terrific. And thank you so much for joining us.

Nik Jhangiani: Thank you.