

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

COHU - Q2 2018 Cohu Inc Earnings Call

EVENT DATE/TIME: AUGUST 02, 2018 / 8:30PM GMT



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

CORPORATE PARTICIPANTS

Jeffrey D. Jones *Cohu, Inc. - VP of Finance & CFO*

Luis A. Müller *Cohu, Inc. - President, CEO & Director*

CONFERENCE CALL PARTICIPANTS

Brian Edward Chin *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Craig Andrew Ellis *B. Riley FBR, Inc., Research Division - Senior MD & Director of Research*

David Duley *Steelhead Securities LLC - Research Analyst*

Steven F. Marascia *Capitol Securities Management, Inc. - Director of Research*

Yeuk-Fai Mok *Needham & Company, LLC, Research Division - Senior Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Cohu, Inc. Second Quarter 2018 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference call may be recorded. I would now like to introduce your host for today's conference, Mr. Jeff Jones, Vice President, Finance and Chief Financial Officer. Sir, you may begin.

Jeffrey D. Jones - Cohu, Inc. - VP of Finance & CFO

Good afternoon, and welcome to our discussion of Cohu's most recent financial results. I'm joined today by our President and CEO, Luis Müller. Following our opening remarks, we'll provide details of our performance for our second quarter 2018 as well as our outlook for the third quarter 2018. If you need a copy of our earnings release, you may obtain one from our website, cohu.com, or by contacting Cohu investor relations.

Before we begin, you should all be aware that during the course of this conference call, we will make forward-looking statements reflecting management's current expectations concerning the company's future business. These statements are based on current information that we have assessed, which by its nature is subject to rapid and even abrupt changes. Forward-looking statements include our comments regarding strength in automotive and industrial semiconductor markets, new products and customers, sales progress on Kita pins and cHybrid and cDragon contactors, the Xcerra acquisition, synergies, last 12 months' pro formas, EPS accretion, integration plans and timing, acquisition debt repayment, future results including Q3 guidance, effective tax rate, 2018 sales growth and midterm model targets and any other comments we make about the company's future and in response to your questions. We encourage you to review the Forward-Looking Statements section of the earnings release as well as Cohu's filings with the Securities and Exchange Commission, including the most recently filed Form 10-K, Form 10-Q and registration statement on Form S-4.

Our comments speak only as of today, August 2, 2018, and Cohu assumes no obligation to update these statements as a result of developments occurring after this call.

Further, our comments and responses to any questions will not make reference to any specific customers as we are precluded from disclosing such information by our nondisclosure agreements.

Finally, during the call today, we will also discuss certain non-GAAP financial measures. Please refer to our earnings release for a reconciliation to the most comparable GAAP measures.

And now I'll turn it over to Luis.



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Hello, everyone, and thanks for joining us this afternoon. The second quarter results were above our expectations, reflecting continued market momentum, complemented by solid gross margin, earnings expansion and strong cash generation.

First half 2018 sales of \$195 million increased 11% over the same period last year while non-GAAP gross margin increased 140 basis points and non-GAAP earnings per share grew 19% in the same time frame. Continued strength in automotive and industrial semiconductor markets, particularly for testing analog ICs, drove book-to-bill at parity for the quarter with orders for recurring sales growing to 48% of the total.

During the quarter, we captured 2 new customers for our handlers and introduced a new infrared vision module at SEMICON West in mid-July for enhanced micro-crack and subsurface defect detection on wafer-level chip scale packages. Infrared imaging can see through silicon, inspecting the structure underneath the surface that is not otherwise observable and -- with traditional vision inspection systems. This is a very exciting and disruptive technology that helps greatly reduce over-rejection, which saves significant costs and improves yield output for customers. This new module, in combination with our previously announced Aquilae vision inspection and 3D Flex metrology, strengthens Cohu differentiation in the growing \$150 million package inspection market.

During the quarter, we had strong recurring sales and record recurring orders driven by an expanding handler installed base and 17% sequential quarter growth in our contactor business. We made inroads deploying Kita pins and contactors at one of our large European automotive handler customers and gained traction for pin sales in another computing application. For the first time, the attachment rate of Kita pins in our digital and mixed signal contactors exceeded 20%.

In the power segment, orders grew 30% quarter-over-quarter, reflecting successful market penetration of the cHybrid contactor into our turret handler installed base at multiple customers. Market penetration in the high performance segment has been slower than anticipated, mainly due to delays in completing qualification of the cDragon contactor for precision analog device tests. We expect to complete this qualification by end of the third quarter, enabling volume orders starting later this year.

Looking more specific at second quarter orders by handlers -- for handlers by device segment. Power management and discrete was 31% of system orders and a significant increase from the prior quarter 18%. We received a large order for turret handlers from a customer in China, reflecting the strength in automotive and industrial semiconductor markets. Digital and mixed signal was 15% of system orders, more than double of that of the prior quarter, even considering the fact that lower demand for microcontroller applications.

We captured 2 new customers for our handlers in this segment. One develops a cutting-edge audio and voice ICs across the audio signal chain for mobile communications, consumer and smart home applications. And the other customer develops specific mixed signal and digital integrated circuits for industrial, automotive, consumer and medical applications.

Processors were 21% of system orders and down 12 percentage points quarter-over-quarter due mainly to modest growth in smartphone units but also lower sales of equipment for testing high-end computing processors.

Mixed signal and RF was 12% of system orders, about the same as last quarter and driven mainly by our continued traction with IoT applications. Sensors represented 12% of system orders, a slight increase from last quarter, driven by Cohu's strong product portfolio, aligned with customers' requirements for MEM sensors used in automotive applications. Small signal discrete was 6%, which is about half the prior quarter, impacted by soft mobility in computing semiconductor markets. And LED was 3% of system orders.

Looking to the third quarter. We expect muted demand for testing smartphone application processors, similar to commentary from other semiconductor and equipment manufacturers that also impacted our thermal handlers and subsystems business. Other than this isolated situation in the mobility segment, conditions in automotive and industrial semiconductor markets, also IOT applications across various markets, remain strong. And we project annual sales to grow approximately 8% year-over-year in 2018.



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

One final comment on the pending Xcerra acquisition. With regulatory clearances recently granted in the United States and Germany and no such clearance required in other jurisdictions, we expect to close the acquisition early in the fourth quarter, subject to shareholder approvals, where special meetings are scheduled for August 30, and other customary closing conditions. Integration plans are progressing well, and we expect to hit the ground running as soon as the transaction closes. We have discussed the acquisition with many customers, and I'm encouraged by the receptivity and opportunities for providing solutions that better leverage on the technologies from both companies with greater alignment to our customers' test road maps.

Now Jeff will provide details on the second quarter financials and Q3 guidance.

Jeffrey D. Jones - Cohu, Inc. - VP of Finance & CFO

All right. Thanks, Luis.

Cohu's Q2 results exceeded our expectations as we generated non-GAAP operating and adjusted EBITDA margins of 21.3% and 22.7%, respectively, on sales of \$99.8 million. Cohu generated \$15.2 million of cash from operations during the second quarter, and our cash balance increased \$11.1 million to approximately \$50.9 million -- \$150.9 million at the end of the quarter, primarily reflecting strong cash collections and working capital management. Our contactor business represented 10.4% of sales for the quarter.

For Q2, the GAAP to non-GAAP adjustments include approximately \$1.9 million of stock-based compensation expense, \$1 million of purchased intangible amortization expense, \$100,000 of restructuring costs, \$3.8 million of acquisition costs related to Xcerra and a \$577,000 adjustment to the earnout valuation from the Kita acquisition.

My comments that follow, including the Q3 guidance, are all based on Cohu's non-GAAP results, which exclude the impact of these items. As I mentioned, sales for the quarter were \$99.8 million. One customer in the computing market represented 11% of second quarter sales. No other customer exceeded 10% of sales in Q2.

Q2 gross margin was 42.4% and above our guidance, primarily due to lower manufacturing overhead costs and favorable product mix.

Operating expenses for the second quarter were \$21 million and below our guidance of \$24.5 million due to a \$3 million foreign currency gain and \$400,000 of new product development materials that were delayed to Q3.

The non-GAAP effective tax rate was approximately 13% for Q2 and 16% for the first half of 2018. And as I mentioned previously, our tax rate continues to benefit from profit generated outside the U.S. in countries with lower statutory income tax rates and in certain countries where Cohu has income tax holidays. Furthermore, U.S. profits do not currently incur a tax provision because of our valuation allowance. As a result of these factors, we expect our effective tax rate to be approximately 17% for Q3 and for the full year 2018.

Accounts receivable increased sequentially by \$6.3 million and DSO increased by 4 days to 85. Inventory was flat sequentially, with inventory days decreasing by 4 to 104. Accounts payable days decreased by 3 to 68. And overall, the cash conversion cycle increased by 2 days to 121.

Fixed asset additions in Q2 were approximately \$900,000 and depreciation was \$1.4 million. Deferred profit at the end of June was \$1.7 million. That's down \$2.9 million at the end of the first quarter. And the related deferred revenue at the end of Q2 was \$3.4 million, down \$2.4 million sequentially.

Cohu's Board of Directors approved a quarterly cash dividend of \$0.06 per share, payable on October 19, 2018, to shareholders of record on August 24, 2018.

And now moving to our guidance for Q3. We're expecting Q3 sales to be approximately \$92 million. Gross margin in Q3 is expected to be approximately 41% and operating expenses approximately \$24.5 million.



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

Now turning to Xcerra. We continue to model \$20 million of annual cost synergies within the first 2 years, lowering cost of goods sold by approximately \$7 million and operating expenses by \$13 million. Combining actual results for Cohu and Xcerra over the last 12 months based upon the last publicly released quarters by both companies and including cost synergies of \$20 million, as I just described, results in pro forma combined sales of \$846 million, gross margin of 45% and adjusted EBITDA of approximately 19%. The last 12 months pro forma model results in EPS accretion of 59%.

Over the midterm, which means 3 to 5 years, we are targeting to increase gross margin to 48% and adjusted EBITDA to 22%, mainly as a result of achieving additional cost synergies through the expected combination of facilities, transfer of some handler manufacturing to Asia and additional operational efficiencies, effectively doubling the annual synergies from \$20 million to approximately \$40 million, again, over the midterm.

Considering the most recently reported cash balances for both companies, post-financing, Cohu will have \$362 million of outstanding debt, pro forma cash of approximately \$150 million and net debt of \$212 million. Using the last 12 months EBITDA and excluding anticipated synergies, our ratios will be 1.5x net leverage and 2.5x gross leverage. Our cash strategy post the acquisition will be to maintain approximately \$125 million of cash on the balance sheet to support operations, capital expenditures and the dividend. Cash generated in excess of \$125 million will be used to pay down the debt and delever the company.

That concludes our prepared remarks, and now we'll be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Craig Ellis from B. Riley FBR.

Craig Andrew Ellis - *B. Riley FBR, Inc., Research Division - Senior MD & Director of Research*

To start, I'd like to just do a few quick clarifications on the financial guidance, Jeff. One, on gross margin, down a little more than 100 basis points quarter-on-quarter from trailing 2Q trends. What's at play in that decrease? And with the operating expense guidance, I take it -- the increase sequentially is the absence of that currency exchange benefit. But are there any other gives and takes that are in the mix there?

Jeffrey D. Jones - *Cohu, Inc. - VP of Finance & CFO*

I'll start with the last part of that. On the operating expense, you're absolutely right, it's the assumption of not having that \$3 million currency gain occur in Q3. So the spending was -- in Q2 was right about on forecast, the \$24.5 million. Aside from some materials for development that was delayed to Q3, we're anticipating a similar spending rate in Q3. So yes, that's how we get to the \$24.5 million. With respect to the gross margin, you're right, 41% in Q3, driven by the lower sales from almost \$100 million to \$98 million. As well as in Q3, we had very strong recurring sales, which carry a higher gross margin. And we're modeling more of a standard mix, if you will, for Q3.

Craig Andrew Ellis - *B. Riley FBR, Inc., Research Division - Senior MD & Director of Research*

Got it. And I'll use that last comment to pivot a little bit because I think the order activity was a little bit stronger, and maybe that's a longer-term dynamic. But Luis, it seems like the recurring part of the business and the contactor part of the business is showing some nice signs of further inflection. As you look at the business, can you just comment on some of the broader trends that you're seeing with contactors and pins, et cetera?



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Yes, you're right. I mean, we've talked about a strong booking quarter, right? I mentioned during the prepared remarks, book-to-bill at parity. So both systems and recurring orders were actually strong in the quarter. But recurring is growing faster. It's growing at an annual rate of actually 23% over the last 12 months and much stronger than the systems business. The plan -- our plan continues to be -- to grow the contactor business, in particular, at a 20% rate year-over-year. Now obviously, with the Xcerra acquisition, we need to reassess this number because just based on having a much larger group, combining the 2 businesses, we'll have a contactor sales of approximately \$125 million a year. Still, the opportunity in our combined handler fleet is for approximately \$300 million of annual contactor sales, which means we still have a long runway for growth from the \$125 million combined. But we'll have to recast that projection for annual growth rate from the larger base once we complete the acquisition.

Craig Andrew Ellis - B. Riley FBR, Inc., Research Division - Senior MD & Director of Research

Okay. We'll look forward to that. Then the follow-up question for you is tying together 2 things. One, I think you mentioned that there was weakness in a smartphone APU application that was impacting the guidance. And then I thought I heard you say that you thought there was potential for 8% growth in the business this year. If that's so, what impact is the APU headwind that you're seeing having on the overall growth rate of the business? Is it worth 100 basis points, 200 basis points? How would you handicap that?

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Yes, you're correct. Just to start backwards, you're correct, we are modeling right now an 8% growth in sales in 2018 year-over-year. About -- speaking for last year numbers, about 7% of our sales last year was associated with testing -- equipment for testing APUs, application processors. I'm not going to be able to handicap right now how much that would be this year, but it's certainly down year-on-year. It's not a large percentage of our revenues, but it is down with the slower growth in smartphone units year-over-year and, in fact, I think, even down units of smartphones quarter-over-quarter. On the other hand, automotive and industrial semiconductor markets are growing. IoT applications are increasing. We're seeing some new applications in LiDAR and some early work towards 5G standards as well.

Operator

And our next question comes from David Duley from Steelhead.

David Duley - Steelhead Securities LLC - Research Analyst

So just to clarify as far as the September quarter goes, the only segment that you saw any weakness in is the mobility space, and the other segments are kind of growing on a year-over-year basis?

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Yes, that's correct. We're seeing weakness in the mobility, and more specifically, isolated to application processor -- or equipment associated with application processor tests.

David Duley - Steelhead Securities LLC - Research Analyst

Okay. And as far as I know, it's difficult, but when you think about having some weakness in the current quarter, do you -- would that spill over into the December quarter? Do you have any idea about what the December quarter might look like at this point?



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Well, in essence, yes. We provided here on the remarks, talking about an 8% growth year-over-year. So you can take the Q1, Q2 actual, Q3 guidance and the 8% growth from last year and squeeze out sort of how we're thinking about Q4 at this point, which is slightly higher than the third quarter here and seasonally still a strong quarter for fourth quarter.

David Duley - Steelhead Securities LLC - Research Analyst

Okay. And with the -- so some of the bookings -- like since the bookings were at parity this quarter, some of the orders that you got are for longer lead time items and spread out into the December and March quarters?

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Yes, that's right. That's right, Dave. Yes. So we've got actually a chunk of the backlog at the end of Q2 that doesn't ship until Q4 and even there's smaller amounts that don't ship until 2019.

David Duley - Steelhead Securities LLC - Research Analyst

Okay. And final question from me is, can you just help us understand the size of the opportunity for you guys in the inspection market? I think you have a couple different products now. And maybe help us frame it for how big do you think that market is and what are your kind of inspection-related revenues at this point.

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Okay. So the way we look at it is the market for semiconductor inspection in total is about \$500 million. The package inspection segment, specifically, is in the order of \$150 million, and that's where we have products and we continue to expand our technology. We're still a small supplier in that space. Last year, sales were about \$34 million for pure inspection equipment. Now this infrared vision module that we introduced here applies to that segment of the market, that \$150 million segment of the market. I would say that I expect inspection to increase, and particularly, infrared imaging to become sort of the new norm in the coming years for wafer-level package and bare dies; and even possibly, in certain cases, seeing a 100% inspection of these devices, particularly as these tools become faster and per device cost of inspection comes down. And this was really important for some of the big brand-name consumer electronic products, like high-end cell phone manufacturers and suppliers to those manufacturers that don't want to see failures coming to market.

Operator

And our next question comes from Patrick Ho from Stifel.

Brian Edward Chin - Stifel, Nicolaus & Company, Incorporated, Research Division - Associate

This is Brian on for Patrick. Kind of curious, first question for you, Luis, given the various pushes and pulls on the market, how does that impact your outlook for the overall test handler market in 2018 in terms of year-on-year growth? And also Cohu specific, are you still on track to gain roughly, I think, it's 2 to 3 points of market share in the handler market this year?

Luis A. Müller - Cohu, Inc. - President, CEO & Director

Yes. I'm still expecting that the handler market will grow about mid-single digit this year and that we're going to gain, like I said, 2 to 3 points share. But as I mentioned a quarter ago when we announced the successful capturing of 2 major customers, one in Korean, one in Europe, those market



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

share gain points are going to develop through the year and have more of a volume into 2019. So for this year alone, I'm expecting a couple of points growth faster than market in handlers. The contactor market, I think, is growing a little bit faster than the handlers, and we're also targeting about 1 point share gain in contactors this year.

Brian Edward Chin - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Okay, got it. Okay, very helpful. Doubling back on, I think, one of the questions in the Q&A, I think you mentioned some deliveries and backlog even going in the early part of 2019. That does seem like longer than typical order visibility. The suspects based on your commentary sound like they're sort of auto, industrial, maybe things like turret and gravity-feed handlers. I'm just curious, are lead times stretching out there? Is that sort of the reason you're shipping out sort of the early '19 time frame?

Jeffrey D. Jones - *Cohu, Inc. - VP of Finance & CFO*

No. No, it's actually more in the computing and mobility spaces. So it's not -- automotive, industrial still sort of holding to the normal lead times and delivery dates. But we've got a couple of orders. Actually, it's approaching about 1/3 of the backlog at the end of the quarter that most of that ships in Q4, like I said, some of it in the first part of 2019. But it's not automotive, industrial related.

Brian Edward Chin - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Okay. That's helpful. Over the longer term, I think you talked about potential doubling of the cost synergy over an extended time frame and you talked about some of those margin targets being gross margin 48%, EBITDA of 22-ish. What revenue level are you paying that against in terms of those margin targets?

Jeffrey D. Jones - *Cohu, Inc. - VP of Finance & CFO*

That's a modest sort of annual low single-digit growth rate from where we are today on a combined basis. So that's in the -- as I mentioned, combining today for last 12 months would be about \$846 million. So adding a low single-digit growth rate to that probably takes us into the \$850 million to \$900 million range.

Brian Edward Chin - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Okay, very helpful. Maybe one last question here. One thing that -- when you look at the product portfolio, even the IP maybe of Xcerra, is there anything there that is maybe a good segue into servicing the broader memory market, which is that SAM, TAM that Cohu historically haven't really addressed?

Luis A. Müller - *Cohu, Inc. - President, CEO & Director*

Yes. We have discussed this in the past that we will continue to look for a discontinuity in the memory market. But we don't have the intention to go in head-to-head with well-established incumbent suppliers in that space. If and when that discontinuity materializes, we'll look for, if there's an opportunity to leverage our technology and provide product -- differentiated products. We will continue to update you on that if and when that develops.

Operator

Our next question comes from Steve Marascia from Capitol Securities Management.



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

Steven F. Marascia - *Capitol Securities Management, Inc. - Director of Research*

Actually, one of my questions is about handler market share growth was just answered. My other question was given all the tariff talk, have any of your customers discussed whether there was going to be any change to their future order patterns or potential -- their production levels? Or is that more a function of they're going to wait and see what happens to their orders coming through on their front side?

Luis A. Müller - *Cohu, Inc. - President, CEO & Director*

Yes. The simple answer is no, we haven't seen any impact from our customers yet related to the tariffs. And now with that said, I think we'll continue to monitor the situation and whether an increase in tariffs would cause any change in behavior on semiconductor spending over time, but nothing at this moment.

Operator

And our next question comes from Edwin Mok from Needham & Company.

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Senior Analyst*

So my question is on high bandwidth memory. I heard from a few suppliers stating that there is some pickup in demand on that area. Have you guys seen that? And you stand to benefit on that in any way?

Luis A. Müller - *Cohu, Inc. - President, CEO & Director*

Sorry, Edwin, which area were you referring to?

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Senior Analyst*

I was referring to high-bandwidth memory, HBM for DRAM.

Luis A. Müller - *Cohu, Inc. - President, CEO & Director*

Yes, no. I think the way to look at this is the same as I answered before to Brian Chin is we'll continue to monitor an opportunity to -- an inflection point in the way products in memory are tested in which we can leverage our product portfolio or technology. But we really have nothing to report and talk about as of Q2 results.

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Senior Analyst*

I see. And then can you give us an update on PANTHER, where you stand on that right now? And I know that there -- at some point, you were discussing with multiple customers, one being a mobile and one being an auto customer. Just to kind of see where you stand on that.

Luis A. Müller - *Cohu, Inc. - President, CEO & Director*

Yes. The product is still a small part of our total business and not much has changed, actually. And in that, we're still working to fulfill the customer requirements in RF and PMIC and the automotive device test customer that you just mentioned. So not much of a change quarter-on-quarter on that product line.



AUGUST 02, 2018 / 8:30PM, COHU - Q2 2018 Cohu Inc Earnings Call

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Senior Analyst*

And then last question, I guess, for you, Jeff. Just kind of talk a little bit about margin. On the guidance, I understand the guiding for lower gross margin in the third quarter. Is there a way to kind of think about the margin run rate? Should we go back to just your target model? Or you mentioned 4Q, you're going back up a little bit on top line. Should we expect a slight margin expansion? Just give us some color on that.

Jeffrey D. Jones - *Cohu, Inc. - VP of Finance & CFO*

Yes. No, you're absolutely right. Actually, Q2 margin was higher than our financial model. If you recall, at \$100 million in quarterly sales, we're modeling 42%. So we came in at 42.4%. It's a little bit higher than the model, again, driven by favorable product mix. We also had small reduction in some manufacturing overhead that benefited Q2. So for Q3, we're basically back to that model. And at \$92 million in quarterly sales, 41% is basically in line with that model.

Operator

And I am showing no further questions from our phone lines. I would now like to turn the conference back over to Jeff Jones for any closing remarks.

Jeffrey D. Jones - *Cohu, Inc. - VP of Finance & CFO*

Well, thank you for joining us today. We look forward to speaking with you at upcoming investor conferences we plan to attend such as the D.A. Davidson and Jefferies conferences later this month and the Dougherty conference in early September or when we report our third quarter 2018 results. Thank you, and have a good day.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program, and you may all disconnect. Everyone, have a wonderful day.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2018, Thomson Reuters. All Rights Reserved.