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an NTT Communications Company

# Transcription

**ADVA Optical Networking**

**April 26, 2018**

**EV00072322**

### 00:00 - Operator

Dear ladies and gentlemen, welcome to the conference call of ADVA Optical Networking for the first quarter 2018 IFRS Financial Result. This call is being recorded. As a reminder, all participants will be in a listen only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulty hearing the conference, please press star-key followed by zero on your telephone for operator assistance. I now hand you over to Mr Stephan Rettenberger, ADVA Optical Networking's Senior Vice President of Marketing and Investor Relations. Please go ahead, sir.

### 00:36 – Stephan Rettenberger

Yes, thank you and welcome from my side. This earnings call builds on a presentation, which is available for download in PDF format from our homepage at [www.advaoptical.com](http://www.advaoptical.com) in the About Us/Investors section. Should you not have the presentation in front of you, you may want to access it on the Conference Calls page in the Financial Results section of the investors' part of our website. Before we lead you through the presentation, as always please be informed that this presentation contains forward-looking statements, with words such as 'belief,' 'anticipate' and 'expect' to describe expected revenues and earnings, anticipated demands for optical networking solutions, internal estimates and liquidity. These factors are discussed in greater detail in the Risk Report section of our Annual Report 2017. Please also be reminded that we provide consolidated pro forma financial results in this presentation, solely as supplemental financial information, to help the financial community make meaningful comparisons of our operating results from one financial period to another. This pro forma information is not prepared in accordance with IFRS, and should not be considered a substitute for historical information presented in accordance with IFRS. Pro forma operating income or loss is calculated prior to non-cash charges related to the stock compensation programs and amortization and impairment of goodwill, and acquisition-related intangible assets. Additionally, from Q3 2017 onwards, non-recurring expenses related to restructuring measures are not included. Unless stated otherwise, all numbers are presented in Euro. We will target to limit this conference call to 60 minutes. As usual, Brian will start and provide a business update and outlook. Then, Uli will talk us through our Q1 2018 financials. Finally, we will have sufficient time for your questions, which we will be happy to answer. So Brian, please go ahead with the business update.

### 02:49 – Brian Protiva

Thank you, Stephan. We'll start on page 4 with the business update: Q1 2018 in review. Q1 revenues reached EUR 120.5 million, up from 117.2 million in Q4 2017, but down from 141.8 million in Q1 2017, where North America and the ICP space contributed higher revenues. This was within our guidance corridor, provided on February 22<sup>nd</sup> 2018, of between EUR 115 million and EUR 130 million. Our Q1 pro forma operating income was at EUR 2.2 million or 1.9% of revenues, and above the midpoint per guidance of between -1 percent and 4 percent of revenue. On a positive note, although we lost quite a bit of revenue from one strategic customer from last year, our total growth profit only decreased by 4 percent from Q1 2017 to Q1 2018. In addition, we achieved a similar operating cash flow last year. We are slowly turning the ship, with both slight growth and stronger growth margins, which will have a positive impact on our 2018 results. We were able to demonstrate good execution when it comes to our strategic investments, which are beginning to deliver returns. Specifically, the MRV integration is completed and delivering additional revenues, which is revenue, and starting to positively influence our profitability. The Oscilloquartz EBIT contribution continues to increase, pay back investment, and giving us a number of new strategic wins in the carrier, enterprise and ICP space. In general, the carrier service provider customers and enterprise business has stabilized in all regions.

Moving on to page number 5: Prospects for Q2 2018. We will continue to strengthen our balance sheet by tightly managing our costs and generating cash. We are leveraging our technology in the sync and timing space, as well as with our carrier Ethernet and Edge NFV product portfolio with new footprints. In reflection, Q2 2017 had significant ICP revenue contribution. We have partly refilled this loss, or we will partly refill this loss, with new business from other areas, while aggressively pursuing further ICP opportunities. We now service three of the big five ICPs, and we are working diligently on the next generation of DCI technology to upsell our existing customer base. Most likely, more importantly, if we are in the upper half of our forecast for Q2 2018, we will be able to demonstrate a growth profit increase from our Q2 2017 numbers. Every Euro of revenue means more to us in 2018 than in 2017, due to our increasing growth margins. Furthermore, positive contributions from the packet edge and synchronization space are allowing us to build out both our regional footprint, but also our tier one customer base. It is important to have relationship and contracts in place, in order to have an opportunity to cross-sell our optical carrier Ethernet and NFV, or

our sync atomic clock product solutions. On the next three slides, I will outline the view of our position in these three technology segments.

Page 6: Open Optical Networking in 2018. Our focus will be to leverage the metro core upgrade cycle, and our carrier customers to drive additional optical revenues by expanding the use cases of our existing customers. We are also aggressively pursuing DCI opportunities with open line systems, and we are introducing a number of new products for this market segment later this year. In addition, decisions are now being made for the infrastructure investments for the upcoming upgrade to the 5G mobile network. We are going to win new footprint for flexible and programmable 5G infrastructure, where we can leverage all three core technologies and our software expertise. We believe for the first time, there will be opportunity for network equipment manufacturers, other than the big three mobile network providers, to win real share due to the virtualization of certain parts of the network and the differentiated technology needed for 5G. The investments are too big, and the lock-in too great, for carriers to solely rely on the big mobile network equipment vendors. In addition, ADVA Optical Networking has been investing in a software-defined strategy in order to support our customers, looking at flexible capacity in the network in order to support cloud-like operations in carrier networks.

Page number 7: Physical and Virtual Packet Edge in 2018. With respect to our 2<sup>nd</sup> technology segment, we have a number of opportunities to grow our ADVA packet edge market share of 2018. Our first and primary goal is to protect our MRV customer base and drive cross-selling initiative, with our NFV solution or other ADVA products. Next, we plan on extending the customer base for cloud access solutions, by offering both physical and virtual packet edge solutions for complete flexibility and secure access. They can choose to use our all-in-one hardware solutions, which will lead with price performance, or to use our software solutions over their cloud infrastructure usually by the servers, to build secure, high bandwidth and software-defined on ramps to data centers or cloud infrastructure. Furthermore, we plan on accelerating revenue contribution from our Ensemble software solutions, as we see a lot of activity from the carrier landscape and our win-rate is increasing. This is based on our comprehensive product strategy, ease of use, secure platform, and some of our latest technology features, such as zero-touch-service-delivery for both carriers and enterprises. We are the global leader in carrier Ethernet and have the most competitive technology for the universal CPE application, which is often the first-used case to be rolled out by carriers as they start down the path of virtualizing their networks. One virtualizes to make the hardware layer independent from the software layer, in order to standardize frameworks and interfaces and avoid proprietary solutions. It yields greater simplicity, lower costs and scalability, which is not supported with those proprietary solutions. ADVA is the global technology leader in virtualizing the edge of the network.

And for my final slide: Synchronization in 2018, page 8. We are winning multiple footprints and growing rapidly with our synchronization strategy. So far, we are leveraging our large footprint in the carrier space, but there are a number of other customer segments, which we will be successfully expanding into over the next 2-3 years. We are utilizing our technology leadership and synchronization to further improve overall corporate growth margins, and win new footprint where we can cross-sell our other technologies. With the decision for 5G infrastructure builds being made now, we have all the pieces in order to offer a comprehensive portfolio of core, access and software timing assurance solutions, which will far exceed our competitors' offering. Accurate and scalable time and frequency synchronization will continue to give us a strong, third leg to stand on, and the ability to leverage optical, packet, and timing technologies for next gen networks. I would now like to introduce Uli as the next speaker.

### 11:39 – Uli Dopfer

Thank you, Brian, and hello everybody. Let's move to slide 10: IFRS Quarterly revenue and pro forma profitability. As already stated, we entered Q1 2018 with revenues at EUR 120.5 million. This result is within our revenue guidance range of EUR 115 and 130 million, and it presents an increase of 2.8 percent, compared to the EUR 117.2 million in Q4 2017. Year over year, our revenues decrease by 15 percent. With nearly half of our revenues in US Dollar, the much weaker US Dollar exchange rate had a major impact as well. The change in customer and product mix, combined with successful cost-reduction efforts, led to a strong growth margin of 36.7 percent, compared to 32.5 percent in the year ago quarter. This effect is also reflected in the strong pro

forma operating income, which was in Q1 2018 with EUR 2.2 million or 1.9 percent of revenues, above midpoint of our guidance of between -1 and 4 percent of revenues. This compares to 3.8 percent in Q4 2017 and confirms our return to profitability.

Let's move on to the next slide: Quarterly IFRS profitability. In Q1 2018 IFRS operating income was slightly negative, 0.4 million or -0.4 percent of revenues, down from 2.3 million or 2 percent in Q4 2017. This result was impacted by about EUR 1 million restructuring expenses. The integration of the recently-acquired MRV Communications group is progressing well, and we expect some further minor financial restructuring expenses as we move along. Due to the weak US-Dollar the revaluation of our balance sheet resulted in expenses of EUR 1.9 million, leading to a negative net income in Q1 2018 of 2.4 million Euros or -2 percent of revenues. Of course, the strengthening US Dollar will reverse this effect again. As a number of ways to direct share for spending has not changed significantly, diluted EPS developed in proportion with IFRS net income is -5 cents per share.

Next slide please. Quarterly revenues per region. EMEA saw strong growth of 6.7 million, compared to Q4 2017, and represents 54 percent of our total revenues. After a strong Q4 2017, order entry at the beginning of Q1 2018 was slow but improved nicely in the second half of the quarter in the Americas. As a result, revenues in the Americas were at 41.3 million, or 34 percent of revenue. As already seen in Q4 2017, the strong MRV presence in Asia Pacific results in continued growth in this region. 27 percent, quarter over quarter, or 87 percent, year over year.

Next slide please: IFRS consolidated balance sheet. Overall networking capital of 122.5 million, decreased slightly compared to the 123.8 million recorded at the end of Q4. Tight inventory management resulted in a significant decrease for inventories to 73 million from 82 million at the end of 2017. The accounts receivable increased, caused by higher revenues, cash balance was slightly lower than at the end of 2017. As always, the cash balance in our first quarter is impacted by the cash outflow from variable personal expenses. This is reflected by the lower net liquidity of the -44.2 million, compared to -38.2 million at the end of Q4 2017. Raw cash remains stable at EUR 57.7 million, compared with EUR 58.4 million at the end of Q4, due to the new financing of 10 million, which was partly assessed by the regular debt repayments of EUR 4.7 million. Year over year, net liquidity decreases, mainly due to the cash-based acquisition of MRV Communications, which was financed with a short-term loan. We are currently in the process of converting this loan into a long-term obligation. Our equity ratio is at 49 percent, with a total stockholder equity of EUR 223.5 million.

Next slide please: our guidance for Q2 2018. We confirm that for 2018, we expect a moderate single digit percentage revenue growth and a mid single digit pro forma EBIT. We project for Q2 2018 revenues of between EUR 120 and 135 million, with pro forma operating income to range between 1 percent and 6 percent of revenues. We remain committed to a flexible cost and operating model that allows us to quickly adapt to changing market conditions. We will continue to perform detailed reviews of our expected business development in respect of all intangible assets, including capitalized development projects. In case of highly adverse business prospects, such a review may result in non-cash impairment charges into Q2 2018 and beyond. The pro forma operating income guidance we have provided today excludes any such potential impairment charges.

With that, I'd like to summarize today's call. Last slide. We had a successful turnaround in Q4 2017 and a solid start in the new year. We optimized our cost structure, which is aligned with our revenue profile, and will enable us to grow our profitability in 2018 and beyond. Thanks to the MRV acquisition, we have more customers, better revenue diversification, and a broader solutions portfolio than ever before. The global growth drivers cloud and mobility and the preparation of the network infrastructure for 5G create new opportunities for us, with multiple ways for us to win. With our cloud interconnect portfolio, we are supplying the industry with a new architecture for programmable, open, optical networks. Furthermore, with our physical and virtual edge portfolio, we are rapidly expanding our customer base for cloud-access solutions. And last but not least, we are leveraging our technology leadership in network synchronization, to increase our presence among large network operated and tech into new tiers. We have a solid foundation for future growth and increased profitability. Thank you for your participation in today's call. With that, I'd like to turn the call over to the operator, to begin the Q&A portion of the call.

### 19:13 – Operator

Thank you very much. Ladies and gentlemen, we are now starting the question and answer session. If you'd like to ask a question, please press 01 on your telephone keypad. Your questions will be answered in the order they are received. If you're using speaker equipment today, please lift the handset before making your selection. One moment please for the first question.

We've received the first question from Robin Brass. Please go ahead.

### 19:48 – Robin Brass

Yes thank you, and good afternoon everybody. I have two questions. First of all, the DCI or ICP segment here. Is it fair to assume that now, with lower sales, around maybe 10 percent of revenue in Q1, are there any indications you could give us? And the second question would be, how does the ban on ZTE affect your business in a positive or negative way?

### 20:14 – Brian Protiva

So the first one is, high single digits in Q1, still believed to be in and around 10 percent for the year. I think it's a healthy percentage of our business. From a ZTE perspective, ZTE was mostly focused on China, 75 percent of their revenues was China and another big chunk in Asia, and very little outside of those regions. Therefore, there might be some upside, but I think that it's going to be relatively small pickings for most western providers of the technology base. Again, there might be some small opportunities in South-East Asia and maybe through Africa.

### 21:06 – Robin Brass

And do you assume any consolidation push now on the market from this? Development?

### 21:12 – Brian Protiva

I admit that the consolidation has been taking far too long; 18 years to get down to a tenth of the vendors we once had, but it's still too many vendors. I believe the consolidation is going forward, but it's not necessarily driven by this issue with the EU or US-China stress that's occurring right now. But I think it's happening because fewer companies can keep up from a technology perspective, and therefore there are some weak companies that are bleeding cash, losing customers and revenues rapidly, and are no longer truly competitive. So I do believe the consolidation continues, and it remains in our optical, one of our three legs to stand on, a very competitive market out there, to make sure you continue servicing your existing customer base, but also winning new footprint. So the answer is yes, consolidation continues.

### 22:15 – Robin Brass

Okay, thank you.

### 22:20 – Operator

The next question is from Tim Savageaux, Northern Capital Markets. Your line is now open, please go ahead. Tim Savageaux?

### 22:31 – Tim Savageaux

Hi there, sorry about that. Uli, I think you mentioned briefly some of the drivers for the strong gross margin. Could you kind of go over that again, or provide any more additional color, you know mix MRV what have you, maintain any comments on the sustainability of growth margins in that range? Brian, I think you talked to the potential for increased growth profit year over year at the high end of the range on an absolute dollar basis. I want to make sure I got that right as well. Thanks.

### 23:09 – Uli Dopfer

So, growth margin, yeah. We've just discussed the ICP portion in the revenues; just below 10 percent, it definitely has an impact on stronger growth margins. We have in general a different product mix. We have a stronger business with synchronization and timing, but also of course MRV has a positive impact on our growth margins.

### 23:35 – Brian Protiva

And the US Dollar, could you repeat the US Dollar. Clearly, it has now stabilized. It was far too strong, relative to other currencies. Software sales increasing, so there's a number of drivers to support further strengthening, and that's why we mention, in both my sections and Uli's section, we feel comfortable with the expanding growth margin. My statement was yes, also growth margin in one part and growth profit absolute, if we're in the upper half of our guidance, we will actually increase our growth profits; absolute increase from Q2 of last year. Still be down if you look in the upper half of the revenue number, but we're contributing more dollars to our business, for investments and profitability are all ready, and you have now three quarters of, you know, looks like growth if we meet our range of guidance, you see us recovering on a topline, but already having recovered nicely from a gross profit perspective.

### 24:37 – Tim Savageaux

Got it, thanks. And, what if you could comment on one of the core European carrier markets for transport. You were going down year over year. In Europe, you've been commenting on the relative health and stability of that market for a few quarters now. Could you update your views on the carrier metro market amongst your European customers?

### 25:10 – Brian Protiva

So I think, you know, there are always waves. At the beginning of last year was some good momentum on certain customers that helped us, but in general I feel positive, maybe slightly down but it could be up shortly here. There's steady-as-you-go type of thinking, no explosion in investment dollars, there's been no major change in the consolidation wave of any major customer of ours, so we feel comfortable with our business in Europe.

### 25:47 – Tim Savageaux

Okay and, last question from me for now. You'd mentioned during the call, made some reference to a next generation DCI technology. Could you dig into that a little bit further? We continue to see pretty strong, if not dizzying, levels of investment, as these cloud providers report, and I wondered if that's a reference to new platform development or new fronts or higher line rates or your efforts to reestablish yourself, or reconnect with some of that strong cloud spending.

### 26:33 – Brian Protiva

So yes, we've mentioned the short reach for that metro use case where we lost one of our big customers. We are bringing next-generation technologies to market under our brand name TeraFlex, but this time it's using all of our standard software architecture, and we've introduced that new platform, so there's very little risk around the software architecture perspective. The development cycle is going very well; we said second half of this year we would be driving wins, and scaling that, after those wins always a quarter or two later. We feel comfortable with higher line rates on the network side, so that you're getting a dramatic cost benefit at 100Gbit/s and ultimately 400Gbit/s line rates. I feel that our technology that we're introducing is as good as it gets, there's no indication that anybody has a better bandwidth scalability, ease of use. I think, if you marry that with some of our differentiated features that we like, including the encryption piece, I believe that we're very competitive.

### 27:55 – Tim Savageaux

Okay, now really final question now. Along those lines, heading into OFC this year, after having announced the partnership with Ranovous last year for direct detect-oriented DCI solutions, united general availability there, heading into OFC, any expectations for material revenues out of that partnership this year?

### 28:21 – Brian Protiva

We're hoping for that, for sure. We've always been good at positioning different 100Gbit/s solutions into different market segments. We sell effectively into carriers, managed service providers, enterprises, ICPs, their different use cases for the different

technologies and price points, so we feel that we wouldn't be introducing it unless we feel that we can use it to differentiate and focus on market segments that need different technology respects in their network architecture.

**29:00 – Tim Savageaux**

Okay, thanks.

**29:01 – Brian Protiva**

The answer is yes.

**29:07 – Operator**

There are currently no other questions. As a reminder, if you would like to ask a question, please press 01 on your telephone keypad.

We received two more questions. The first from Rob Sanders, Deutsche Bank. Your line is now open, please go ahead.

**29:39 – Rob Sanders**

Hi there, sorry, it was a bit difficult to get on. So, my first question is just on the capitalized R&D that you have on your balance sheet. As I understand it, a lot of the synergies from MRV were basically realized by discontinuing some of the ADVA comparable initiatives. So, I understand that the (unintelligible) have come down partly as a result of that, but I would have expected some of the capitalized R&D to be written down, if that was the case. So I'm just trying to understand that. And the second question is around the Schuldschein, the refinancing that you mentioned in the annual report. I understand that you're not necessarily going with the Schuldschein now, but do you have enough credit lines to support your liquidity? Are there any countermeasures etc? Thank you.

**30:40 – Uli Dopfer**

Alright, first question: the capitalized R&D. No, we have not written it off. In Q3 of last year, we wrote a small portion of the R&D off as part of the restructuring, but so far of course we have not capitalized any of the MRV R&D expenses, and I would also not expect that we have extraordinary depreciation of the existing capitalized R&D, based on the combination of the platforms with the MRV products and the other products.

Then the next question: the Schuldschein. The plan was to go with the Schuldschein, but it turned out to be not a very good quarter for the Schuldschein; in the general, the market was down, and after consulting our banks, we decided to pull back our offer, or shorten the offer period, and we are now in discussions to refinance with a traditional syndicated loan. But we don't expect any major issues and of course the liquidity is secure. We are currently in a bridge loan scenario, which will last until the end of the year, so we have plenty of time to refinance the bridge loan.

**32:04 – Rob Sanders**

Got it, and the bridge loan carries what interest rate?

**32:09 – Uli**

I don't know if I'm allowed to disclose it, I cannot disclose it, but it's very low.

**32:14 – Brian Protiva**

It's lower than the Schuldschein, right?

**32:16 – Uli**

Yes.



### 32:17 – Rob Sanders

Okay, thank you very much.

### 32:21 – Operator

The next question is from Mirko Meyer, LBBW. Your line is now open.

### 32:26 – Mirko Meyer

Yes, hi, thanks. A couple of questions, if I may. First on Asia. You've mentioned that MRV was strong in Asia, so in the past the issue revenue was somewhat lumpy, so in the last three quarters there was no stable development. Is there a new trend, or is the revenue base in Asia still too small to be a stable base? And then I'll follow up also on the activation of the R&D expenses. I've learnt it was not based on the MRV integration, so was the reason for the very low integration, the lower revenue, a special customer in the United States? And just mentioned that the MRV integration was completed, so are low integration costs to be expected in Q2, and nothing more in Q3?

Then I have a question on, do you have any positive news when it comes to cross-selling effects to those MRV customers in the United States? And then I have one to the Oscilloquartz you mentioned, they mentioned that the revenue distribution was 5 percent, I guess it was for 2017. And you mentioned that timing will grow much faster than the home market you are addressing, so what will be the share from Oscilloquartz to your top line in 2018?

### 34:04 – Brian Protiva

So, let's try to get this right. The first one was Asia. And two positive pieces, is the sync and timing business grew fastest in Asia, and we've won many customers and we have therefore better stability. Point two, MRV. MRV has, as indicated during our presentation, stabilized Asia further. So, we have two very positive effects. We're hoping to continue to grow Asia over the coming years and we have a better team than ever before.

Activation of R&D. Do you want to take that one?

### 34:45 – Uli Dopfer

To be honest, the second question Mirko. If you could repeat the second question?

### 34:49 – Mirko Meyer

It was, activation was very low. You've mentioned that it belongs not to MRV, so I assume it belongs to the lower revenue, a special customer in the United States. Is that the reason behind the very low activation of MRV?

### 35:11 – Uli Dopfer

Well, we don't activate on a customer basis, we activate development projects. We do customer-specific development here and there, what we develop in general is new products, new features, new technology, so you cannot tie it to an individual customer.

### 35:30 – Mirko Meyer

Okay.

### 35:32 – Brian Protiva

Maybe a follow-on to that: the quality of our pro forma EBIT is stronger this year than last year, because there was greater activation. So, I think that's the theme that we talked about; as you see in Q1 there's less activation, and we'll follow through in Q2, Q3, in our forecast. So that's an upside positive, ultimately, for our cash flow generation off of our pro forma EBIT.



**36:00 – Mirko Meyer**

So I could assume that, the level you've reached on the positive effects from the activation will be as stable as the level we have seen in Q1.

**36:11 – Brian Protiva**

Yeah, I would assume that.

**36:13 – Mirko Meyer**

Okay, great. Thanks.

**36:17 – Brian Protiva**

So the next one was the completed MRV integration. We integrated all on SAP, we shut down other ERP systems, because I don't think there's a company out there, that will acquire a company 15 percent of its size and do what we did over the last seven months. Processes, IT landscapes of full synergy, realization on the cost basis. Of course, there's a tail, because not everything happens and you'll see in general we said (unintelligible) management throughout the year. So you'll still see some of the effects of decisions that we've made throughout the year, but very small. And I'll pass this over to Uli: are there any restructuring, below line type of pieces into Q3 or Q4?

**36:59 – Uli Dopfer**

Minor.

**37:00 – Brian Protiva**

Are Q2 and Q3 minor?

**37:02 – Mirko Meyer**

Minor means less one billion, no?

**37:05 – Uli Dopfer**

Yes, definitely.

**37:07 – Brian Protiva**

Definitely. So, cross-selling opportunities and in the MRV customers. And yes, we have two cases of cross-selling so far. It's never easy to cross-sell, especially in the carrier community. It takes a long time to make decisions. They have integration into their operational frameworks, but I think we're making gains, and you'll see a lot of leverage, especially on MRV carrier Ethernet products and their customers and our NFV strategy. So you'll see us already coming with very nice strategies, and essentially what ADVA has today, is we're a global leader in carrier Ethernet, but we're the absolute global technology leader when it comes to the NFV edge solution sets, and that maps very well into that customer base. So it's a good combination to have. There's a lot of big, nice customers that trust ADVA and leading technology for next-gen architectures; the virtualization of the edge of the network. So that's definitely a big cross-selling. And purely, we're trying to cross-sell features that we have in the ADVA architecture into the MRV optical customer base.

And the final one is revenue contribution at 5 percent, is the question. I think that statement is, it's about 5 percent this year, but it should go up to 6 percent, I think it could get to 10 percent of our revenues over the coming years, because we have really differentiated technology and we are winning most of the things we focused on, including major tier ones in Asia and Europe so far, and very big momentum there. It's not a huge market, but a very nice market. We leverage the business and we can even sell into enterprises, ICPs and other market segments. So we continue to believe that it is a strategic product solution set for us that can be leveraged in revenues, gross margins, as well as cross-selling.

**39:30 – Operator**

There are currently no further questions. I hand it back to the speakers.

**39:34 – Brian Protiva**

Thank you very much. Thank you for joining, step by step. We're running a tight ship, and you'll see progress going forward in 2018. Talk to you soon.

**39:49 – Operator**

Ladies and gentlemen, thank you for your attendance. This call has been concluded, you may disconnect.