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BWLD - Q3 2015 Buffalo Wild Wings Inc Earnings Call

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OVERVIEW:

Co. reported 3Q15 revenue of $455.5m, net earnings of $19.2m and diluted EPS of $1.00.

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Buffalo Wild Wings third quarter 2015 conference call.

(Operator Instructions)

I will now turn the call over to Heather Pribyl, Director of Investor Relations for Buffalo Wild Wings. Please go ahead.

Heather Pribyl - *Buffalo Wild Wings, Inc. - Director of IR*

Good afternoon, and thank you for joining us as we review our third quarter 2015 results. I'm Heather Pribyl, Director of Investor Relations for Buffalo Wild Wings. Joining me today is Sally Smith, President and Chief Executive Officer; Mary Twinem, Executive Vice President and Chief Financial Officer; and Jim Schmidt, Chief Operating Officer. By now, everyone should have access to our third quarter earnings release. Copies are available on our Investor website, at ir.buffalowildwings.com.

Before we get started, I remind you that during the course of today's call, various remarks we make about future expectations, plans and prospects for the Company constitute forward-looking statements. Actual results may vary materially from those contained in forward-looking statements, based on a number of factors, including, but not limited to, our ability to achieve and manage our planned expansion, the sales and other growth factors at our Company-owned and franchise locations, our ability to successfully operate in new markets, including non-US markets, unforeseen obstacles in developing sites, including non-traditional and non-US locations, successes of acquired restaurants, successes of investments in new or emerging concepts, the cost of commodities and supply chain consistency, the success of our key initiatives and our advertising and marketing campaign, our ability to control restaurant labor and other restaurant operating costs, economic conditions, including changes in consumer preferences and consumer discretionary spending, and other factors disclosed from time to time in our filings with the US Securities and Exchange Commission.

On today's call, Sally will provide an overview of our performance for the third quarter. After that, Mary will provide further detail on the quarter and comment on trends to date in the fourth quarter and initial outlook for 2016. Finally, Sally will share some of her thoughts on our growth prospects. We will then answer questions. So with that, I'll turn things over to Sally.

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

Thank you, Heather, and good afternoon, everyone. During the third quarter, we acquired 41 franchise locations in Texas, New Mexico and Hawaii, which includes 2 restaurants under development. We sincerely thank the hundreds of team members across the country who were part of the successful transition to Company ownership. Combined with our ongoing Company-owned development and other franchise acquisitions during the last 12 months, we've increased our Company-owned Buffalo Wild Wings locations by 24% compared to a year ago.

Our same-store sales in the third quarter increased 3.9% at Company-owned restaurants, and 1.2% at franchise locations, despite a shift in the sports calendar resulting in one less week of football and fewer pay-per-view events than last year. We estimate these negatively impacted our same-store sales by 80 basis points.

Cost of sales and labor as a percentage of restaurant sales were higher compared to the prior year, and with the additional depreciation, amortization, and other expenses related to the recently completed franchise acquisition, our earnings per diluted share decreased year over year to $1.00.

We spent $160 million to acquire 41 franchise locations, which will provide revenue and net earnings growth in 2016 and beyond. We estimate the incremental costs had a negative $0.13 impact on earnings per diluted share in the third quarter.

Here are a few statistics about the acquisition. We added nearly 2,600 new team members to our Company, including 180 managers. The new team members have participated in more than 10,000 hours of training. And over 300 of our existing field team members assisted in the transition of ownership. I'm extremely proud of the work our teams put into planning and executing the execution and transition to ensure the acquisition went smoothly as possible, and we're excited to operate these restaurants.

To continue to build guest affinity for Buffalo Wild Wings, we created Blazin Rewards, our loyalty program which launched in September. Blazin Rewards is currently at 50 restaurants in 5 pilot markets. Our program offers differentiated ways to earn points and deliver meaningful rewards for our guests. Guest registrations for Blazin Rewards is exceeding our expectations and we're pleased with the pilots.

For longer term growth, we're building our international presence through franchising. Our franchisee in the Middle East opened a location in Dubai in September, and a second location in the kingdom of Saudi Arabia at the beginning of October. Initial sales results show that the brand is being very well received in both countries, with opening sales volumes rivaling our better US restaurants.

There are currently 13 international Buffalo Wild Wings in Mexico, the Philippines, the kingdom of Saudi Arabia, and the United Arab Emirates. Our experience has been that it takes a year or more for international franchisees to open their first location; but once they open and see the performance, their development increases at a more rapid pace. In 2016, we plan to enter Panama and India. In total, our international franchisees are expecting to accelerate to 15 new restaurant openings next year.

Also for longer term growth, we've made investments into additional concepts. Guests can enjoy street-style tacos made with fresh ingredients at R Taco. To prepare for expansion to cities throughout the US, we've shortened the name from Rusty Taco and created a new logo for the brand. With two R Tacos under construction, we're excited to expand our market presence and we're actively evaluating a third company-owned market in addition to Dallas and Denver. Franchisees of R Taco expanding in three markets, and we're launching a more aggressive franchise sales strategy.

PizzaRev continues its company-owned and franchise development to bring fast-fired pizza to more crafters in 2016. There are currently 29 locations in 5 states, and franchise locations in Nevada, New York and Ohio are opening soon.

We're positioning Buffalo Wild Wings for sustained growth, with our recent franchise acquisition and sales driving initiatives, such as loyalty. Our plans for international franchise development started over four years ago, and we're pleased to see how well our brand is accepted globally. We'll learn more about R Taco and PizzaRev next year, as both companies continue expansion in the United States.

Mary will now provide additional details on the third and fourth quarters.

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

Thank you, Sally. Please note that when we discuss the impact of the 41-unit franchise acquisition completed this quarter, the purchase accounting is preliminary and we may have future adjustments once the valuation is finalized.

Our revenue in the third quarter reached $455.5 million, increasing 22% over the same period last year. System-wide sales at our Company-owned and franchise restaurants were $897.3 million for the quarter, an increase of 10.5% over the third quarter of 2014. Company-owned restaurant sales for the third quarter increased to $431.8 million, a 23.2% increase over the same period in the prior year. Same-store sales at Company-owned Buffalo Wild Wings restaurants increased 3.9% for the third quarter, compared to 6% for the same period last year. Menu price increases and adjustments taking during the past 12 months at Company-owned restaurants were about 3.9%.

We had 109 additional Company-owned Buffalo Wild Wings restaurants in operation at the end of this quarter versus third quarter last year, a 24% unit increase. Average weekly sales increased by 3.7% in the third quarter, 20 basis points lower than the same-store sales percentage. 60 basis points of this decline is due to locations acquired from franchisees in the past year. This was partially offset by 20 basis points from Company-owned locations opened during the last 12 months and 20 basis points from the closing of older, lower volume locations.

Our royalty and franchise fee revenue for the third quarter grew 3.6%, to $23.8 million, versus $22.9 million last year, even with 18 less franchise Buffalo Wild Wings units in operation at the end of the third quarter versus a year ago. Same-store sales at franchised Buffalo Wild Wings locations increased by 1.2%, compared to a 5.7% increase in third quarter last year.

Franchised average weekly sales volumes at Buffalo Wild Wings locations in the United States for the quarter increased by 2%, 80 basis points higher compared to the same-store sales percentage. There was a 40 basis point benefit from the closing of older, lower volume locations, a 30 basis point benefit for franchise locations sold to the Company in the last 12 months, and the remaining 10 basis point increase is from franchise locations opened during the last 12 months.

Cost of sales for the third quarter was 29.4% of restaurant sales, compared to 29.1% in third quarter last year, a 30 basis point increase. Traditional wings were $1.79 per pound in the third quarter, $0.29, or 19%, higher than last year's average of $1.50. Traditional and boneless wings were each 21% of restaurant sales, both flat compared to the same period last year. Food and non-alcoholic beverage sales were 80% of restaurant sales in the third quarter, the same as prior year.

Cost of labor for the third quarter was 32.2% of restaurant sales, 20 basis points higher than third quarter last year. Health insurance and workers' compensation expenses were the primary drivers of the year-over-year increase. We continue to see wage pressure in our restaurants, particularly in the heart of house. We estimate that the transition of the 41-unit franchise acquisition had a negative 10 basis point on labor as a percentage of restaurant sales.

In the third quarter, restaurant operating expenses as a percentage of restaurant sales was 14.7%, a decrease of 30 basis point from the prior year, and was driven by lower advertising cost per restaurant, partially offset by increased repairs and maintenance expense related to the acquisition. Occupancy costs were 5.6% as a percentage of restaurant sales, flat compared to the same quarter last year.

In summary, restaurant level cash flow, which is calculated before depreciation, amortization and pre-opening expenses, was $78.4 million, or 18.2% of restaurant sales. This compares to restaurant level cash flow of $64.6 million, or 18.4%, in the third quarter last year. This decrease in cash flow is primarily a result of the higher traditional wing cost and increased labor as a percentage of restaurant sales.

Depreciate and amortization for the third quarter was 7.4% of total revenue, 70 basis points higher than the prior year, resulting from amortization of reacquired franchise rights and higher depreciation related to capitalized leases recorded for half of the locations acquired in the third quarter.

General and administrative expenses were $33.7 million in the third quarter, or 7.4% of total revenue, compared to $27.8 million, also 7.4% in the prior year. Excluding stock-based compensation of $4.5 million in the third quarter and $2.6 million in the prior year, G&A expenses for the third quarter would have totaled $29.3 million, or 6.4% of total revenue, compared to 6.7% last year. Third quarter G&A expense was aided by a $500,000 loss on deferred compensation investment.

In addition to the acquired restaurants, we opened 7 new Company-owned Buffalo Wild Wings during the quarter. This compares to 9 new Buffalo Wild Wings and 1 PizzaRev location opened in the third quarter of 2014.

Pre-opening expenses for the quarter totaled $4.8 million versus $3.6 million last year. The $4.8 million includes $1.5 million of pre-opening expenses for future openings that are under construction; and in the third quarter last year, we incurred $1.4 million related to future openings. Pre-opening costs for Company-owned Buffalo Wild Wings averaged $253,000 per new restaurant during the quarter, compared to $314,000 in the third quarter last year.

The loss on asset disposals for third quarter totaled $1.3 million, compared to last year of $1.4 million. We reported other expense of $1.4 million for the quarter, compared to other expense of $236,000 in 2014, resulting from increased interest expense on our line of credit, capital lease interest expense, and a loss on our deferred compensation investments.

Our effective tax rate during the third quarter was 30.1%, compared to 26.9% in the prior year. We estimate our effective tax rate in 2015 will be about 32%, based on federal and state tax rates and credits currently in effect.

In summary, our net earnings in the third quarter of 2015 declined 11.6%, to $19.2 million, producing earnings per diluted share of $1.00, compared to $1.14 in the prior year. On our balance sheet on September 27, 2015, our cash, cash equivalents and marketable securities totaled $20.2 million, compared to $112.9 million at the end of 2014. Our unsecured line of credit had a balance of $47 million as of the end of the quarter.

We ended the quarter with $1 billion in total assets and $655 million of total equity. Cash flow from operations was $66 million for the quarter. We spent $56.9 million for property and equipment capital expenditures in the third quarter of 2015, and we estimate that our annual capital spending will be $378 million, including the $210 million we spent on franchise acquisitions.

Now, I will highlight trends and provide some comments on the fourth quarter of 2015. For the first four weeks of the fourth quarter, Buffalo Wild Wings' same-store sales are trending at about 2.8% at Company-owned restaurants and 0.8% at our franchise locations. This compares to same-store sales trends during the first four weeks in the fourth quarter last year of 5.4% at Company-owned restaurants and 5.1% at franchise locations.

The first four weeks of the fourth quarter contained the MLB play-offs, but not the World Series, where the first four weeks of the prior year's quarter contained all the play-off games and the World Series. In the fourth quarter this year, we should have the same number of pay-per-view events as compared to fourth quarter last year. However, Halloween is on a Saturday compared to a Friday last year, and the Christmas holiday is on a Friday versus a Thursday last year, both of which we anticipate as a negative for same-store sales.

For the full fourth quarter of 2014, our same-stores were 5.9% at Company-owned restaurants and 5.1% at franchise locations. The cumulative impact of menu price increases taken in the last 12 months, including a price increase of 2.2% scheduled to take effect on November 2, is expected to be 4.1% in fourth quarter.

In the fourth quarter, we expect to open 23 Company-owned Buffalo Wild Wings restaurants, 6 of which are already open. As a reference point, in the fourth quarter of 2014, we opened 22 new Company-owned Buffalo Wild Wings locations and closed 4 restaurants. We also expect that our Buffalo Wild Wings franchisees will open eight restaurants during the fourth quarter.

For cost of sales, our cost for traditional chicken wings for the first two months of the fourth quarter averages $1.80 per pound. This compares to the average cost for the full fourth quarter last year of $1.90 per pound. We anticipate labor as a percentage of restaurant sales in the fourth quarter to be approximately 31%, and our estimate includes some labor efficiencies from the franchise acquisition.

In the fourth quarter, we anticipate that G&A expenses, exclusive of stock-base compensation expense, will be approximately $28.5 million. Fourth quarter stock-based compensation expense is estimated to be $4.3 million, a $300,000 increase compared to fourth quarter last year, and will vary depending on the level of net earnings achieved for 2015, as well as for estimates of net earnings in future years.

Depreciation and amortization as a percentage of revenue will delever as a result of the recent acquisition. In anticipation of our purchases of the 41 franchise locations, we previously revised our 2015 net earnings growth goal to 13% to account for the incremental expense and transition costs we expected to incur in the third and fourth quarters. Based on our year-to-date results and updated outlook for the fourth quarter, we are now anticipating single-digit net earnings growth for the year.

As we look forward to 2016, we will continue our restaurant expansion, opening approximately 50 Company-owned Buffalo Wild Wings in 2016, representing 8% growth in Company-owned restaurants. Franchisees in the United States expect to open 30 new Buffalo Wild Wings locations. We plan on remodeling 70 company-owned restaurants next year and our franchisees expect to update 50 to 60 locations to stadia. And as Sally mentioned, our international franchisees plan to open approximately 15 Buffalo Wild Wings restaurants next year.

As a result of this unit expansion, combined with our ongoing sales driving and operational initiatives, we believe net earnings growth in 2016 should exceed 20%. Please review the risk sections outlined in our SEC filings, including our Form 10-Q for the third quarter, which will be filed shortly, as well as our Safe Harbor statement for factors affecting our forward-looking statements.

Now, Sally will share some thoughts on our Company initiatives and future growth drivers.

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

Thank you, Mary. We continue to innovate to keep the Buffalo Wild Wings brand fresh and vibrant to drive sales and net earnings growth. Innovation at Buffalo Wild Wings in 2016 will be centered around unique and engaging ways to interact with guests, along with a few areas we view as foundational.

B-Dub's TV is delivering exciting content to our in-restaurant guests. We continue to roll out B-Dub's TV to more restaurants, and Company implementation is anticipated to be completed in early 2016, with our franchisees adding this feature throughout 2016. Hometown Highlights is currently available in three markets and receiving great guest feedback.

Blazin Rewards is off to a great start. We look forward to adding more ways for guests to earn points and redeem for rewards, as we learn more about guest behavior in our loyalty program. In pilot, one of the initial learnings is our guests love the ability to earn points for checking in at Buffalo Wild Wings. This feature encourages guests to bring more friends, as the more people in your group that check in, the more points you earn. We also want to give our guests choice in their rewards and expect to add the ability to redeem for merchandise or experiences in the latter part of next year.

To make Blazin Rewards and other restaurant technology initiatives possible at all system-wide locations, we needed a common point-of-sale platform. We're pleased to report the franchisee POS implementation is nearly complete and will be finished by year-end.

The payment industry and options are rapidly evolving. We're evaluating several payment options to see which ones our guests prefer for speed and convenience. Last week, we launched our initial in-restaurant test for mobile payment on guest device via PayBDubs.me. Currently, in nearly

20 locations, server handhelds are well received by our team members, and these devices allow our servers to be more efficient in taking orders and payment, which improves guest satisfaction. Handhelds will also help with kitchen efficiencies, as order flow to the kitchen has improved pacing. We have begun to deploy server handhelds in higher wage states and will evaluate further rollout in 2016.

Take-out sales have averaged between 14% to 15% of restaurant sales at Buffalo Wild Wings over the last 12 months. We've made enhancements to our website and mobile app to create a better take-out ordering experience for our guests. In addition, we started to promote online and mobile ordering for take-out through our website and social and digital advertising. Initial results are encouraging, with an increase in average check. Currently, 11% of take-out orders are from mobile and we expect this to increase as guest awareness builds.

Food and beverage innovation continues, both on the core menu and with our limited time offerings. We'll launch a new menu next week that highlights our menu variety and addresses the needs of all dayparts, with the goal of maximizing profitability. A new limited time menu panel kicks off next week, as well, and showcases items to enjoy on game day, such as street tacos and Buffalo mac and cheese. Our featured cocktail will be the Touchdown Spike, made with Dr. Pepper and apple pie flavored moonshine. [Softlab] creates features, our take on a traditional Mexican mole sauce.

As we approach year-end, we know our guests will be rooting for their favorite NFL teams to reach the Super Bowl and their favorite college teams to reach a bowl came. We're excited to be the title sponsor of the Buffalo Wild Wings Citrus Bowl again this year. To bring some of the energy of the bowl game to our restaurants, we created the Zesty Citrus Sauce, which features of flavor of Mountain Dew Zesty Citrus will be available in restaurants beginning December 13.

In conclusion, we're looking forward to 2016 with continued food and beverage and technology innovation to enhance the guest experience and brand strength. We believe this innovation, combined with our restaurant expansion, should produce 2016 net earnings growth of over 20%, which is above our long-term target of 15%.

We thank our team members, our franchisees, and our vendor partners for their passion and their continued dedication to our success. We also thank our shareholders for the confidence in our Company and our guests for their passion for Buffalo Wild Wings. I'll now turn it back to Heather.

Heather Pribyl - *Buffalo Wild Wings, Inc. - Director of IR*

Thank you, Sally. We will now move to the question-and-answer session of our third quarter earnings call. We will end the call promptly at the top of the hour. In order to get to as many participants as possible, please limit yourself to one question and queue up again if you have any additional questions. Operator, please open the call to questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

David Tarantino, Robert W Baird.

David Tarantino - *Robert W. Baird & Company, Inc. - Analyst*

Good afternoon. My question is on the comp trends that you saw, exiting the third quarter, and now early in the fourth quarter. They are quite a bit slower than what we are used to seeing out of Buffalo Wild Wings. So just wondering what your perspective is, and what's driving the slowdown?

And then, Mary, I think you mentioned that there was an unfavorable matchup with the sporting calendar here in October. If you could help to quantify what you think the impact of that was, as well, that would be great.

Jim Schmidt - *Buffalo Wild Wings, Inc. - COO*

Yes, I think -- this is Jim Schmidt. As we looked at Q3, it really came down to September, and the shift in events in September. If you looked at September, the month, there were six days in which we didn't have college or pro football when we did last year, and then also a UFC fight and a boxing match. And that really impacted both the month and the quarter as a whole. The rest of September, if you look aside from those six event days, had strong same-store sales. So it really was a lot about that shift in the quarter.

As we looked at Q4, we did not quantify the exact effect. But we did -- last week, we did see a difference in last week, when we did not have the World Series, as compared to last year. And then we also had a tough matchup on this past Sunday. There was a tough bye week with Denver, Chicago, Green Bay Packers and Cincinnati Bengals were on a bye, so that was a tough comparison. Overall sales trends, you look at the market as a whole, and I think there has been a softening in same-store sales. While we outperform the market, we do tend to move with the market.

And so as we look at the quarter, and fourth quarter, as a whole, and what we're looking out at, I think when you look at the menu price increase -- if we're able to support our cumulative menu price increase in Q4, I think I'd be very pleased.

David Tarantino - *Robert W. Baird & Company, Inc. - Analyst*

Got it. And I guess to clarify, with all the moving parts on the sports matchups here in October, how are you thinking about the underlying trend in the business? From an outsider's perspective, it looks fairly soft. But if you put it in the context of the various moving parts on the sporting matchups, do you think there has been -- how concerned or not concerned are you about the trend lines?

Jim Schmidt - *Buffalo Wild Wings, Inc. - COO*

I'm not overly concerned, because as we look particularly at Q3, we had very solid -- very high guest satisfaction scores. September, in the corporate restaurants, it was one of our highest ever, if not our highest guest satisfaction score. So key performance indicators continue to look pretty solid. It really -- as you look at the back half of the year, there is not a lot favorable happening in the events calendar, on a year-over-year basis, which would cause us to anticipate particularly high same-store sales. And again, if you look at the market as a whole, I think there has been a same-store sales softening, and we do tend to flow with the market, although outperform it.

David Tarantino - *Robert W. Baird & Company, Inc. - Analyst*

Got it. Great. And then last question, on Q4 comps. Do you have an estimate for the impact of the two other calendar shifts that you mentioned, Halloween and Christmas? What you think that is worth, in terms of the quarterly impact?

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

We have not quantified that.

David Tarantino - *Robert W. Baird & Company, Inc. - Analyst*

Great. Thank you.

Operator

John Glass, Morgan Stanley

John Glass - *Morgan Stanley - Analyst*

I'm just -- as an overall question, why did you lower your guidance for the year? Was it the sales? You sounded like you were anticipating some of these shifts already, so was it a sales disappointment? Was it more on the expense side, related to the acquisition? And can you talk about where those expenses hit in the third quarter, so we can figure out -- I think you said $5 million prior. Where were those expenses, one-time expenses, if they were one-time in the third quarter?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

Hi, John, this is Mary. I would say that the top line revenue is the primary contributor to our reduced guidance for 2015. Although from a brand standpoint, we're pleased with what our same-store sales are, when you look at the trends that we had in September, and now going into October, when we consider ourselves, in most cases, to be a double-digit, two-year same-store sales company, that isn't where we stand today. So I think that's a driver.

The revenue that we are seeing in our acquisition locations, they are negative. They're not affecting our same-store sales calculation, but the revenue is a little lower than we wanted to be acquiring them at, but we will grow back into that. And we see really good things, as it relates to guest feedback, since we have acquired those restaurants. The other factors that went into our revision to our 2015 guidance, is really an accumulation of little things, all of which have not been going our way in the third quarter, and we're not sure they would in the fourth quarter.

Wings are a little higher than we expected them to be at this point in the year. They started to look like they were moving down right at the July earnings call, and then they moved right back up again. And our two-month average now, here in the fourth quarter, is at $1.80. And that is higher than we would have thought we would be at. Health insurance and workers' comp, we saw trends in second quarter that we were not sure were going to stay with us. They are. In the third quarter, we think that is most likely to continue, as we go through.

So it's that and G&A -- some puts and takes, as it relates to G&A, and depreciation and amortization on the acquisitions. All of those add up to the fact that we really think this looks like more like a single-digit net earnings growth year, versus our previous guidance. Your question on the acquisition, and what that effect was in the third quarter, and then as we go forward here in the fourth quarter. We did -- in our conversation in July, we talked about what we thought was about a 5% impact to our net earnings for the year. That is about $0.25, when you do the math. $0.18 of that, we felt, was a one-time kind of cost. We think that will hold, and we're going to see that spread between third and fourth quarter.

The other $0.07 is covered for the other stuff that would be going on. And for the third quarter, we incurred about $0.13 of that $0.25 estimate. So we do think, for the full year, we probably will get up to the $0.25, from a negative, going forward. Some of that being from the incremental amortization and depreciation that we are seeing.

John Glass - *Morgan Stanley - Analyst*

Okay. So $0.18 in total, one-time, $0.13 this quarter. Where was the $0.13 then? In the P&L?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

The $0.13 is spread -- yes, it is spread around the P&L. And I don't have a direct breakdown here. Some of it is increased labor at the restaurant level; some of it is G&A expenses, a lot of that being travel, one-time travel expenses, to get people down there to train and do the transition of these locations. So if I recall, it was about $1.4 million-ish, $1.5 million, in the G&A line. And then there is some depreciation and amortization expectation that was a little bit higher than what we had originally modeled.

John Glass - *Morgan Stanley - Analyst*

Okay. And then you mentioned sales are weaker in the new stores? These are Texas stores, if I recall correctly. Is that a Texas issue, or is that a turnover issue? Because you -- because there was change? Or what drove that, do you think?

Jim Schmidt - *Buffalo Wild Wings, Inc. - COO*

The stores are in Texas, Nevada and Hawaii. There is a handful of stores that are being affected by the downturn in the oil industry. Plus, as we take over franchise restaurants, is not unusual for us to see a -- it can be a real transition to a Company restaurant. We will also see a change in the customer base, based on, did the franchisee -- some of the restaurants, they were pretty aggressive in drink discounts. We go in, we change that, and put in place our typical model. And you may see a conversion of really the customer base that occurs over time.

So there can be several factors. But I think the positive thing is, in September, one month after we took over, we saw a nice jump immediately in guest satisfaction scores. We think there is some nice opportunity to continue to improve that. So we feel confident right now that we can grow those volumes over time.

John Glass - *Morgan Stanley - Analyst*

Thank you.

Operator

Keith Siegner, UBS.

Keith Siegner - *UBS - Analyst*

Thank you. Last quarter, we talked a lot about the benefit of the marketing program. It was pretty aggressive against the lap of the World Cup. And one thing that came up as part of that was that you were going to stay on air through August and September. But can you talk about, were you on air less in August, September, than you were in July? How did that trend into October? And where is that marketing trending through the rest of 4Q? Thanks.

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

Yes. With regard to our advertising and our marketing spend, actually, our marketing spend in the third quarter was higher than prior year. It will be slightly lower, but just slightly lower, in the fourth quarter of this year. And again, we were very aggressive, as we were going up against World Cup in the second quarter. But, no, we didn't see a shift, or plan a shift, in the third quarter, and actually spent more this year that we did last year.

Keith Siegner - *UBS - Analyst*

Okay, maybe one follow-up for Mary. Just a question on labor. I heard you say 31% for labor, as a percentage of sales, for 4Q, which would actually be down year over year. Something we haven't seen in a little while. Did I hear that right? (Laughter) And are there other efforts that are going on that could help maybe turn the trend from up year over year to down year over year? Thanks.

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

Yes, there is a couple. So yes, we did say 31%. Health insurance and workers' comp, we do think, will remain high. We do have the November menu price going into effect on November 2, so that does help us leverage labor. And then as a group, for these stores that we acquired, because so many of them are in Texas, and they may have a tip-credit wage, it does have a lower percent labor trend in overall, compared to our company-wide. So that -- adding those to our group will pull it down, just because of the nature of how people are paid there

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Keith Siegner - *UBS - Analyst*

Thank you.

Operator

Matthew DiFrisco, Guggenheim Securities

Matthew DiFrisco - *Guggenheim Securities LLC - Analyst*

Thank you. I just wondered if you could talk a little bit about also, not only the advertising, but other things that -- if you could help us quantify a little bit, the calendar shift coming up? Just so we could accurately think about how much does like a Halloween -- or historically, has that happened, when a Halloween has fallen on a Friday for you? And as well as Christmas falling on a weekend, as well? Just help us understand, at least in a couple of basis points, how that might affect the comp going forward?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

Yes, we don't have great numbers on that. The last time Halloween moved was seven years ago. So typically Saturday is a -- especially during football, is a bigger day for us than a Friday is. So that is the nature of why we think it would be a negative. Similarly, on the Christmas holiday, Friday night would be typically a bigger sales volume day than a Thursday.

Matthew DiFrisco - *Guggenheim Securities LLC - Analyst*

Okay, that's helpful. Just two follow-ups. The G&A, if I heard right, I think you said $28 million, or $28.5 million. So that would be a significant slowdown, almost flat growth. Was that initially -- is that incorporating, also, the acquisition-related charges that occurred in this quarter, and you said were going to recur in the fourth quarter, as well? Or is that $28 million before those charges, as well?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

No, that would include what we would expect to occur. Most of the G&A line, for those one-time costs, happened in the third quarter. There is still more that will happen in the fourth quarter, but we are accounting for that. We also typically have, in the fourth quarter, some year-end adjustments, as it relates to vacation accruals and other benefit accruals. So we get a pickup. And so we are taking that into account, as well.

Matthew DiFrisco - *Guggenheim Securities LLC - Analyst*

And then lastly, the acquisition. Obviously, it sounds like the stores are coming in below what you had anticipated initially in the volumes. Are they lower volume stores, also, than your average? Because your average weekly sales seems to be lagging modestly -- your same-store sales. So is that a trend that will continue, as we incorporate these stores? And is that reflective of the acquisition?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

We will continue to quantify that when we do our average weekly volume calculation. They are, at this point, lower than our average as a group, some are above, obviously. And so we will grow back into that. I'm not sure at the point in time that they enter our same-store sales calculation. It would be our intent that they would be back above that.

Matthew DiFrisco - *Guggenheim Securities LLC - Analyst*

Does it mean, then, the accretion also in -- obviously, with your guidance of 20% EPS growth. With wings being down -- or being favorable for 2016, with the price increase you are entering, and with the acquisition, presumably, we would have thought a little higher than 20% earnings growth. I guess is that taking into account less accretion from these stores, but they are still accretive?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

I don't think we're singling out the acquisition specifically in our guidance for 2016. So we have set a target of exceeding 20%. I know that there's models out there that have a number bigger than that. I think we are just entering our guidance for 2016 in a cautious mode, based on where our same-store sales are to date. And obviously, we've heard comments in the industry overall.

So I think we're taking a cautious look on 2016 right now. Exceeding 20% is very doable. And then as we get through the menu rollout in November, and we see our sales trends after that, we update -- and we know what wings are looking like in February, we will be able to update you on our February earnings call on whether or not we believe there is additional upside to 2016.

Matthew DiFrisco - *Guggenheim Securities LLC - Analyst*

Thank you.

Operator

Jeffrey Bernstein, Barclays.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Thank you very much. A couple of follow-up questions, actually, on that last question, specific to the earnings guidance. Single-digit growth for the full year, that somewhat leaves a pretty wide range, with only the fourth quarter remaining. Just wondering, what would be the greatest unknowns that would keep you from narrowing that range? It would seem like that could be $0.40 wide. Which again, just wondering where you see that ultimately coming out? Or what variables lead you not comfortable to tighten that further?

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

I think a couple of things. Again, as we watch same-store sales, and then some of the unknown surrounding the calendar shift for Halloween and Christmas.

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

As well as, we are -- we have not yet finalized the valuation for the acquisition. So we have done, in our -- or in Q3, we've estimated what we believe the amortization is going to be, what the value of the capital leases is going to be, and how those are going to depreciate. Those will be fine-tuned in the fourth quarter, as we get through that valuation. And that would give us a little -- wanting to have a bigger target, in the single-digit growth area.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Got it. And I think you mentioned, right, that 5 percentage point reduction in the earnings guidance you gave last quarter would equate to like $0.25 of dilution to this year. I'm just wondering, without necessarily -- just specific to that acquisition, what your model initially had in there in terms of contribution or accretion in 2016. Do you have the comparable number to that $0.25 dilution that you noted for 2015?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

We've stated that it would be accretive in 2016. We haven't given an EPS on that.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Okay. And then just lastly, in terms of the -- with wings higher than you had perhaps anticipated, and labor inflation, we are hearing plenty of that from lots of your peers, as well. The pricing, I think you mentioned, is close to 4%. I'm just wondering if that's a reasonable number we should think about for 2016? And whether you think that would be enough to fully offset the cost pressures? Or maybe you have some cost-saving initiative to mitigate? Or should we just assume that 2016 is going to be a year where you're going to see some margin pressure, because you are not willing to fully offset the cost pressures?

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

I'll walk through the menu price increase that will be in effect next year, quarter by quarter, after we get the November price increase in our stores. So first quarter next year would go to 3.1%. Q2 would be 3%, and then it would roll down to 2.6% in the third quarter next year, and then down to 0.9% in fourth quarter. And we do have menu updates that will be happening throughout 2016, and we will assess whether or not we take additional menu price increase next year, based on trends like labor and wings. And make a decision on how we continue to have, or not, menu price increase in effect.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Got it. But we should assume, at this point, that wing inflation prevails, and that labor inflation is running at levels similar to this? So do you have an outlook that would differ meaningfully from that -- from either of those lines, as we look to 2016?

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

We do -- it's hard -- nobody ever gets wings right, from looking a year in advance. Industry economic stuff looks like we will not hit the $1.90-ish range that we saw in the early part of 2015. So we think, on a year-over-year basis, we will have a lower average price per pound for wings in 2016 than we did in 2015. But time will tell, and we will take that into account when we look at menu price increases in the future.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Okay. Thank you.

Operator

Brian Bittner, Oppenheimer & Company.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Thanks, appreciate it. As far as at least 20% profit guidance for 2016, what comp does that require, at a minimum? Because I think a lot of us are taken aback a little bit by the revision to 2015, which does seem to be mostly sales-driven, relative to your internal expectations. So I think it would be pretty helpful to know the requirement needed on the comp, as you think about this at least 20% goal for 2016, as we stand here today.

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

I think we said earlier, if we can achieve comp-store sales in excess of our price increase, we would be happy, at least for the fourth quarter of 2015. We will look at price increases throughout 2016, and when we always expect that same-store sales are going to exceed our price increases. We think we have got some great initiatives going forward, starting with this menu roll next week, that will help drive same-store sales.

We haven't quantified, and nor do we typically give any kind of a guidance for a year or a quarter on same-store sales. But again, we are always looking at that -- at the stack. And we think we've got some relatively good comparisons to go over from 2015. So anything in excess of menu price, we think is a pretty good job.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Yes, so basically, what you are saying is, the guidance would assume positive traffic in 2016?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

That's what we are modeling, yes.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Okay. All right. Thank you.

Operator

Karen Holthouse, Goldman Sachs.

Karen Holthouse - *Goldman Sachs - Analyst*

One just quick clarification. How much price was in the menu in the third quarter? And what should we be modeling for the fourth quarter?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

3.9% for Q3, and 4.1% for Q4, Karen.

Karen Holthouse - *Goldman Sachs - Analyst*

Great. And then one other quick modeling question, actually. What were wings as a percent of COGS in the quarter?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

24.9%.

Karen Holthouse - *Goldman Sachs - Analyst*

And then, one of the things, when talking about initiatives for the brand and sales up front we didn't hear about was an update on tablet ordering and payment, which is something that's been talked about previously. That the ordering part was figured out, working on integrating payment. Just curious for an update on that. Is that something that is still in the works? And any idea of a timeline, if we're far enough down that road?

Jim Schmidt - *Buffalo Wild Wings, Inc. - COO*

Yes, as we mentioned in the script, we are testing payment on guest device right now at one of our locations, via the URL pay.b-dubs.me. So we're in tests with that. We are exploring multiple payment platforms in really is what a very unsettled space. And until we have some concrete updates on that, I'm a little reluctant to give a specific date. What we will do is continue to update you as we make progress. But I can tell you, it's an area of focus for us, and we are driving forward with it.

Karen Holthouse - *Goldman Sachs - Analyst*

Does divorcing -- if you have something that allows people to pay on a mobile device, does that then potentially divorce tablet ordering from tablet payment needing to be integrated, as well?

Jim Schmidt - *Buffalo Wild Wings, Inc. - COO*

I think what -- again, we are exploring various payment options, which would possibly include something on a tablet, but then also your mobile device. I think we believe that is a very important component, is to also have that available through your device.

Karen Holthouse - *Goldman Sachs - Analyst*

Great. Thank you.

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

And, Karen, I just want to make sure we didn't misspeak. So the overall cost of sales percentage for the quarter is 29.4%. The percent of that that wings are is 24.9%.

Karen Holthouse - *Goldman Sachs - Analyst*

Yes. Got that. Thank you.

Operator

Andrew Charles, Cowen and Company.

Andrew Charles - *Cowen and Company - Analyst*

Great. Same-store sales were particularly stratified between the Company and the franchisees, so far in 2015, and more so in third quarter. Just wanted to see what was driving that?

Jim Schmidt - *Buffalo Wild Wings, Inc. - COO*

We believe there are several factors. We have been ahead of the franchisees in the adoption and execution of our guest experience business model, which we think is a driver. We are also ahead of them in the implementation of stadia, both through remodels and new restaurants. But I also think there is an opportunity to execute better in the franchise side of the business, and that is an area of intense focus as we go into 2016.

Andrew Charles - *Cowen and Company - Analyst*

Got you. And then one follow-up for Mary. I know you previously discussed other franchise acquisitions could be in the pipeline. But obviously, the 41-store acquisition taking a little more time and attention than you previously expected is understandable. But you did mention an opportunity to take on some levels of debt, and I just want to see your comfort, still, with the opportunity? You guys have discussed, in the past, the opportunity to purchase shares. And just want to see how you're feeling about taking on some debt, as well?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

Yes, we continue to review both capital allocation and capital structure. We do currently have some debt on our balance sheet related to this acquisition, and we did raise our line of credit to $200 million. So we are open to debt on our balance sheet. We have conversations with our Board of Directors regularly, and I'm sure it will be a topic at the next Board of Directors meeting, to talk again about capital allocation and structure for the future.

Andrew Charles - *Cowen and Company - Analyst*

Thanks.

Operator

Jason West, Credit Suisse.

Jason West - *Credit Suisse - Analyst*

Sorry to go back to the acquisition again. But just wanted to understand the components of the earnings drag this year versus the accretion next year. So in the $0.25 you guys have called out for this year, I guess there's $0.18 of that, it's one-time in nature. That would go away, starting next year. And then in terms of the rest of the acquisition impact, are you guys factoring into the $0.25 the higher interest expense? Is that factored into that? And how are you thinking about just the general contribution from those stores from an EBITDA standpoint? Is that factored in on a net basis, as well?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

We did consider the interest expense when we were looking at the overall $0.25 effect for this year. I do want to walk through, for the other expense line, just a few more details that might be helpful to people. So on the $1.4 million for the third quarter in other expense, there is about $720,000 of that that would be related to line of credit interest, as well as the renewal fee, to go up to $200 million. And then there are two months of interest expense for capital leases, which is a new item for us. We haven't had capital leases for our real estate, historically.

There was also a deferred comp loss of $500,000. That is an offset to the G&A line, but it does get grossed up here on the other expense line. And then the remainder was related to our loss on our minority investment. When we look at the fourth quarter, we would ignore the deferred comp investment loss or gain, because that is just an offset. You would need to add another month of interest expense. We did expense a full two months of interest expense related to capital leases, even though we operated the acquisition stores for about a month and a half.

But our policy for accounting is to pick that stuff up for a full month in the month of acquisition. So you would need to add another month of interest expense on the capital leases. There will be a little bit lower line of credit expense, because we don't have the renewal fee. And the balance remaining on our line of credit is lower. We estimate overall, in the fourth quarter, we'll probably be about $1.1 million of that other expense related, compared to the $1.4 million this quarter.

Jason West - *Credit Suisse - Analyst*

Okay. But the $0.18 this year, that slowly goes away, at the end of the year? And we get that all back next year? Is that the right way to think about that?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

It is one-time, correct.

Jason West - *Credit Suisse - Analyst*

And then the net impact of the acquisition, including the -- just the business contribution, is that factored in here? Or is that separate from this discussion?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

Factored into all line items that we've discussed.

Jason West - *Credit Suisse - Analyst*

Okay. Thank you.

Operator

Brett Levy, Deutsche Bank.

Brett Levy - *Deutsche Bank - Analyst*

Good afternoon. Just a question on the -- first question is on the earnings guidance. When we are looking at the 2016 at least 20% growth, are you taking that off of a base that includes all of these one-time-in-nature costs? Or should we assume that these are being excluded?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

No, we would look at our full net earnings for 2015, without any kind of adjustments.

Brett Levy - *Deutsche Bank - Analyst*

Great. And another question on marketing. You obviously had to transition from a prior campaign into a more generic one. Do you think that that had any meaningful impact on your sales trends? And when should we expect a more significant campaign?

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

We've done research, obviously, around our fall football campaign. And it is resonating as well as previous campaigns with our guests, and with the -- not just the guests, but B-Dubs Huddle and anyone else included in that research. So we are actually very pleased with how we were able to recover. For our fall football campaign, we will be back with a more branded -- not more branded, because I feel like we did a really nice job branding this current one, but with another campaign kicking off for basketball, in the first quarter of 2016.

Operator

Diane Geissler, CLSA.

Diane Geissler - *CLSA Limited - Analyst*

I have two questions, one an immediate-term question, and one is maybe a little bit more medium-term. And this may just be me being confused. So if I look at your earnings year to date, they are down year on year. And I appreciate there's some -- the acquisition, et cetera, one-time items there. But the guidance for the full year, for 2015, suggests that the fourth quarter is going to be up significantly. And just based on what you're saying about, you're running negative traffic right now, and wing costs are a little bit stickier than you thought, and labor is still high. I guess, what is your comfort level in that year-on-year, fourth-quarter growth rate to hit that single-digit net earnings growth for the full year?

Jim Schmidt - *Buffalo Wild Wings, Inc. - COO*

Let me handle the traffic, and then I'll turn it over to Mary. But the -- on traffic, we are not -- I think when you adjust for events that are not matching year over year, we are not suggesting we are seeing negative traffic.

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

And then I'll comment on the other. Though wing prices are higher than we had thought they would be in the fourth quarter, they're still $0.10 cheaper, we believe, than what fourth quarter last year was. So relatively speaking, our cost of sales last year was 30.6%. With the $1.80 that we have for wings in the first two months, we think we will be slightly higher than 29.4%. So we do still have economics that are working in our favor, on a year-over-year basis. Not enough, however, to keep our guidance for the year up in the double-digit net earnings growth.

Diane Geissler - *CLSA Limited - Analyst*

Yes, I appreciate that. I'm just concerned that you are not going to hit the single-digit either, because year to date, you are down. So there is a lot of stuff banked into the fourth quarter, and it seems like the fourth quarter has gotten off a little bit slower than you thought it would, because of the calendar shift, et cetera.

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

And fourth quarter was always the big quarter for us. Because when you look at our overall year-over-year number of Company-owned stores operating, it is the quarter where are all of those come into play and help grow the bottom line.

Diane Geissler - *CLSA Limited - Analyst*

Okay. And then just the medium-term question would be about, appreciate wings are higher than you thought, probably they will stay higher in the first part of the year. Can you talk a little bit about, as you look into the beginning of 2016, how much you're forward-bought on both boneless and traditional wings? Like where you're setting up for that spring Super Bowl and Final Four? And that kind of first rush of activity there?

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

We do serve a fresh wing, so we do buy in the market. For the traditional wings, we do see the price of our wings moves on a monthly basis, and that would continue into 2016, unless we come up with a different pricing contract. As it relates to boneless wings, our existing contract goes through March of next year. So that, as we go into the beginning of the year, will be similar, year over year. And we will update in February, as it relates to pricing for the remainder of 2016.

I do want to make one comment on wing prices, because we have seen some discussion about wings in cold storage, which are frozen wings. And based on the amount in cold storage, do we think that that is going to help wing prices in the future? And we don't see that, at least from discussions with our suppliers. We don't see that as the motivator, as we are going into the last part of the year here. They are saying that the wings that are in inventory now do have a home. So they are not wings that will hit the market, or cause a decline, as it relates to the wing market overall. So we do think that has little impact on what we will see in the future.

Diane Geissler - *CLSA Limited - Analyst*

Okay. Thank you.

Operator

Jeff Farmer, Wells Fargo.

Jeff Farmer - *Wells Fargo Securities, LLC - Analyst*

Just following up on that last question. So beyond, again, traditional chicken wings, bone-in wings, the outlook in coming quarters for cheese, soybeans, beer, paper, anything that matters on the commodity front. Is there any insight you can provide across the board there?

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

We think it's -- for next year, it sets up pretty well. So we are thinking most other commodities will be down for us. We did see some increases in beer cost coming into our stores at the last part of this year. We have taken menu price increases to account for most of that.

Jeff Farmer - *Wells Fargo Securities, LLC - Analyst*

Okay. And then you were asked this earlier, but it's a different way to come about it. But theoretically, in a backdrop where you were to see favorable commodity pricing and some significant labor cost inflation -- or at least a little bit of labor cost inflation, how would that impact your philosophy or strategy on taking menu pricing in 2016?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

I'll start with that. We look at the overall. So if you have -- if you're favorable on COGS, and your labor is up a little bit, we may not do anything. But if you start seeing, again, increased pressure on traditional wings, along with labor price, we would definitely look at price. It is -- we have that opportunity to do it, both through menu, our core menu that gets rolled out, the next one is next week. We would look at it again, if you started seeing some real pressure.

But we can also do it on our traditional -- or our promotional days on Tuesdays and Thursdays, and we can do that a little more immediately, if we needed to. As we look at our forecast for 2016, we've been aggressive in thinking about labor. And labor -- and what labor costs are going to be. And we think we've built that into our 2016 forecast. And any price increase that we are thinking of would cover that.

Jeff Farmer - *Wells Fargo Securities, LLC - Analyst*

So last one, just to follow up on that. So when you say aggressive, I would think of it as conservative, meaning that you would expect to see a labor cost as a percent of revenue that is greater?

Mary Twinem - *Buffalo Wild Wings, Inc. - EVP, CFO & Treasurer*

That is what I mean. I mean that we're planning for increased labor costs. And we need to find efficiencies in labor, and other opportunities to offset that. So, yes, when I say aggressive, it's -- we are being conservative, thinking that, yes, labor is definitely higher.

Jeff Farmer - *Wells Fargo Securities, LLC - Analyst*

Okay. Thank you very much.

Operator

And at this time, that does conclude our question-and-answer session for the day. I will turn the conference back to Sally Smith for any additional or closing remarks.

Sally Smith - *Buffalo Wild Wings, Inc. - President & CEO*

Great. Thank you, everyone. I really appreciate you taking the time to listen to the conference call, as well as the questions. We hope we've provided some insight, and I look forward to talking with all of you again in February, when we do our year-end 2015 conference earnings call at that time. Thanks a lot.

Operator

This concludes today's conference. Thank you for your participation.