

# **Q2 2023 MPS Earnings Webinar**

**Monolithic Power Systems, Inc.** (NASDAQ:[MPWR](#))

Q1 2023 Earnings Call Transcript

July 31, 2023, 2:00 p.m. PT, 5:00 p.m. ET

## **Company Participants:**

**Genevieve Cunningham** - *Marketing Communications Manager*

**Michael Hsing** - *Founder, Chairman, President & Chief Executive Officer*

**Bernie Blegen** – *Vice President & Chief Financial Officer*

## **Analysts:**

**Quinn Bolton** - *Needham & Company, LLC*

**Melissa Fairbanks** – *Raymond James*

**Travis Poulin** – *Wells Fargo*

**Hans Mosesmann** - *Rosenblatt*

**Matt Ramsay** – *Cowen & Co.*

**Rick Schafer** – *Oppenheimer & Co, Inc.*

**Ross Seymore** - *Deutsche Bank AG*

**William Stein** - *Truist Securities, Inc.*

**Jeremy Kwan** - *Stifel, Nicolaus & Company, Incorporated*

**John Vinh** – *Keybanc*

**Chris Caso** - *Wolfe*

## **Genevieve Cunningham**

Welcome, everyone, to the MPS second quarter 2023 earnings webinar. My name is Genevieve Cunningham, and I will be the moderator for this webinar. Joining me today are Michael Hsing, CEO and founder of MPS, and Bernie Blegen, VP and CFO.

In the course of today's webinar, we will make forward-looking statements and projections that involve risk and uncertainty, which could cause results to differ materially from management's current views and expectations. Please refer to the safe harbor statement contained in the earnings release published today.

Risks, uncertainties, and other factors that could cause actual results to differ are identified in the safe harbor statements contained in the Q2 earnings release and in our SEC filings, including our Form 10-K, filed on February 24, 2023, and our Form 10-Q, filed on May 5, 2023, which are accessible through our website. MPS assumes no obligation to update the information provided on today's call.

We will be discussing gross margin, operating expense, operating income, other income, income before income taxes, net income, and earnings on both a GAAP and a non-GAAP basis. These non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. Tables that outline the reconciliation between the non-GAAP financial measures to GAAP financial measures are included in our Q2 2023 earnings release, which we have furnished to the SEC and is currently available on our website.

I'd also like to remind you that today's conference call is being webcast live over the internet and will be available for replay on our website for one year, along with the earnings release filed with the SEC earlier today. Now, I'd like to turn the call over to Bernie Blegen.

## **Bernie Blegen**

Thanks, Gen.

MPS reported second quarter revenue of \$441.1 million, 2.2% lower than the first quarter of 2023 and 4.3% lower than the second quarter of 2022. Compared with Q1 2023, sales in Communications were lower, while Industrial, Storage and Computing, Consumer, and Enterprise Data improved sequentially.

Turning now to our second quarter 2023, revenue by market.

Storage and Computing revenue of \$124.5 million increased 3.9% from the first quarter of 2023. The sequential revenue improvement primarily reflected higher commercial notebook sales. Second quarter 2023 Storage and Computing revenue was up 1.8% year over year. Storage and computing revenue represented 28.2% of MPS's second quarter 2023 revenue compared with 26.5% in the second quarter of 2022.

Second quarter 2023 Industrial revenue of \$49.7 million increased 4.8% from the first quarter of 2023, reflecting increased sales of products for power sources and industrial meter applications. Second quarter 2023 Industrial revenue was down 11.0% year over year. Industrial revenue represented 11.3% of our total second quarter 2023 revenue compared with 12.1% in the second quarter of 2022.

Second quarter Consumer revenue of \$65.2 million increased 2.9% from the first quarter of 2023. The sequential quarterly revenue improvement reflected higher gaming, TV, and mobile device sales. Second quarter 2023 Consumer revenue was down 33.0% year over year. Consumer revenue represented 14.8% of MPS's second quarter 2023 revenue compared with 21.1% in the second quarter of 2022.

In our Enterprise Data markets, second quarter 2023 revenue of \$48.0 million increased 1.7% from the first quarter of 2023, primarily due to initial shipments of new-generation AI applications which offset softer demand for CPU applications. Second quarter 2023 enterprise data revenue was down 26.4% year over year. Enterprise Data revenue represented 10.9% of MPS's second quarter 2023 revenue compared with 14.2% in the second quarter of 2022.

Second quarter Automotive revenue of \$104.4 million decreased 0.9% from the first quarter of 2023. Second quarter 2023 Automotive revenue was up 71.1% year over year. Automotive revenue represented 23.6% of MPS's second quarter 2023 revenue, compared with 13.2% in the second quarter of 2022.

Second quarter 2023 Communications revenue of \$49.3 million was down 27.4% from the first quarter of 2023, primarily reflecting lower infrastructure sales. Second quarter 2023 communications revenue was down 16.9% year over year. Communications sales represented 11.2% of our total second quarter 2023 revenue compared with 12.9% in the second quarter of 2022.

I'd like to make some general comments about our business.

In our previous earnings calls, we have noted customer ordering patterns could oscillate. This has turned out to be the case. We continue to see some orders getting delayed or amended by pull-in requests. This lack of short-term visibility has made forecasting beyond Q3 2023 more difficult.

However, our business fundamentals remain unchanged. In the last few years, our revenue and customer base have expanded tremendously, particularly amongst tier one

accounts. We believe we've solidified our market share gains by delivering quality products and services. Additionally, we have a strong design win pipeline which positions us well for future growth.

Here are a few highlights -- here are a few of our recent highlights.

We have been designated a preferred supplier with multiple tier-one customers in automotive and telecom markets.

We have started sampling silicon carbide power solutions for data centers and green energy conversion. We are also continuing development for EV power management applications.

We are continuing to broaden our customer base for AI applications and developing solutions for next-generation platforms.

We have new design wins in battery management solutions and USB-PD for automotive, industrial, and consumer applications.

These will be major revenue drivers as we look ahead to 2024 and 2025.

Moving now to a few comments on gross margin.

GAAP gross margin was 56.1%, 120 basis points lower than the first quarter of 2023 and 260 basis points lower than the second quarter of 2022. Our GAAP operating income was \$112.3 million compared to \$124.3 million reported in the first quarter of 2023.

Non-GAAP gross margin for the second quarter of 2023 was 56.5%, down 120 basis points from the gross margin reported in the first quarter of 2023. The quarter-over-quarter decrease in both GAAP and non-GAAP gross margin is attributed largely to unfavorable variances and higher direct expenses. Our Q2 2023 non-GAAP operating income was \$153.1 million compared to \$164.1 million reported in the first quarter of 2023.

Let's review our operating expenses.

Our GAAP operating expenses were \$135.4 million in the second quarter of 2023, compared with \$134.5 million in the first quarter of 2023. Our non-GAAP second quarter 2023 operating expenses were \$96.0 million, matching what was reported in the first quarter of 2023.

The difference between non-GAAP operating expenses and GAAP operating expenses for the quarters discussed here are primarily stock compensation expense and income or loss on an unfunded deferred compensation plan. For the second quarter of 2023,

total stock compensation expense, including approximately \$1.1 million charged to cost of goods sold, was \$38.0 million compared with \$37.0 million recorded in the first quarter of 2023.

Switching to the bottom line,

Second quarter 2023 GAAP net income was \$99.5 million, or \$2.04 per fully diluted share, compared with \$109.8 million or \$2.26 per share in the first quarter of 2023. Second quarter 2023 non-GAAP net income was \$137.5 million, or \$2.82 per fully diluted share, compared with \$146.0 million or \$3.00 per fully diluted share in the first quarter of 2023. Fully diluted shares outstanding at the end of Q2 2023 were \$48.8 million.

Now let's look at balance sheet.

Cash, cash equivalents, and investments were \$941.1 million at the end of the second quarter of 2023 compared to \$919.1 million at the end of the first quarter of 2023. For the quarter, MPS generated operating cash flow of approximately \$90.2 million compared with Q1 2023 operating cash flow of \$218.8 million.

Accounts receivable ended the second quarter of 2023 at \$169.2 million, representing 35 days of sales outstanding, which was two days lower than the 37 days reported at the end of the first quarter of 2023.

Our internal inventories at the end of the second quarter of 2023 were \$427.4 million, down from the \$430.8 million at the end of the first quarter of 2023. Days of inventory of 201 days at the end of the second quarter of 2023 were three days lower than at the end of the first quarter of 2023.

Comparing current inventory levels with the following quarter's projected revenue, you can see days of inventory decreased to 184 days at the end of the second quarter of 2023 from 203 days at the end of the first quarter of 2023.

I would now like to turn to our outlook for the third quarter of 2023.

We are forecasting Q3 revenue in the range of \$464 to \$484 million,

GAAP gross margin in the range of 55.5% to 56.1%,

Non-GAAP gross margin in the range of 55.7% to 56.3%,

Total stock-based compensation expense in the range of \$33.5 million to \$35.5 million, including approximately \$1.0 million that would be charged to cost of goods sold,

GAAP operating expenses between \$129.4 million and \$133.4 million, non-GAAP operating expenses in the range of \$96.9 million to \$98.9 million-- this estimate excludes stock compensation expense but includes litigation expense,

Interest and other income in the range of \$3.0 to \$3.4 million before foreign exchange gains or losses, fully diluted shares in the range of 48.6 to 49.0 million shares.

In conclusion, we continue to execute our long-term strategy.

I will now open the webinar for questions.

### **Genevieve Cunningham**

Thank you, Bernie.

Analysts, I would now like to begin our Q&A session. As a reminder, if you would like to ask a question, please click on the Participants icon on the menu bar, and then click the Raise Hand button.

Our first question is from Ross Seymore of Deutsche Bank. Ross, your line is now open.

### **Ross Seymore**

Thanks for letting me ask a question. Just wanted to ask, Bernie, first, when you had your general business condition update about orders remaining volatile, et cetera, I wonder if you could just give us a little more color. Are things kind of improving, staying the same? And is there any change in things like competitive intensity, pricing, geographic differences -- any color a little bit more detailed than what you gave in your original preamble?

### **Bernie Blegen**

Sure. I'd be glad to help out with that. So I think that we started that part of the conversation by acknowledging that in each of the prior three quarters that we believed that ordering patterns would oscillate. And that's pretty consistent when you're coming off of a period where there have been an extra normal level of ordering that created a demand-supply imbalance that, afterwards, you're sort of draining your backlog as you are watching your customers try to align around what they're guessing is end customer demand.

So as a result of that, we have not had the same level of visibility out past 90 to 120 days that we would have during the more normal ordering pattern. And so, as a result of that, we don't have the same level of predictability.

On the second half of your question, the one thing that remains consistent, whether it's under normal conditions or whether it's today, is we've always been in a very competitive marketplace. And, obviously, price downs are the norm and that we have competitors like ourselves that are trying to go after as much incremental business during this transitory period as is possible.

**Michael Hsing**

Let me add to-- we do see a slight improvement versus in the first quarters. And essentially, it's similar. And we do see consumer business improvement from both US side to Asia side. And other ones pretty much stayed the same.

**Ross Seymore**

Great. Thanks for that. And I guess as my follow up, Bernie, you guys have had relatively volatile end markets-- not specific to you, but just in a general sense. So any sort of color in your guide for the third quarter between the various end markets? And the one I think most people are most interested in, albeit still a relatively small part of your business, is your enterprise data segment. Any sort of color between the AI side you talked about last for the second quarter and the CPU side, which has been a little bit weaker?

**Michael Hsing**

Yeah, you already answered all your questions there. We don't see -- all the products relate to with the AI we cannot ship enough now. And other ones into other part of enterprise data centers, CPU powers, and these are still delayed.

**Bernie Blegen**

Yeah. And one other thing to add, and this is specific to MPS and not necessarily a broader comment of the general market, but automotive came in a little bit lower than would have been expected. And as we look at the ramp in the second half, we're observing that, at least for two of our customers, unit volumes appear to be lower. And we had two product launches which have been delayed into Q4 and Q1.

**Ross Seymore**

Thanks, guys.

**Michael Hsing**

OK.

**Genevieve Cunningham**

Our next question is from Quinn Bolton of Needham. Quinn, your line is now open.

**Quinn Bolton**

Hey, Michael and Bernie. I just wanted to ask -- on the GPU side of the business, there's been recent chatter in the market that one of your large customers may be bringing in Renesas as a second source as well as potentially Vicor.

Just wondering if you might share any thoughts you have as you look forward with that customer about the impact of multi-sourcing at that customer. And maybe a related question -- how are you feeling about your position looking into the next generation 3 nanometer processor at that customer? And then I've got a follow up. Thanks.

**Michael Hsing**

Ok. I think so far we're in the lead positions. And we are engaged deeply in a future designed and develop a new product for the second generations, for the next generations. And so other than that, we can't speculate anything.

**Bernie Blegen**

I think in most scenarios, and this particular customer is representative, is they want to take a leadership position through innovation. And they found us an equal partner for that. But it's in everybody's best interest that it be a competitive, not a single source. And so, yes, we'd always anticipated that there would be redesigns that allow competition into the market.

But either we have to provide the best solutions, and at the same time, we understand that our customers -- and that requires other solutions. This is a very large market. There's no means MPS can supply everything ok. And also, MPS is always diverse. We emphasize diversified growth. And if there's a performance need, I believe that MPS is the best solution now and for the near future.

**Quinn Bolton**

Thank you, Michael.

Bernie, you mentioned visibility out beyond 90 to 120 days is pretty choppy at this point, just given the industry dynamics. I guess I look out to the fourth quarter, and it looks like the Street has modeled the fourth quarter approximately flat, which I think is an above seasonal pattern for MPS historically.

And I'm just wondering, can you comment whether you think an above-seasonal fourth quarter looks right to you, perhaps given the ramp in the GPU business and some of the timing shifts you just mentioned in automotive? Or do you think it would be best for

investors to think that the December quarter is going to see a seasonal decline in the December quarter? Thank you.

**Bernie Blegen**

Yeah, I think that normal seasonality for MPS would be somewhere between a sequential decline of between 4 and 5 percentage points. And I can point to the increase in the notebook sales during Q3, which precedes Christmas. So that's a normal seasonal factor that's expected to come down. And we're not seeing the uplift that had been anticipated from automotive. So I would be more comfortable with a seasonal down in Q4.

**Michael Hsing**

Well, you mentioned there's a seasonality. Well, well we're talking about seasonality. And I try to figure out what is seasonality now. And last year and last couple years, we have a very strong Q4-- at least the year before that. And the customers see all the shortages.

And now the demand clearly is much less. So we experience year over year, in the last couple of years, like over 40%. And this year-- and clearly is not as much-- I mean much less. And I can't really call it seasonality anymore. So as I said, it's not very clear. But as Bernie said, usually in the seasonality, we're lowered.

**Quinn Bolton**

Understood. Thank you, Michael. Thank you, Bernie.

**Genevieve Cunningham**

Our next question is from Rick Schafer of Oppenheimer. Rick, your line is now open.

**Rick Schafer**

Yeah, thanks. Yeah, guys, I just had a couple questions if I could. And the first one is that, if I could kind of maybe revisit Auto for a second. I mean, you mentioned power isolation module in your prepared remarks. And I don't know if you could give us a little bit more color there, kind of an update on how many customers are evaluating the product now?

Talk a little bit about, if you could, design win timing, revenue timing, expectation there. And is Auto going to be the first to ramp, and then data center, and then more of the green stuff? Or how does it all kind of shake out, I guess is what I'm asking?

**Michael Hsing**

Yeah, that plateau that we saw and delayed a little bit. But we will reintroduce to our resampling and announce it was a delay due to the technical issues. And so as I'm speaking right now, we are have a resample it. And mostly it's in automotive, and also data centers. And same as we mentioned earlier, is the silicon carbides, and these are products that we start to sample.

### **Rick Schafer**

OK, thanks, Michael. And then second question is, you guys have almost a \$2 billion power management business now. And I think modules are on track to be 10% of that or so this year. And I think that's up from basically nothing, just a couple of years ago.

So if this business sort of has -- I believe and Bernie I'm sure will correct me -- but you know, in-line or better margins to core average. And I think it's a 5x ASP multiplier. I'm just trying to get a sense of, Michael, how big do you envision this business becoming as a percent of mix going forward? And are there any, in particular, end markets, that are going to be favored, at least initially, by the move into modules? Thanks.

### **Michael Hsing**

Yes. Okay. I believe that's our future. And when customers want to have a plug-and-play solution, and they want it less technically involved with power management, the module solution is the way to go. And people doesn't want to buy ICs, or design or all these other components. And initially, that's where we're ramping a lot of them, in the auto business, in the industrials-- in the industrial side-- and as well as the telecom, even semi equipment. And a lot of-- market and I can go on and on, and get a lot of things to be mentioned. But most of these products is not price sensitive, and they are they're not volume consumer-related product. And so this is still at the very beginning. We have all these customer base, and we have all the new product coming out and we will see the similar growth rate in the next few years.

### **Rick Schafer**

Got it. Thanks, Michael.

### **Genevieve Cunningham**

Our next question is from Jeremy Quan of Stifel. Jeremy, your line is now open.

### **Jeremy Kwan**

Thank you. Yes, this is Jeremy, on for Tori. I guess, maybe a first question on the comms business. It was down meaningfully, as you guys expected, and were probably

one of the early ones to call out last quarter. I guess, what's your sense of where things are now? Should we expect this business to bounce along at these levels in the second half, before maybe picking up next year? And what are your customers telling you, in terms of their expectations?

**Michael Hsing**

Yeah, as you see, we didn't participate in 4G. And 5G and other infrastructure business all new to us. And so you know what? The 5G hasn't really ramped up quickly yet. But our products were designed in the last few years. We're just waiting for our customers to give us orders. And so far, it's not clear.

**Michael Hsing**

OK, next question.

**Genevieve Cunningham**

Our next question is from William Stein, of Truist. William, your line is now open.

**William Stein**

Hey, there we go. Thanks for taking my questions. First, I'm hoping you can talk to us about channel inventory. When we look at your P and L, you had nearly 50% revenue growth last year. I think there's a pretty strong sense among investors that there might be some inventory still in the channel to be worked through. We'd love to hear any update, or any measurement, you have of that.

**Bernie Blegen**

Sure. So as far as what we observed in Q2, is that there was a meaningful decrease in channel inventories, both in terms of dollars and days. And the sort of phenomena that we've seen has been a time delay between when the end customer places an order and when they want to do a pullback, because of uncertainty with what end customer demand has been. So I can point to a couple of our end markets where that was very clear. But we believe, right now, that we're in a position to continue to normalize channel inventories over the next two quarters.

**William Stein**

So not normalized yet is what it sounds like. So in the September guidance, I assume there's some expectation that sell-in will be lower than sell-through. Is that fair?

**Bernie Blegen**

Yeah. Again, going back to the comments about the visibility and predictability out past 90, 120 days, that's not just the demand-- the new net orders that we're receiving-- but also the strength of the sell-through is also a little harder to predict.

**William Stein**

Great. Thank you.

**Genevieve Cunningham**

Our next question is from Matt Ramsey, of Cohen. Matt, your line is now open.

**Matt Ramsey**

Thank you very much, Michael, Bernie-- can you guys hear me OK.

**Michael Hsing**

Yes.

**Matt Ramsey**

Awesome. So I guess, for my first question, Michael, you I had some conversations about the company strategically wanting to rebuild the consumer business as a percentage of revenue over time, and get it back to a higher level than it's been now. I guess, I'd like to revisit some of those conversations, and just see if you had any comments about how you feel about supply, demand environment, and the competitive environment, in order to try to push to re-emphasize your company in certain parts, strategically, of that consumer segment? Thank you.

**Michael Hsing**

Yeah, so that's a good question. So we see some improvement, but this is at the beginning. And as we see our supply, the cost went down dramatically. As Bernie said, our inventory values even reflect our inventory value now.

And so you know in the past, the MPS named as the price killers. And it's a very simple game. We don't mind and we don't buy in the consumer segments. And OK, we have a fight. And all the high-gross margins is on the other segments. And it's all because share our technology strengths. We provide a much better and much smaller size. And in consumer segments, in the last couple of years, we neglected that, because we don't have enough revenues or enough capacities. And so it's not that difficult to go back to the same games that we played since IPO.

**Matt Ramsey**

Thanks. Thanks, Michael. I think, as my follow up question, I wanted to really focus on the Enterprise Data segment, just because that's where a large percentage of my investor questions come from. And I think there's two dynamics going on here-- the strength of the AI business, with your lead customer there, and some softness in the CPU market that's well documented.

And so the question is, really, what would-- you guys, I think, have built on-books inventory to support ramps of all the customers in that space. So I guess the question is, how quickly and what would the lead times be to respond to an uptick in demand? And do you have any visibility into the timing of potential reacceleration of that segment? And how long is that visibility? Thanks.

**Michael Hsing**

Our visibility is probably well documented, if you listen to all these major AI supply, you will see MPS. And you will see the MPS in the next few quarters of potentials. But I can talk to you about the technical issues. I think that MPS is-- so far, the solutions is far better than our competitor. So we for the next generation of AI processor, we're not working on nows. We're working on a year ago, even 18 months ago. And so the relationship is strong. And also, for the technical is even more challenging. And the space is critical. You have to radiate all the heat out. And for the next generations, power even higher.

And so we provide all these vertical solutions, and we pioneered with it. And all the other solutions had to fit into the form factors. The integrated solution is the only way to go.

**Bernie Blegen**

And I think, if I could just add to that, it's also the breadth of the customer opportunities that we're engaged with. And over the course of the next four quarters, we're going to see multiple, new customer applications launch, initially with MPS. So yes, we have a very powerful initial position with one customer, but we expect to branch that out very quickly.

**Michael Hsing**

With multiple customers.

**Bernie Blegen**

Multiple customers.

**Matt Ramsey**

Thank you, guys. Really appreciate it.

**Genevieve Cunningham**

Our next question is from Hans Mosesmann, of Rosenblatt. Hans, your line is now open.

**Michael Hsing**

Oh, have a problem.

**Genevieve Cunningham**

Our next question is from Jeremy Quan, of Stifel. Jeremy, your line is now open.

**Jeremy Quan**

Yes. Hi. Thank you for allowing me a follow up here. I wanted to ask about capacity. You guys have always been very ahead of the curve on long-term capacity and through up and down cycles. I was wondering how you're thinking about it in this environment, and whether or not that might give you guys a competitive advantage in some of these applications that you're really targeting? And also, if you have a CapEx number for this quarter? Thank you.

**Michael Hsing**

Yeah. As we stated earlier, many of our customers now requested a move out of China. And now, we kind of achieved more than 50%. We can have a more than 50% of our capability out of China.

And so the overall capacity, we don't have it. Problem now. So now, we have more inventory. And we want to sell more from our inventory. Does that answer your questions?

**Bernie Blegen**

Yeah, and I think that when you look at capacity today, it's really when this environment turns around and becomes more predictable, how are we positioned to service our customers, a year and two years from now? And I think the investments that we're making, both in terms of expanding capacity and diversifying geographically, both on the front end and the back end, will pay very good dividends as far as customer satisfaction.

**Genevieve Cunningham**

Our next question is from Chris Caso of Wolfe. Chris, your line is now open.

**Chris Caso**

Yes, thank you. Good evening. The first question is regarding order visibility. And I ask because, for the past several quarters, there really hasn't been any requirement for turns business, going forward. Is that something that's changing, going forward, given some of the changes in the end markets? And what does that mean with regard to your revenue visibility as we look out at over the next few quarters?

**Bernie Blegen**

Sure. I think that Michael responded to this pretty nicely, in that we saw some improvement in Q2 from Q1 as far as our net bookings, but it's still not to the degree that we historically enjoyed in either 2018 or 2020, just to pick two more recent years. In the past, we would have up to 90%, 95% of our next quarter's revenue in hand at the end of the preceding quarter. And so you're only relying on a fraction of a percent of turns business in order to accomplish the numbers for that particular quarter. So we're seeing steady improvement but we're still not at the level yet where we have that predictability.

**Chris Caso**

Got it. Thank you. As a follow up, I just had a follow up question about supply. And I understand that supply is getting a bit easier out there. Historically, I think your ability to procure supply from your competitors has been a source of competitive advantage for Monolithic Power. How do you see the landscape going forward?

I know you've been bringing on some different foundry partners, as you try to diversify outside of China. What do you think that means for both your access to wafers over the long term, as well as the pricing? Do you think that competitive advantage remains?

**Michael Hsing**

Well, you mentioned the pricing. So of course, all these material costs is much lower than the-- or go back to normal, I should say, as of pre-pandemic. And so in terms of a capacity, I didn't mention earlier. We want to expand out of China. That's from our customer's request.

And the other one is, we want to expand it for our next couple of years growth. And mostly, we are still in a-- follow our long-term plan and we invest. Of course, now we should slow down a little bit in the next few quarters. But over the long term, we should continue the course.

**Chris Caso**

Thank you.

**Genevieve Cunningham**

If there are any follow up questions, please click the Raise Hand button.

As there are no further questions, I would like to turn the webinar back over to Bernie.

**Bernie Blegen**

Thanks again, Gen. I'd like to thank you all for joining us for this webinar, and look forward to talking to you again during our third-quarter webinar, which will likely be at the end of October. Thank you, and have a nice day.