BLACKSTONE MORTGAGE TRUST Third Quarter 2020 Investor Call
October 29, 2020 at 9:00 a.m. ET

Coordinator: Good day and welcome to the Blackstone Mortgage Trust Quarter Three 2020 Investor Call. My name is Joanne and I'm your event manager. During the presentation your lines will remain on listen only, and if you require assistance at any time please key star and zero on your telephone and a coordinator will be happy to assist you. To ask a question please key star and one. I would like to advise all parties this conference is being recorded. And now I would like to hand over to Weston Tucker, Head of Investor Relations. Please proceed.

Weston Tucker: Great. Thanks Joanne, and good morning and welcome to Blackstone Mortgage Trust's third quarter conference call. I'm joined today by Mike Nash, Executive Chairman; Steve Plavin, Chief Executive Officer; Jonathan Pollack, Global Head of Real Estate Debt Strategies; Katie Keenan, President; Tony Marone, Chief Financial Officer; and Doug Armer, Executive Vice President, Capital Markets.

This morning, we filed our 10-Q and issued a press release with a presentation of our results, which are available on our website and have been filed with the SEC.

I'd like to remind everyone that today's call may include forward-looking statements which are uncertain and outside of the company's control. Actual results may differ materially. For a discussion of some of the risks that could affect results, please see the Risk Factors section of our most recent 10-K as updated in subsequent 10-Qs. We do not undertake any duty to update forward-looking statements. We will also refer to certain non-GAAP measures on this call, and for reconciliations, you should refer to the press release and our third quarter 10-Q. This audio-cast is copyrighted material of Blackstone Mortgage Trust and may not be duplicated without our consent.

So a quick recap of our results: We reported GAAP net income per share of $0.61 for the third quarter, while Core earnings were $0.63 per share. Two week ago, we paid a dividend of $0.62 per share with respect to the third quarter.

If you have any questions following today's call, please let me know. With that, I'll now turn things over to Steve.

Steve Plavin: Thanks, Weston. This is our third call since the onset of the COVID crisis, and we are pleased to report another quarter of strong credit performance, earnings and access to the capital markets. Our experience through this period represents a validation of our long-held operating principles, a uniform focus on senior mortgage lending on top quality real estate with strong, well-capitalized sponsors, and a diversified, efficiently priced liquid balance sheet with long-duration, matched liabilities.

Our portfolio this quarter continued to show exceptional stability in the face of a volatile environment. We had great sponsor support throughout the period with 99% interest collections and almost no deferrals. Our large-scale loans come with institutional sponsors that have significant access to liquidity in their investment vehicles – giving them the ability to support our loans, even through this period of dislocation. With an origination LTV of just 64%, our borrowers have equity to protect in their assets and their performance through the third quarter reflects that.

The investment and asset management process at BXMT brings together the resources and insights from across the Blackstone real estate platform, ensuring we focus on superior sponsors, assets and business plans and drive the best possible outcomes. The continued strong credit performance in our portfolio this quarter is a product of that approach. We had no new 4 or 5 rated loans and no new specific CECL reserves. So all-in-all, a very good credit quarter.

We continue to build the company's balance sheet for the road ahead with $1.2 billion of liquidity at quarter-end, a level that positions us well for emerging new originations, as well to manage our existing portfolio. We priced our third CLO last week, refinancing $1 billion of our loans on attractive terms. This follows our Q2 term loan add-on and common equity offering at a premium to book. We have demonstrated excellent access to the capital markets through this volatile period, improving our liability structure and greatly increasing our liquidity. These capital markets transactions demonstrate the superior execution Blackstone sponsored vehicles command due to strong performance and a consistently high volume of top-quality transactions.

We have generated consistent, strong core earnings against not only a tough COVID backdrop, but also amidst a yield-starved investing environment. With benchmark rates around the world near zero, the current income generated by our portfolio is more attractive than ever.

We are now one quarter closer to the end of the COVID crisis. While the timeline and trajectory of recovery remains unknown, we believe the quality of our portfolio and the strength of our balance sheet position us well to outperform. And with that I will turn it over to Katie to further discuss our performance.

Katie Keenan: Thanks, Steve. This morning, we reported core earnings of $0.63 per share, covering our $0.62 dividend and consistent with our earnings profile prior to and through the pandemic. Our liability structure is sound, augmented by exceptional capital markets access, and we have maintained plenty of liquidity. Our loans continue to perform, with resilient operations in most asset classes and strong sponsor behavior across the board.

On the office side, the quality of our assets and sponsors has yielded steady performance through the COVID-impacted period. Our loans are secured by high-quality, institutional assets, and these buildings tend to attract larger, better capitalized tenants. As a result, we are seeing strong rent collections averaging 95% across the portfolio, a very healthy number. While COVID has slowed leasing in the market and our collateral, we have nonetheless seen over 1 million square feet of leasing activity in the office portfolio alone since March.

Based on Blackstone's experience as a highly active owner and lender on office buildings, our investment strategy on more transitional assets has long-focused on newer buildings with the location and quality to cater to growing tenants that are generating demand, like those in the technology, content creation, and life science sectors. COVID is an amplifier of trends, and these segments of the market are outperforming in today's economy. In the BXMT portfolio, we have significant investment in West LA, Hudson Yards and other submarkets driven by these sectors, and over 65% of the office buildings securing our loans are newly-built or recently renovated, which means they have the technology, space flexibility and amenities that we expect will best compete in the post-COVID leasing environment. Our portfolio includes assets with major leases to marquee tenants like Google in Atlanta, Amazon in West LA, Square in the Bay Area, and Pfizer and Peloton in New York City. In San Francisco, one of our sponsors completed a first-class renovation on an office building earlier this year, and has since leased the asset from 33% to 77% today. While the pandemic will result in an elongation of business plans for some deals, we and our sponsors share the view that modern, high quality assets in the right locations will outperform.

On the new investment front, we are starting to see green shoots in the market for lending opportunities. While transaction activity remains muted relative to pre-COVID levels, normal-course refinancing and acquisition activity is re-emerging. Our credit facility lenders are open for business and eager to finance their best clients on new originations. And most importantly, we continue to be able to draw upon our deep relationships with the most active players in the market to source the highest quality pipeline of lending opportunities. To this end, we currently have $230 million of new loans in closing, with experienced, well-capitalized fund sponsors. The deals include a stable, high-cash flow office acquisition in South Florida and a portfolio of loans on five newly-built multifamily assets. With mid-60s LTVs and light transitional business plans, these loans have attractive credit profiles, and were sourced through direct relationships with repeat borrowers, evidencing our continued ability to leverage our platform to identify attractive investment opportunities.

We end the quarter with ample liquidity to pursue new investments, as well as the benefit of strong earnings power embedded in our current loan portfolio. These factors together afford us the ability to be selective and seek out the best opportunities for the deployment of our capital, while drawing on the stability of our existing portfolio to continue delivering strong results for our investors.

Thank you, and I will now turn the call over to Tony to provide additional detail on our financial results.

Tony Marone: Thank you Katie, and good morning everyone. This quarter's results showcase the stability and resiliency of BXMT's business model as we now transition past the initial shock to the global economy resulting from COVID-19.

We reported GAAP net income of $0.61 per share and Core Earnings of $0.63 per share, up slightly from 2Q as we continue to benefit from interest rate floors embedded in our loan agreements in this historically low rate environment. Looking specifically at USD LIBOR, our most common floating rate index by far, we had $9.2 billion of loans with active floors as of 9/30, which we expect will continue to generate incremental earnings for our stockholders in future periods. Notably, we generated these earnings while maintaining the elevated liquidity level that Steve and Katie mentioned earlier. Our book value of $26.51 per share increased by $0.06 this quarter, primarily due to a modest reduction in our CECL reserve as of 9/30.

This change in our CECL reserve is largely attributed to the ordinary course migration of our portfolio in terms of loan size and expected tenor, and continues to reflect a prudent level of reserves, $1.30 per share in the aggregate, to address the future risk of loss in our low-leverage senior loan portfolio during these unprecedented times. During 3Q, we had no new loan-specific reserves, or nonperforming loans, and we collected and recognized all of the interest due from our portfolio this quarter other than the two loans we placed on cost-recovery accounting last quarter-end. These loans paid $1.1 million of interest this quarter, which was applied against our book value, and reduces the carrying amount of these loans on our balance sheet. We had another active quarter on the asset management front, completing 11 loan modifications that generally required additional borrower equity, reflecting our borrowers' continued support of their assets. As always, we draw on the deep experience and resources of Blackstone's broader real estate platform as we re-underwrite these loans and evaluate our borrowers' positions.

Our $18.1 billion portfolio size was up slightly during the quarter, as higher foreign exchange rates increased the value of our non-USD loans more than the net $142 million of principal proceeds we received during the quarter. As a reminder, we fully hedge our net exposure to foreign currency, so despite significant rate volatility this quarter, we reported a negligible impact on book value. Our weighted-average risk rating remained at 3.0 on our 5-point scale, the same level as 3/31 despite weathering another six months of COVID-driven market conditions, and we had no new 4 or 5 rated loans this quarter. Our portfolio continues to benefit from a weighted-average origination LTV of 64%, reflecting the significant equity our well-capitalized, institutional borrowers have invested in these assets.

Our balance sheet remains strong, with a debt-to-equity ratio of only 2.6x, and best-in-class credit facility terms that have been a key differentiator for BXMT during this volatile period. We continue to actively engage with our lenders on our existing portfolio and potential new business, and the banks continue to recognize the strength of our platform and consider BXMT a long-term business partner. We have no corporate debt maturing until 2022, and 97% of our asset-level financing is term-matched to the underlying collateral. As of quarter-end, 31% of our asset-level financing is through non-debt structures, either senior syndications or securitizations which will increase to 38% when our 3rd CLO closes shortly, financing an incremental $1 billion of our portfolio at an 81% advance rate and attractive cash cost of LIBOR +1.68%. These non-debt structures increase the diversity of our financing sources, and further enhance the stability of our balance sheet.

As Katie mentioned earlier, we have begun to see more regular-way activity return to the market and look forward to the fourth quarter as we continue to actively manage our existing investments and look for opportunities to deploy new capital on behalf of our stockholders.

Thank you for your support, and with that I will now pass it back to Steve for some final remarks.

Steve Plavin: Thanks Tony. Before we move to Q&A, I wanted to provide an update on the leadership of our loan asset management function. Tom Ruffing, who developed and institutionalized real estate loan asset management at Blackstone has informed me of his intention to retire in December. Tom and I have worked together for 20 years and he has always set the group standard for technical knowledge, experience and integrity. On behalf of all of my colleagues, I want to thank Tom and wish him the best in retirement.

Tom leaves the group stronger than ever and we are very excited to announce that Rob Sitman, our managing director who has been a great player coach in running our transaction legal function, will be succeeding Tom as our new Head of Asset Management. Under Rob's leadership, we expect continued great results from our team, further evolution of the function and the continued integration of all that Blackstone real estate has to offer in the management of the BXMT loan portfolio.

And with that, I will ask the operator to open the call to questions.

Coordinator: Thank you. Your question and answer session will now begin. If you wish to ask a question please key star and then one on your telephone. If you then decide to withdraw your question simply key star and two. You will be advised then to ask your question, and all other lines will remain on listen-only. Just a quick reminder: if you wish to ask a question please key star and then one on your telephone.

And our first question comes from the line of Don Fandetti from Wells Fargo. Please proceed Don; you are live in the call.

Don Fandetti: Steve, I was wondering if you could talk a little bit about your hotel portfolio this quarter, and I wasn't sure if I heard correctly, were there new loan modifications? And then could you just remind us a little bit more about how these modifications work from a cash flow perspective?

Katie Keenan: Sure, I can take that. You know, in our hotel loans the market is certainly disrupted, but we feel the impact on hospitality is cyclical, not secular. Once the science catches up and people feel comfortable traveling again, I think the overall macro trends supporting travel and leisure will reemerge.

We've been highly selective on the hotel lending program, so we're starting with low LTV loans, less than 60%, on average. These sponsors continue to demonstrate that they have equity to protect and they believe in the long-term value of the assets.

So overall, we're seeing strong sponsor performance on the hotel portfolio, and I think that's reflected in the modifications. We do, you know, on an ongoing basis, we've had a few new modifications when we reported in the earnings release, you know, the overall scope of the modifications. And they almost always have been coming with very strong new equity commitment from our sponsors to carry the assets through.

As far as the cash impact we've had almost no interest deferrals, so our sponsors are paying interest and therefore the interest is reflected in our income.

Don Fandetti: So what's being modified?

Katie Keenan: Generally it's pushing out timeline milestones in exchange for more capital. So the sponsors need more time to implement their business plans as a result of the disruption in the market. And our view is that with sponsors recommitting to their assets, continuing to support their business plans, it's fair to give them more time to be able to implement those business plans so long as they're investing new capital. That's been our perspective, and that's what we've seen from the sponsors.

Don Fandetti: And do you think, as we get further along in this, the discussions you're having with the sponsors or owners, are there any of the hotels that you think are getting closer to where the sponsor says it's just not worth the equity, the turnaround's too long, and you might be getting closer to a work out? Can you give us a sense of where you are on that front?

Steve Plavin: Hey Don, this is Steve. Thanks for the question. We haven't seen any indication of any give-up from our sponsors on any of the hotels. You know, they're all top-quality institutional assets. The sponsors have now been funding it for, you know, for seven months. They're in the third quarter of funding operating deficits that are COVID related.

As they invest more capital, I think they're likely to continue to invest. And there is the risk, of course, of the COVID period being elongated, but as Katie mentioned, we're starting out with low LTV loans, our sponsors have a lot of equity to protect. They've been acting responsibly; they have substantial wherewithal to continue to support the assets. Our expectation is that will continue, but, time will tell as we go. But I think the quality of our sponsors and the quality of their assets is why we expect a strong performance from our hotels.

Don Fandetti: And how will we know, Steve, if they're getting indication of a give-off? Is that going to be reflected in a rating? Will you let us know? Like how will we see that as outsiders?

Steve Plavin: Well we report to you each quarter, you know, we risk-rate all of the loans. And so if we see a change in performance or outlook on a hotel that's material, it should be reflected in the risk ratings. And we also do a reassessment of our loan portfolio in conjunction with our CECL review. And so we would likely take a specific CECL reserve on an asset if we saw a significant change in sponsor behavior that we thought would lead to a different outcome on a loan.

Don Fandetti: Okay. Thank you.

Weston Tucker: We had a few more analysts enter the queue here, so if we could just ask everybody to limit their initial question to just one question, one follow-on, and then if you'd rejoin the queue that'd be helpful.

Coordinator: Thank you. And just as a reminder to ask a question please key star and then one on your telephone. That's star and then one on your telephone. And your next question comes from the line of Stephen Laws at Raymond James. Please proceed Stephen; you're live on the call.

Stephen Laws: Hey, good morning. You know, following up on the question from the sponsors, can you talk about any sponsor concentration you have, or are there certain sponsors that have a handful or more of loans that have a material risk exposure for your portfolio if they were to experience problems?

Katie Keenan: We have a really well-diversified portfolio and I would say to the extent we have multiple loans with single sponsors which, we certainly do have some of those, they're very, very strong sponsors, so they tend to be multi-billion dollar, AUM opportunity funds, real estate sponsors who we know well and have been doing business with for years. So I would look at sponsor concentration, in some ways it's a strength rather than a weakness. You know, we want to make loans to very strong sponsors who have the capital to see their business plans through and protect their assets. I think that is really one of the reasons we've seen such great performance in our portfolio is because we've been extremely selective with the sponsors we lend to, and we're always looking to make sure we have the highest quality of sponsors on our loans.

Stephen Laws: Great, and that's my second question. In digging into the CECL changes in the Q it looks like you decreased the CECL reserve across funded, unfunded and securities in the U.S., increased the CECL reserve for funded and unfunded loans in Europe. Can you talk about what drove those decisions? It didn't seem like any material amount of change in portfolio size, so how should we think about that deterioration in Europe, I guess, and assets there. And I assume is that going to drive originations when those turn on to more likely be in the U.S., or how will that impact the future portfolio growth?

Tony Marone: Sure. This is Tony here. Fortunately or unfortunately, the answer to your question is fairly uninteresting. It's FX rates that move the CECL reserve. So as FX rates went up the size of our foreign loans in U.S. dollar terms went up. And so holding a consistent percentage of a CECL reserve just results in the CECL reserve being higher.

And beyond that, it was really just movements on the margin in terms of estimated loan tenor between the U.S. loans and the non-U.S. loans, so it was really pretty mechanical changes as opposed to anything I would say is indicative of a real change in our view on credit or any of those types of issues. It's much more operational.

Stephen Laws: Great. Thanks, Tony. That's helpful.

Coordinator: Thank you. Our next question comes from the line of Charlie Arestia from JP Morgan. Please proceed.

Charlie Arestia: Hey good morning everybody. Thanks for taking the questions today. You know, historically you guys have really been focused historically on larger loan sizes, probably a more limited set of competitors even pre-COVID, so I'm curious to hear your thoughts on what that competitive environment is really looking like today for the upper end of that market on large loan sizes in top ten, call it, MSAs.

Katie Keenan: Yeah, I think our competitive advantages on being able to make large loans on large, high-quality institutional assets, and again, with large sponsors who have the capability to invest hundreds of millions of dollars in assets, that continues to be a competitive advantage for us today. You know, from the competitive environment perspective, there's still capital in the market. As I mentioned on the call, certainly we see the reemergence of regular-way market activity and there are lenders and borrowers.

But as has always been the case, we really, I think, occupy a unique position in terms of being able to act on large transactions when we like the real estate and we like the business plans and the sponsors. And I don't envision that changing. I think we'll continue to be able to have that competitive advantage in that sector of the market.

Steve Plavin: And Charlie, we own assets in almost all the markets where we lend. So we have the added advantage of the insight from that ownership, what's happening in terms of tenant movement and market activity. So it further gives us confidence to make large loan commitments when the opportunities arise.

We're slowly seeing a reemergence of opportunistic investing as we work ourselves through this COVID period, so we do expect loan demand to increase. It's been pretty light so far in terms of the large-scale opportunities but we're hopeful we'll see a pickup in that activity as we roll into next year.

Charlie Arestia: Okay, thanks so much. And I have a quick follow-up – I apologize if I missed this, but did you guys discuss what the loan spreads are really looking like on the new origination pipeline?

Katie Keenan: I would say we're seeing wider loan spreads on the new originations, somewhat offset by lower base rates. So all in coupons, relatively comparable. But I think on incrementally better credit, you know, reflecting sort of the current competitive environment and everyone's outlook of the fundamentals.

Charlie Arestia: Thanks so much for taking the question.

Coordinator: Our next question comes from the line of Jade Rahmani from KBW. Please proceed, Jade; you're like in the call. Thank you.

Jade Rahmani: Thank you very much. I was surprised by the increase in interest income despite loan repayments having outpaced fundings. So I wondered if you could talk to that, what dynamics might be underlying that, whether perhaps modifications created additional earnings, or there were outsized prepayment fees with respect to those loan repayments. And secondly, if cashflow performance in the quarter was consistent sequentially, or if there was a similar uptick as it relates to the growth we saw in interest income.

Tony Marone: Sure Jade. Hey, it's Tony. So taking those in order, you know I'd say one of the impacts that you're seeing in the income statement which I mentioned on the call, the prepared remarks, is the impact of the LIBOR floor. So as LIBOR has gone down further this quarter versus last quarter you see more of the benefit of that coming through the portfolio. So that's rolling through earnings. Nothing really outsized in terms of one-off fees; we've covered on prior calls, we always have a few of those in a given quarter, so I'd say this quarter was generally within that normal range.

You asked the question specifically about loan modifications which is a good accounting question. Generally speaking these modifications are not considered what you would term major, where you're treating the loan as repaid and originating a new loan. Those would tend to create very spiky earnings pops. But for the most part our modifications, because they're not changing rates and term materially, they're considered a continuation of the existing loan. So I'd say it's much more ordinary course on the loan side and it's a little bit of the LIBOR impact that I think you're really seeing coming through.

In terms of cashflow I think Katie mentioned earlier in the question on modifications, we're generally not changing the payment terms of the loans, and so our cashflow is largely unchanged quarter over quarter. Our loans are paying – we cited this statistic earlier, that we're basically collecting all of our interest. So it's really a flat story in terms of cash quarter over quarter and earnings also pretty consistent.

Douglas Armer: Tony, I might just add to that, that in terms of the bottom line, in addition to those topline factors we had somewhat more efficient cash management in the third quarter than in the second quarter, you know, notwithstanding the elevated liquidity level. So there's a little bit of a reversion to the mean in terms of our operations generally that you're seeing as we move through the year.

Jade Rahmani: Thank you for that. That's very helpful. When you think about the equity issuance that took place last quarter, the term loan B that was done last quarter, but then the most recent CLO, do you think that those, in terms of a cost of capital standpoint are offsetting and so the outlook for perhaps core earnings coming in in-line with the dividend should be viewed as pretty neutral unchanged from an outlook standpoint or would you make any comments as to whether we should be modeling any perhaps reduction in the rate of core earnings at all?

Douglas Armer: Hey Jade, it's Doug. We don't make forward-looking statements about core earnings, but you're right that there's several offsetting factors that we've seen sort of at play through 2020 thus far which have resulted net-net in a very stable core earnings profile. And we've seen that stability reflected in the dividend thus far as well.

Jade Rahmani: Okay. Thanks very much. And just wanted to ask about the two loans that are risk five rated. Now what do you think that the ultimate credit outcome is for those assets? Do you think that there will be like foreclosure work outs, sale of the loan, what should we think about that? And maybe if you could add additional commentary on the 14 loans that are in that risk four category, and recognizing that overall credit performance came in ahead of what we were expecting for the quarter.

Katie Keenan: Yeah, so I think on the two five-rated loans, we took specific reserves on those assets in the second quarter, which we still believe are at appropriate levels. As far as the long-term trajectory, the ultimate resolution I think is a little too soon to say. We closed a modification with our borrower on the hotel loan this quarter. The ultimate recovery there will really be contingent on cashflow trajectory and what happens with the New York hotel market. It's very challenged right now, but I do think over time the impact on supply with many hotels not reopening will be somewhat of an offsetting factor and time will tell how the market performs and how our asset performs.

And on multifamily asset, you know, it's a very small asset. Again, still working through with the borrower on that, and I think, again, time will tell. It's a little too soon to predict exactly the outcome.

Jade Rahmani: And on the risk four category?

Katie Keenan: I think our four-rated loans, we held at the same level quarter over quarter. The performance has been consistent. Those are mostly hotels we covered, you know our thoughts on the hotel market a little bit earlier. So no material updateon those loans.

Jade Rahmani: Thank you.

Weston Tucker: Thanks, Jade.

Coordinator*:* And our final question comes from the line of Steve DeLaney with JMP Securities. Please proceed, Steve; you're live in the call. Thank you.

Steve DeLaney: Thank you. Good morning everyone, and congratulations on a solid quarter. Apologies if you commented on this already; I was late hopping on. On the fourth quarter new CLO, Doug could you comment on the weighted average spread over LIBOR and the estimated all-in cost to that financing? Thanks.

Douglas Armer: Sure. Hey Steve. The weighted average spread of the notes that we sold was 168 over, which is right in line with the costs on our credit facilities. The all-in costs will be a function ultimately of the tenor of the deal, and we do think that that would be longer than it might have been sort of under the assumptions we would have had for the CLO in the first quarter, for example. So that will likely get closer to 200 over on an all-in basis, but time will tell to use a phrase, ultimately over the life of that financing.

We're very happy with that execution. I think it being a fully-matched, funded execution for a significant cross section of our portfolio including office, hotel loans, multifamily loans, was a great thing particularly in terms of demonstrating liquidity in the market for the quality of loans that are in our portfolio.

Steve Delaney: No question. I mean, there have been billion-dollar deals but it's not like it's the norm, for sure. So congrats.

And then lastly – again, you may have commented on this but specifically it sounds like you're approaching new opportunities, cautiously selected, but you are looking and maybe just not seeing enough, but have you actually made any new loan commitments here in the fourth quarter going into year end?

Katie Keenan: Yes as we mentioned on the call, we have $230 million of new loans in closing, all with repeat sponsors, direct relationships that we developed those loans, office and some multifamily. So we're certainly seeing opportunities in the market. There's a little bit more transaction activity than we've seen. I expect it to continue to be muted, relative to pre-COVID levels. But our sponsors are active, they have capital to invest and we're seeing attractive, regular-way opportunities, but we'll pursue when we think they meet our criteria for high-quality assets, performing loans, good sponsors.

Steve DeLaney: Thank you, Katie, for repeating that for my benefit. That's it. And everyone be well, stay safe. Thank you.

Coordinator: Thank you, Steve. I'd like to turn the call over to Weston Tucker for closing remarks.

Weston Tucker: Thanks everyone for joining us this morning and please let me know after the call if you have any follow-up questions.

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