Blackstone Mortgage Trust

Final Transcript

Blackstone Mortgage Trust, Inc.: 1Q 2017 Earnings Call

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SPEAKERS

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Doug Harter – Credit Suisse

Steve Delaney – JMP Securities

Rick Shane – JPMorgan

Charles Nabhan – Wells Fargo

George Bahamondes – Deutsche Bank

Coordinator Good day ladies and gentlemen and welcome to the Blackstone Mortgage Trust's First Quarter 2017 Investor Call. My name is Derek and I will be your operator for today. At this time, all participants are in a listen-only mode. We shall facilitate a question-and-answer session towards the end of the conference. (Operator Instructions) At this time I would like to turn the conference over to your host for today Mr. Weston Tucker, Head of Investor Relations. Please proceed.

W. Tucker Great, thanks Derek. Good morning and welcome to Blackstone Mortgage Trust's First Quarter Conference Call. I'm joined today by Steve Plavin, President and CEO; Jonathan Pollack, Global Head of the Blackstone Real Estate Debt Strategies; Tony Marone, Chief Financial Officer, and Doug Armer, Head of Capital Markets.

Last night we filed our Form 10-Q and issued a press release with a presentation of our results, which are available on our website. 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 Factor Section of our 10-K. We do not undertake any duty to update forward-looking statements.

We will refer to certain non-GAAP measures on this call and for reconciliations, you should refer to the press release and our 10-Q, which are posted on our website and have been filed with the SEC. 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 before I turn things over to Steve. We reported GAAP net income per share of $0.54 and Core Earnings per share of $0.61. Last week we paid a dividend of $0.62 with respect to the first quarter and based on today's stock price, the dividend reflects an attractive 8.0% yield. If you have any questions following today's call, please let me know. And with that, I'll turn things over to Steve.

S. Plavin Thanks Weston, and good morning everyone. The strength of our investment team was the dominant theme of our first quarter as we closed $1 billion dollars of new loans and agreed to terms on another $1 billion plus of originations that are now in the closing process. The full, run-rate impact of our first quarter originations is not reflected in our $0.61 per share Core Earnings as we closed $350 million of loans on the last day of the quarter, but we will see the beneficial impact of those loans going forward as our BXMT originated portfolio continues to grow.

Our strong origination pace reflects a broader mix of acquisition loans, refinancings and construction loans. With interest rates rising and the real estate cycle in a stable phase, we have seen opportunistic acquisition activity slow, but refinance volumes have more than compensated. Our business is primarily driven by borrower demand from real estate opportunity and value-add funds for the senior, floating rate, transitional loans that we provide. The fund sponsors are now more actively pursuing opportunities to refinance loans made a few years ago in order to recapitalize assets, extend hold periods, or just access more accretive debt.

In addition to the acquisition and refinance loans, during the quarter we closed two construction loans totaling $348 million. Although construction loans that we like are not abundant or easily originated, we have sourced a few excellent opportunities. The risk-return dynamics in our transactions are compelling – the loans we closed in 1Q had an LTV of 46% and a weighted average all-in rate of L+6%. Construction lending is a segment of our business where we have benefitted from the regulatory climate; the banks used to dominate but are now much more challenged by regulation so loan terms have improved for lenders. The earnings impact of construction loans is phased because they fund over time with the progress of construction.

As a result, construction loans contribute to our quarterly fundings well beyond the periods in which they were originated.

We only pursue these loans with best in class developers that provide guaranties of completion, greatly reducing the risks of construction. The projects we have financed to date are primarily office buildings in major markets with low LTV's. The low basis of the new, high quality buildings – at a 30% to 50% discount to development cost – mitigates the market risk associated with lease up. I don't expect construction loans to ever get to more than 10-15% of our loan portfolio, but we are enjoying the opportunity to selectively deliver this product to our clients.

Our construction loans, like all of our portfolio assets, are managed by our experienced, high quality loan asset management team. We bring all of the Blackstone real estate experience and resources to the table in monitoring our sponsors' progress on the assets that secure our loans. All six loans that we originated in 1Q were with repeat sponsors, a strong validation of how we do business from origination through asset management.

The origination LTV in our loan portfolio was 60% for the quarter and declined to 61% overall. Our loans are 100% performing. Demand for space and property NOI's remains healthy in most of the coastal markets where we focus our lending, providing a sound fundamental backdrop. And the impact of new supply in most sectors of these markets remains calm which bodes well for the continuation of the current, balanced state of the credit cycle. We do not see danger signs in the property and capital markets.

As for the right side of our balance sheet, we had another strong quarter upsizing credit facilities by $1.1 billion and taking total asset level financing capacity to $10.1 billion. Post quarter end, we doubled the size of our corporate swing-line to $250 million and improved its terms. The swing-line expands our capacity to execute on larger loans without carrying excess liquidity or requiring a simultaneous, senior execution. When we grow our debt capacity, we do not compromise on structure and our credit continues to be longer term, match funded and without capital markets mark-to-market provisions.

As most of you know, on Monday we announced a joint venture with Walker & Dunlop, a leading originator and servicer of multifamily loans for Fannie, Freddie and HUD to source and fund loans prior to their eligibility for permanent agency financing. We expect the relationship to drive meaningful multifamily loan origination volume for us over time as we'll be funding 85% of the JV equity. The target loans are floating rate, interim, and senior mortgages – consistent with the BXMT theme in a market segment that we don't presently address. I have known Walker & Dunlop CEO Willy Walker for several years and have great respect for the multifamily agency business that he has built. We are very excited about this new relationship and initiative and look to the future contribution of the JV to the growth in our loan originations overall. With that, I'll turn it over to Tony.

T. Marone Thank you Steve, and good morning everyone. As Steve mentioned, this was a strong originations quarter for BXMT with $1 billion of originations, a 21% increase over 4Q volume, outpacing repayments of $781 million, our strongest origination quarter since 2Q of 2015. These senior loans were all floating rate with an average yield of LIBOR plus 5.25%, well above our current floating rate portfolio average of LIBOR plus 4.48%, but importantly with an average origination LTV of 60%, right in-line with our current floating rate portfolio. Our strong 1Q originations maintained our total loan book at around $10 billion, a level we have maintained since our acquisition of the GE portfolio in 2015 despite repayments of $3.3 billion of the acquired loans.

Our fixed rate loan portfolio, predominantly acquired as part of the 2015 GE transaction, declined by $181 million during the quarter to $886 million or only 9% of our total loans. This further increases our positive earnings correlation to rising interest rates, with a 100bps increase in USD LIBOR generating approximately $0.19 cents of additional earnings per share on an annual basis. Overall, our portfolio continues to have no defaulted or impaired loans, with a stable weighted average risk rating of 2.6 and portfolio LTV of 61% demonstrating the strong, consistent, credit profile of our loan book.

On the right-hand side of the balance sheet, we had a productive quarter with $1.1 billion of new credit capacity created across three of our credit facilities, and term extensions on $2.8 billion of credit facilities demonstrating the continued support and confidence of our lenders. We closed the quarter with a debt-to-equity ratio of only 2.4x, consistent with our ratio of 2.3x as of 12/31, with a slight uptick in net borrowings to fund loan originations during the quarter. We view our access to stable, attractively priced credit, from a variety of major market participants, as a strong endorsement of our business by the market, and a key differentiator versus our competitors.

Looking at 1Q results, we reported GAAP net income of $0.54 cents per share and generated Core Earnings of $0.61 cents, down $0.01 cent from 4Q. This slight decline was primarily a result of the particular timing of loan closings and repayments during the quarter. Although our overall origination volume was positive, the majority of these loans closed late in the quarter, outstanding for only about one month on average, while repayments happened to fall primarily in the first half of the quarter. All else equal, had we closed the entire $1 billion of loans earlier in 1Q, we would have generated an additional $0.01 - $0.03 cents of Core Earnings for the quarter. We have maintained our 1Q dividend at $0.62 cents per share reflecting our estimation of the consistent earnings power of our platform over the medium-term, notwithstanding the slight ups or downs of any particular quarter.

In closing, we are excited for the future of BXMT as we begin to pursue new loan origination opportunities through our joint venture with Walker & Dunlop, anticipate continued rising interest rates to generate additional earnings for our shareholders, and continue to expand our balance sheet capabilities to prudently finance our business.

Thank you for your support and with that I will ask the operator to open the call to questions.

Coordinator (Operator instructions) Our first question comes from the line of Jessica Ribner with FBR.

J. Ribner Good morning, thanks so much for taking my question. With regards to the Walker & Dunlop joint venture, how much capital would you be willing to put into it? Does it have a ceiling, like 10% to 15% of the portfolio would be construction loan? Is there something similar to that or is it just kind of see how it goes?

S. Plavin I don't think there's any particular ceiling. We're excited about the opportunity to make these loans. They're consistent thematically with the loans that we make through our direct origination group today, so we're hopeful for a lot of volume and I don't see any constraints in terms of what we would be able to do with Walker & Dunlop.

J. Ribner Okay, thanks. And the portfolio yield this quarter, it doesn't seem like the increase in LIBOR really showed up in the yields. When can we expect that to flow through or am I thinking about it the wrong way?

D. Armer Hey Jessica, it's Doug. Obviously, the floating rate loans on the book did benefit from the increase in LIBOR, but we also had the timing issue with originations in the portfolio. The portion of the loans that were fixed rate reduced further this quarter, so on the go forward, I think we will see more of that correlation. Tony mentioned that a one percent increase in LIBOR adds $0.19 on an annual basis, so we have that degree of floating rate correlation. There are a lot of other variables in any given quarter with regard to results, so we need to look at the whole picture there.

J. Ribner Okay, great. Thanks so much.

Coordinator Your next question comes from the line of Jade Rahmani with KBW.

R. Tomasello Hi, this is actually Ryan on for Jade. Sorry about that mix up. Thanks for taking our questions. I was wondering if you could characterize the competitive environment overall in terms of the originations you're doing. You mentioned the increase in refi volume over acquisition. What types of trends are you seeing in those loan spreads versus what you've been doing previously?

S. Plavin I think the market is becoming increasingly competitive, but we're also seeing more and more opportunities to lend. If you look at what we're able to originate in 1Q and our pace for 2Q, it has never been stronger. From a competitive standpoint, our platform is doing great. We’ve so far been able to maintain spreads and yields in our loan portfolio consistent with prior quarters. If rates rise, we think that there could be a little bit of additional spread compression, but I think in general, we're very constructive about where we are from a competitive standpoint and are very pleased with how we are performing.

J. Rahmani This is Jade Rahmani from KBW. In terms of the pipeline, what would you say is driving the strength? Is it a function of market activity increasing or a shift in competitive dynamic away from banks, for example? What would you say is driving that?

S. Plavin I think that for us it's really the quality and the strength of our platform. We have a great investment team. We're able to move up in size much more easily than a lot of our smaller competitors. Our average loan size was over $160 million in the first quarter. Our ability to do very large loans is a huge competitive advantage to us and it really moves the needle in our originations. Those are the primary factors that we see.

J. Rahmani Did you see any geographic mix shift in your pipeline to speak of? For example, in New York we've noticed the investment sales transaction volumes have been pretty weak. Was there any notable mix shift and what do you think is driving those lower New York based investment sales volumes?

S. Plavin I think we’ve seen a slowdown in investment sales volumes overall. Rates are higher and the environment is more stable, so I think pricing is still relatively high. We’ve been able to backfill our volume with a lot of refinancing which, obviously, isn’t contingent on properties being sold. Our client base, who are generally active of buying properties, are now active refinancing as well. If you look at our 1Q, which was a mix of acquisition loans, refinancings and construction loans, all loans were with sponsors we have done prior business with. Six of six on repeat clients speaks to the platform and speaks to our ability to move our business and our products in the direction where our clients want them to go.

J. Rahmani Would you be able to give any color on the construction loans you did in the quarter, just the kind of opportunities that you've identified, what the timing of these expected projects are and your advancing of cash flows?

S. Plavin The construction loans that we've done have been primarily major market office buildings. So generally these loans are in the 45% to 60% loan to cost range with top sponsors that we have done other business with. We've really limited the product to best-in-class developers and we think on a risk-adjusted basis, there's a really great opportunity for us. Typically, they don't have a large funded balance at closing, the equity goes in first and we fund over time. So again, we're going to get the benefit of increased funding over time as construction progresses. I think we'll continue to limit the business to top assets, top sponsors, and top markets, remaining consistent with our refinancing and acquisition lending.

J. Rahmani In terms of the joint venture with Walker & Dunlop, I was wondering if you could provide any color on how it's structured, how things like origination fees will be treated and if there are any performance fees? And just generally, how much capital would you expect to commit? What kind of originations you think will be achieved?

S. Plavin The JV with Walker & Dunlop is a combination of two companies that I think are ideally matched to pursue this business together. They are a market leader as are we in the lending origination business. We're really excited about the combination of what it might yield. Credit approvals and major decisions are joint within the partnership. Capital is split 85% us and 15% Walker & Dunlop. The loans are going to be senior mortgage loans, floating rate, and a similar profile to the BXMT loans from a returns standpoint as well. We expect a lower average loan balance than what you see across our portfolio as Walker & Dunlop has a broader origination footprint in the multifamily space. So I think, what you should expect are loans that look a lot like the loans we've made but smaller, and we are hopeful that there will be a very high-volume going forward. But right now, we just closed and we're working together to get the venture up and running.

J. Rahmani Thanks for taking my questions.

S. Plavin You're welcome.

Coordinator The next question will be from the line of Doug Harter with Credit Suisse.

D. Harter Can you talk about the retail portfolio and how the credit quality of that portfolio is faring today?

S. Plavin Sure. In terms of pure retail, so straight retail, our portfolio is 8% retail. I think the significant thing to note is that we have no loans on enclosed malls, so we have avoided the B mall space, no Sears or Penney's. We haven't tried to make the credit call on whether a secondary mall is a survivor or not. We've been very selective from what we've done. We have done mostly urban retail in major markets with top sponsors and the average LTV across our pure retails is under 50%. We feel very good about the quality of our portfolio and obviously, we're fully aware of the pressures and the headwinds that exist in retail. If you look at our portfolio, the asset selection and what we've done reflects that view.

D. Harter Great. And then, I guess, just taking a broader look at the credit quality of the portfolio. Are there any trends you're seeing in the underlying real estate performance and the execution of the underlying business plans on the portfolio?

S. Plavin I think in general, our clients are working their way through their business plans. The assets leasing is generally improving at the assets where we made transitional loans with assets that weren't fully stable at the time of loan closing. We feel very good about the credit quality of the loans across the board and so we're not seeing any alarming trends. We have stuck with strong markets with dynamic demand, top sponsors and lower LTVs. The portfolio is good, and we're confident that we'll endure any conditions going forward.

D. Harter Thank you.

Operator Your next question comes from the line of Steve Delaney with JMP Securities.

S. Delaney Good morning and thanks for taking the question. I wanted to touch on the GE portfolio. Your deck shows that it's down to $1.6 billion. Could you share any color on sort of the expected timing of any remaining payoffs coming out of that over the next few quarters? Thank you.

S. Plavin I think at this point the GE loans that remain are a combination of loans that we have had the opportunity to amend and/or extend and we sort of view those loans as being converted to BXMT loans. A large amount of the remaining GE loans are fixed rate loans that are still call protected and we expect most of these loans to get repaid when the call protection expires. The remainder of the MHC portfolio and some of the other loans that we acquired were fixed rate hotel loans. The LTV in that portfolio is also, in general, very low and we have gotten a little bit more duration on some of the stabilized assets because of the fact that those loans are fixed rate and call protected.

S. Delaney That's helpful. So it sounds like the pressure from heavy prepayments is maybe slowing from that large acquisition as you sit today versus maybe six months ago.

S. Plavin Yes, GE repayments were a very important part of the story in 2016. We had one significant GE repayment in the first quarter, but going forward, I think, it will be much less impactful. And so now the repayments that we'll see going forward will be to a lesser extent GE and more so repayments on the earlier stage loans we made at BXMT.

S. Delaney That's helpful and thank you, Steve. And just one final thing, last Friday Commercial Mortgage Alert reported that "Blackstone" and I will put that in quotes because it didn't mention Blackstone Mortgage Trust specifically, but the Company is committed to a very large senior floating loan on an office project in northern Virginia and they cited it as being over $800 million. I'm just curious since you mentioned about $1 billion in pending closing. Can you say if BXMT specifically is involved in that financing and if so, would that large loan be shared with other entities? Thank you.

S. Plavin Steve, as a matter of policy, we don't comment on any loans prior to them being closed. Our forward pipeline is very strong; I mentioned it was $1 billion plus and spread across a few different loans. We feel great about the momentum we have with our investment team in terms of new originations. I think we're in a good place in terms of our originations pace as we have been since the company was formed.

S. Delaney Appreciate the color. Thank you, Steve.

S. Plavin Sure.

Coordinator Your next question will be from the line of Rick Shane with JPMorgan.

R. Shane Hey guys, thanks for taking my questions this morning. I know Jade did ask a couple of questions about Walker & Dunlop, but I want to circle on two things there. Given the 85%/15% split in terms of capital, is that the way we should think about any fees being allocated or is there some sort of sourcing agreement that disproportionately allocates that?

S. Plavin I think the key to the 85%/15% is that it really relates to the percentage of a loan that we ultimately own. We run much more of a balance sheet and capital intensive business than Walker & Dunlop and so the majority of each loan will sit with us. One of the big benefits for the JV for us is obviously to increase our originations with high quality multifamily business that we were presently not addressing and that Walker & Dunlop addresses in a great way with a market-leading team.

D. Armer Hey Rick, it's Doug. I just want to add: that we're not disclosing the specific economic terms of the joint venture, but what we can say is that the returns to the joint venture to the 85%/15% capital are going to be consistent with our existing floating rate business. We're going to be levering those loans to the LIBOR plus low teens returns that we've seen in the rest of our business and that would be the net economic impact for the company.

R. Shane Doug, thank you for telling me that the question wasn't fully answered because I wasn't sure, so I appreciate that. The other question relates to the Walker & Dunlop relationship. Steve, you talked about the size of the loans being smaller and the returns being comparable given the ultimate take out, is the duration on that portfolio likely to be shorter than the typical BXMT loans?

S. Plavin I think on average the duration will be a little shorter. We typically make loans that have an ultimate five-year maturity at BXMT in our direct origination business. These loans will be a combination of three-year and five-year loans, so potentially they could be a little bit shorter. The take outs typically depend upon progress of the business plan and when properties qualify for an agency take out. We expect the velocity in the joint venture to be high and we're hopeful of maintaining a high average loan balance across the portfolio.

R. Shane Got it, okay, thanks. Last question, is there any impact that you guys are seeing in terms of the changes in risk retention renewals or bank behavior given some of the increased scrutiny related to CCAR and the issue that regulators have raised related to commercial lending, commercial real estate Lending in particular?

S. Plavin Well, the banks have been cautious. I believe it's more of a credit profile, a credit culture issue than a regulatory issue. We don't have a lot of bank competition except at the lowest LTV and the least transitional assets that we pursue. The one area where I think regulations have really impacted the banks has been in construction lending. The reason why we have that opportunity at the moment is because the banks have been unable to address the needs of their historic client base, again, because of the capital treatment and the consequences of HVCRE rules. It's been a great opportunity for us and we've been highly selective in pursuing that opportunity. We have found some great opportunities as a result. But otherwise, I think in a regular way, that the regulatory environment for the banks isn't really what influences the bank competition with us.

R. Shane Okay, great. Thank you.

Coordinator Your next question will be from the line of Charles Nabhan with Wells Fargo.

C. Nabhan Hi, good morning, thanks guys. I understand degree of variability in pricing from deal to deal, but I was wondering if you could talk about what you're seeing in the spread environment and your expectations for spreads as the tightening cycle proceeds over the next year or two.

S. Plavin Well, I think if you look at the spreads on our loans, we have a fairly wide band depending upon the nature of the loans that we're making. The more stabilized loans that we make have lower spreads and typically have higher LTVs as well. We address volatility in assets by lending less, and so the assets that are further from the stabilization process typically have lower LTVs and higher rates. The spreads in any one quarter really reflect the composition of the loans we made during that quarter. As a business, we always try to broaden the palette of loans that we're able to pursue. We want to have more efficient liabilities so that we can pursue lower spread business and grow our originations that way. Also, we want to make sure to have the ability to assess the risks of deals that may be a little bit less efficient or a little bit more challenging. So I think you'll continue to see a wider array of spreads across the loans that we originate and, potentially, a wider band than we've seen previously, as we look to expand what were able to do in BXMT.

C. Nabhan Great. I guess what I'm trying to understand is, I understand the variability, if you would compare it on an apples-to-apples basis to a similar deal that you might have done this quarter versus something you did in the first quarter or even the previous year. I guess I'm just trying to understand apples-to-apples spreads have come in at all?

S. Plavin Spreads have come in. Forgetting 1Q of last year, which was a period of unusually high volatility, the trend of spreads over the last year or so in the business that we have been pursuing has been on the tight side. So yes, spreads are tighter; I would say at least 25 basis points tighter.

C. Nabhan Got it. And just as a quick follow-up, and I apologize if you touched on this earlier, but on the originations coming out of the Walker & Dunlop JV, should we think of those as incremental to the current run rate for originations?

S. Plavin Yes. The Walker & Dunlop loans that we expect to see from the JV are loans that we don't presently address in our current direct originations. We have not pursued the multifamily bridged agency space. It's dominated by the agency originators like Walker & Dunlop, so we have the good fortune of now teaming with a leader in the space that will provide access to a pool of high-quality multifamily loan that we didn't presently have access to. So we would expect all the originations that we do throughout the venture would be incremental.

C. Nabhan Got it. Thank you.

Coordinator Your next question comes from the line of George Bahamondes with Deutsche Bank.

G. Bahamondes Hey guys, good morning. It's seems like you guys may have answered my question. It was really around maybe giving an example of an opportunity you would anticipate seeing via the Walker & Dunlop JV and that BXMT may not have been exposed to or completed had the JV not being put in place. And it sounds like the size of the loans will be smaller and duration maybe somewhat shorter. You did mention just now, it's addressing a gap that existed in the multifamily bridged to agency space. Are there any more specifics you can give around, maybe a type of opportunity you might see, maybe in a different market, or a bucket within the multifamily asset class that you typically have not worked on in the past?

S. Plavin I think, George, a prototypical loan will be, let's say, on a $25 million or $30 million asset, or a maybe a couple of assets, in a market where somebody may have acquired the asset and is trying to upgrade a Class B asset to a Class A asset. They spend a lot of money renovating and improving the asset quality and then try to roll the rents and once the rents have been reset and a new NOI established, then the loan will get taken out by agency financing. So our loans would be sort of financing the business plan's contribution of additional capital to improve an asset prior to its permanent financing.

G. Baha-mondes Got it. That's helpful, thanks guys.

Coordinator Your final question comes from the line of Jade Rahmani with KBW.

J. Rahmani Thanks for taking the follow up. Just looking at the consensus earnings expectations, the projection is for earnings to exceed the dividend and in some cases by wide margins. And I assume analysts are factoring in the forward LIBOR curve, so I just wanted to see if you could comment on the reasonableness of that expectation assuming additional interest rate hikes this year.

D. Armer Hey Jade, it's Doug. We don't give guidance or make forward-looking statements along those lines. I would point you to the chart in the release with regard to the correlation to LIBOR, and we talked about that. We think that increasing LIBOR will definitely benefit our earnings, but we're not going to comment on projections or estimates for the go forward.

J. Rahmani And would the risks to whether those expectations are too high involve loan yields compression as well as timing, pace of originations and potential capital raises? I mean those are the main factors that could impact that outlook.

S. Plavin I think the one factor you're missing would be repayments. It's really about originations relative to repayments and the net growth in our loan portfolio. That's the major driver.

J. Rahmani And then just finally, could you comment on how you assess current capital availability given the strong originations pipeline, substantially waning GE repayments and also the WD joint venture, which you said was incremental? Just how do you assess current capital availability?

S. Plavin Well, we reported our liquidity at the end of the quarter and you saw it was a strong number reflecting a maximum origination capacity of about $2.5 billion. You saw that our net funding for the quarter was about breakeven. So, I think we're in a very strong liquidity position, but the way we look at our liquidity is relative to the opportunities that we see to deploy capital through our origination pipeline. We are happy with the forward-looking originations we talked about a billion plus.

The impact of Walker & Dunlop is going to be a little further out. We're in the process of arranging credit facilities for Walker & Dunlop and there will be a little bit of a lead time from originating those initial loans to getting them closed on our books. So, that's sort of how we look at how Walker & Dunlop factors into our thinking in terms of our liquidity and how we think about when we might need more capital.

J. Rahmani Thanks, very helpful. Appreciate it.

S. Plavin You're welcome.

Coordinator At this time, we're showing no further questions in queue. I would now like to turn the conference over to Mr. Weston Tucker for closing remarks.

W. Tucker Great. Thanks everybody for joining us and if you have any follow up, give me a call.

Coordinator Ladies and gentlemen that concludes today's conference. We thank you for your participation. You may now disconnect. Have a great day.