Local Conference Call
Springs Global
Third Quarter 2020 Earnings Results
November 13th, 2020

Operator: Ladies and gentlemen, thank you for waiting. Welcome to the Springs Global conference call to discuss the earnings result of the **Third Quarter of 2020**.

At the moment, all participants are connected as listeners. After a brief introduction, a Q&A session will be conducted, and instructions will be given at that time. Should you need assistance during the conference call, please press star zero (*0) and an operator will assist you. To obtain a copy of the press release for the results, financial statements and presentations of the webcast, please go to the Springs Global website at: www.springs.com/ri.

Before proceeding, we would like to mention that forward-looking statements reflect the management's current perception and perception on the evolution of the business based on the evolution of the macroeconomic environment, industry conditions, the company's performance, and financial results. Any changes in such expectations and factors may imply in results that materially differ from the current expectations and include risks and uncertainties.

Today with us is Mr. Josué Gomes da Silva, CEO of Springs Global, who will comment on the company's performance.

Now I would like to hand it over to Mr. Josué.

Mr. Josué Gomes da Silva: Thank you and good morning to everyone. I am here with Alessandra, with Roberto. First and foremost, I would like to thank everybody that is present here today.

As you had the opportunity to check out our press release that was launched last tonight, the company had a quarter with very strong performance in the Retail market, we grew our sell-out sales at 39.7%, the registered sales, as we have sell-out and sell-in, represented over 70% of growth in the third quarter of this year when we compare to the same quarter last year.

Our Retail, e-commerce Retail, that is a multi-channel model, once again demonstrated a performance greater than the average of the e-commerces reported, we grew four times.

Of course, it was expected to have a deceleration because the second quarter vis-à-vis the second quarter of 2019 we grew 8.7 times, with the return of the new stores we maintained our rate growth in our e-commerce that was strong growing four times the third quarter when we compared to the third quarter last year.

The feeling that we have in the Wholesale that we are in a roller coaster. At the end of the line, when the Retail closed at the end of March of this year because of the lockdown measure imposed by the different municipalities and state, we had a steep drop in sales in our Wholesale sector, this drop maintained itself through April, May and June, and it started to recover a little bit in July, and from August onward there was an acceleration.

This is why we returned, before we accepted this, we anticipated the opening of the layoff plants, but they only started to resume the production as of the second half of August and plants have certain inertia until they go back to the normal volumes of productions, this already compromised the margins of the quarter because we still had many costs that were fixed that had not been absorbed by compatible volumes during the third quarter of the year.

Unfortunately, we weren't able to sell the total amount of portfolio orders that we had this quarter because not only the plants resumed, but there was a ramp-up throughout the month of September, and some merchandises that weren't ready couldn't be shipped because there was a delay in the delivery of our partners when it came to cardboard. If it weren't for this, our growth of the Wholesale in comparison to the last quarter would have been two digits, what certainly will happen during the last quarter.

During many quarters, our plants weren't in operation or weren't operating at a high occupation rate as we are today. This is since the month of October, November, and we will continue operating in the month of December with no ~~Holidays~~ collective vacation in all our industries. We were even able to open new shifts of work in a number of our units of that were operating of a 6 by 1 regime, we started operating as of November with a 5 by 1 system, which means to operate 7 days a week, 363 days a year, so the demand came back intensively and the growth that we the will register in the Wholesale during the last quarter will be of 2 digits, and 2 digits in a very significant fashion.

Therefore, now we can practically guarantee that we will end the year of 2020 with sales that grow from the real point of view when we compare it to the year 2019, and moreover, although today we have some pressure over cost because of a number of inputs because of the exchange rate, the absorption of fixed costs that is being achieved because of the plants that are operating at full capacity in this last quarter and in some cases we even have more working shifts, and with this we anticipate a margin that is very positive for the last quarter of the year.

Unfortunately, we believe that we will not be able to revert the drop of margin (that occurred mainly in the second quarter and partly also in the first quarter and even in this third quarter) because not all the plants operated at full capacity during the third quarter, but we will present today (and I'm convinced of this) we will present satisfactory margins at the end of that year, and from the continuity point of view of these margins, we can anticipate very strong volumes for the first semester of next year.

So, our portfolio order has already been fulfilled. What saddens me today is that we cannot deal with all of the orders. If we were able to deal with all the orders, actually, our results would be much better. Unfortunately, we are very sad of taking the decision in the month of March this year of placing in layoff some units, but during that moment, it was very difficult to anticipate what would happen with the market if we wouldn't have taken the decision of layoff that. In the moment, it was correct of protecting our cash flow, to protect the working capital. Today, certainly, we would have our sales much higher and our margins even growing.

Nonetheless, this is what happens, the decision that we adopted allowed us to reduce the working capital during the second quarter, during the third quarter as well, and to have free cash flow. This is so that today our net debt index is lower, it is lower than the same day of last year, September 30th of 2019, and it's been registered during the end of this quarter.

So, we are totally focused on the development of our brands. And now we are even more focused on the production capacity of our units that are being rapidly occupied in all our production segments, we're focused on the development of our direct sales to our consumers that strengthens our brands, that provide us an experience to develop products that are more adequate and more desired by our consumers and the development of our proprietary sales technology in point of sales and direct sales to the consumer through digital platforms and, at the end, a very strong investment in the speed of a launching of new products.

And now, with the digital machines, we have a very strong results and we can launch capsule collections and new products at a speed that very few companies have, and our integration allows us inclusively with strong investment in sophisticated equipment and unique in America, allows us to accelerate our collections with quality.

Therefore, we are strongly reassured of the company's strategies, our Retail will total around 30% of the total of the consolidated sales of Springs Global and at the last year we ended with 17%, this is a significant growth that we presented throughout the year and it continues growing at higher rates in the Wholesale market, but this growth isn't only result of the drop of the Wholesale sales, there is a greater share although the Wholesale market is growing.

Therefore, the direction of the company is positive, we are very happy with the performance of our Retail, also our sales in the Wholesale market sad because we can't service better our customers which will improve a lot during the fourth quarter, and certainly during the first quarter we will offer product at a record speed to all our customer chain, major wholesalers in Brazil.

On this note, now I will give the floor to Alessandra that will give us in details the results of the third quarter per business unit, and at the end, I will go back to the Q&A session. Thank you very much.

Alessandra Gadelha: Good morning to everyone.

On slide number 4, you may see the highlights of the third quarter of 2020, where we had a net revenue of R$439.8 million; this is a growth of 15.6% year-on-year. This quarter was marked by the recovery of sales in Wholesale and this growth (2.4%) was limited by the drop of inventories of finished goods that was reduced during the second quarter because of an uncertainty and are recovering to normal levels in the fourth quarter away a total ramp-up of the industrial park.

Our sell-out sales increased 39.7% year-on-years, and the sales through digital channels grew 4 times when we compare it to the same period. During the first nine months, the company had a free cash flow of R$192 million positively impacted by the drop of working capital that was to pay loans.

During the last 12 months, the adjusted EBITDA was R$130 million, as you can see on slide number 5. On slide 6, here we see that there was a revenue recovery in the quarter; nonetheless, the margins were impacted by factories still in layoff mode for a significant part of the period. Now with the recovery of bedding tabletop and bath sales, we anticipated the return of the industrial plants that were in the layoff mode.

As of August, our industrial units started increasing their production. Our expectation is that all the industrial units work at full capacity during the last quarter with a production level, which will be normalized.

According to slide number 7, there was a drop of R$115 million or 14% in working capital year-on-year, mainly impacted by the reductions of accounts receivable and advances to suppliers.

Now working capital, a drop allowed us to improve our debt, as you can see on slide 8, we reduced 72% the debt in foreign currency and what we have in dollars is related to ~~fluctuation~~ (exports) and (therefore) with natural hedge.

Now on slide number 9, we can see the highlights of our Wholesale area, which net revenue was R$316 million, this is a growth of 2.4% year-on-year. Now on one side, we still have a negative impact of restrictions on physical stores and industrial production due to COVID-19; however, we had a positive effect of the sales of individual protection products.

Despite the strong quarter backlog, the lack of production capacity and inventory levels reduced in the second quarter due to the uncertainty of COVID-19 pandemic scenario, restricted sales of growth in the quarter and transferred sales to the last quarter of the year.

Now our EBITDA was R$27.6 and (negatively affected as) we had industrial plants during 2 months and greater costs of inputs raw material because of the depreciation of real.

Regarding the Retail business unit that you can see on slide 10 the net revenue increased 72% year-on-year, positively impacted by 4 times the sales online. There was a growth of expenses because of (digital media) and freight (related to sales through the) digital channels. EBITDA was R$14.4 million with a growth of 111% regarding the third quarter of 2019.

Now as of the month of June, as physical stores started reopening and the circulation of people, there was a natural and expected replacement of online sales by sales in brick-and-mortar stores, as you can see on slide 11. The total sales continued growing, nonetheless, exceeding 40% the value that was obtained during the same quarter of 2019.

One of the growth drivers of a company is to broaden the decoration and home product through partnerships, as you can see on slide 12. At last, we present on the slide 13 the result of the survey that was carried out by IEME in July of 2020 that shows that e-commerce was the preferred channel by 44% of consumers to buy bed bath and table products after the pandemic compared to 5% of the consumption during 2019.

Thank you very much we are at your disposal to answer any questions you may have.

Question & Answer Session

Operator: Ladies and gentlemen, we will initiate our Q&A session for analysts and investors.

In order to pose a question please press star 1. The questions will be answered in order of arrival. At any moment, should you wish to remove your question from the list, please press start 2.

Please wait till we collect our questions.

Our first question from Pedro Zanaiolo, Condor Insider.

Pedro Zanaiolo: Good morning, thank you for taking my question and congratulations for your results. I have two questions. One is about Argentina. You didn't talk about Argentina in the release, how is the situation in Argentina? And I would like to know how was the third quarter in Argentina in terms of EBITDA and in terms of sale. How do you see the fourth quarter and the next year? What is the exchange rate that you are working with see in Argentina? Is it the official exchange rate of the government, or if it is the liquidation exchange rate?

And SG&A that you had online, you opened new channels, this is something that you had to create during the pandemic or is this something recurrent and we will expect a lower margin?

Josué Gomes da Silva: Thank you, Pedro, for your question. You touched a concerning pointed to us, that is how Argentina will behave macroeconomically, and economically the results of Argentina in reais are positive.

Our company in Argentina is generating a positive EBITDA and the sales are growing, nonetheless, answering your question regarding the condition of Argentina, of course, in order to convert the figures of Argentina in reais we had to use the official exchange rate, and everybody knows that at this exchange rate is overvalued when we compare it to what this exchange rate should be because the blue exchange rate exceeded 100% of difference when you compare it to the official exchange rate.

Now this is extremely concerning because this demonstrates potentially a maxi devaluation in Argentina. I really don't know how long the government will be able to maintain this exchange rate at that level, which is not a realistic exchange rate. Nonetheless, from the Argentinian balance translated into reais, well, we have to use the official exchange rate; there is no other way to do it.

Sales are OK in Argentina, they are good because, once again, as we can see in Brazil, there is a combination of favorable conditions in Brazil, we have the coronavoucher and with this the mass of income doesn't drop like in last year in Argentina, there is tax expansion and there are resources that are being delivered to the population that needs it. And there is a lower demand for entertainment services, so people use their domestic income to buy products and not goods and services.

On third place, products for the house tend to present higher sales. People are spending more time at home, so they buy more products for their house, and we sell products for the house.

When we analyze in Brazil the Cielo indicators (that is a very good indicator) that shows you how the Retail sales go according to the segment, the Retail segment that has better performance is home center, which shows that people are investing in the house. We have home center customers and are the ones that grow most this year when we compare it to last year.

But Argentina is concerning. And we do know that the end will not be pretty and probably we will see a maxi devaluation in Argentina. Yes, we have done exchange hedge through local NDFs (non-deliverable forwards locals), but there has been a cost because at the end of each maturity the official exchange did not reach the hedge that was expected so we have to pay to the financial institution with which we did the hedge, but we are doing this to protect the accounts receivable from Argentina.

You know, today we cannot transfer of open bills because the Central Bank has control of this and has forbidden this type of transfer of funds. We maintain the hedge so when we can pay it and when the Central Bank allows us, well, I believe this balance of pesos invested by the company would be sufficient to pay the outstanding accounts payable (to the Brazilian operation).

But it is a situation that concerns us, it is a government that tends to protect the market and they protect local industry. Well, this helps us because we manufacture in Argentina, nonetheless, we know that they will not be able to maintain this exchange rate. When a hyper devaluation takes place, I believe that there will be a certain disorganization of the local economy.

So, we believe that the numbers are good in the balance, but it's not comfortable, we are not at ease with the situation because we know that generally this type of economic policy doesn't end up pretty, but sooner or later we will have a problem.

But, yes, we have tried to protect ourselves from the risks of that may emerge, especially a maxi.

Just for you to have an idea, today in Argentina is very difficult to buy cotton. It's not that they don't have cotton locally, they produce 280,000 tons, the growers are retaining cotton because that is their (strong) currency, so they sell it when they need to pay a bill because today they sell and receive in pesos, there are devalued.

Why don't they export everything? Because there are retentions and they have to retain a certain amount when they export, so we have to buy sometimes a whole truck of cotton, and this is difficult, but in the balance it is positive, but not as significant as in the past, and they are reported within our Wholesale unit.

Regarding expenses of our e-commerce, here we have two lines of expenses: we have logistics; and we also have the part that is digital marketing. Logistics, and we have seen a strong investment from different marketplaces in logistic structures that are complete for a company of our size to invest the same thing with the number of items that we sale and limited categories, well, this is not feasible. What we did because this is within the logistics goal, but most of it is a very strong investment in distribution centers.

In reality, during the pandemic and during the second and third quarters, we invested very little in Capex, but we invested practically everything in distribution centers, we improved our distribution centers not only to be prepared to deal with the higher volumes that are coming in and to reduce the cost of the distribution centers.

We have third parties, and the costs aren't low, we negotiate, we want to have a network to ship directly from our stores. This is why we have the multi-channel, and this is an entry that is high, these are improvements, but these are not improvements that are significant. Here you can gain a little bit of scale, you can concentrate your activities with some shipping companies, you can also improve the operation in the distribution center, but very frankly, here we have distribution centers that the big marketplaces have and it's difficult to compete.

Now regarding digital marketing, we have two advantages regarding a pure player marketplace, of course, Magalu no, Magalu has an omnichannel model, and they present the same advantage we have regarding digital marketing. Now the digital marketing today and it has been proved that it takes the customer to the store.

It's not by chance that our sales in brick-and-mortar stores are growing and the two major companies that practically have authority in marketing digital they have a tool called “online to offline”, and this investment increases sales in brick-and-mortar stores and our figure shows a 20% growth in brick-and-mortar stores because of the digital marketing geared toward this.

And we launch 100% of the marketing expenses as G&A, but we have a customer lifetime value, so when we win this customer then we have a customer base growing, well, you can reach these customers in a more economical way, there is no need to reach them through networks like Facebook or Google or Instagram or YouTube, you can reach your customer through e-mail marketing, SMS, sometimes you can call them through WhatsApp.

The salesperson does this and we have a model for this, so we empower our stores sales person so when they're not a dealing with the customer in person, they have artificial intelligence tools and through WhatsApp they can contact the customers and they can offer them products for this customer and this is recommended by artificial intelligence tools, and this increases the productivity of the salesperson and the sales of the store.

Digital marketing is growing, but our customer base is also growing, and these are customers that afterwards you can maximize their purchase, there will be recurring purchase and digital marketing can be seen as a long-term investment.

This is highly controlled by us. Today, we decided to invest a percentage in online sales and digital marketing, and we are doing this in a controlled fashion, this is a percentage we have decided to invest. It is an expense, but it is an investment.

If you tend to maintain this percentage of sales of e-commerce forever as digital marketing? Probably not, because you grow your customer base and then if they are your customer, your cost drops. But this is something that the company has decided, we want to continue growing the number of users and although this is being paid in profits and losses, it is a future value generation for operations of direct sales to end consumers.

Pedro Zanaiolo: Very clear, thank you very much.

Operator: Our next question comes from Anderson Barreto, Mapfre Investments. Mr. Anderson, you may proceed.

Your volume is low, but we can hear you.

Josué Gomes da Silva: For some reason I cannot hear Anderson. Anderson, if you could send your question through the chat in our webcast it would be easier to understand you. I believe you are having a connection problem.

We just received a question from our chat, is how Persono is being integrated to the company, what we expect from the brand.

We try to improve the life quality of our customers, perhaps the silent pandemic, what is more silent, what affect most of the world is the low quality of sleep. This pandemic brings gigantic costs in terms of lower productivity and sometimes fatal accidents.

The company recognizes this and then we decided to create a brand. And why a new brand? Because it is a brand that will be an ingredient brand, it will be a brand that will be present in all of our other brands and consumer products, we can have MMartan using the Persono, (Casa) Moysés can use Persono technology, we can have Artex using Persono technology and so forth. This is why we created the brand Persono. That is why.

We don't only want our customers and the community by and large to pay attention to this great problem of public health that is the bad quality of sleep in a great amount of the worldwide population, but we also would like to offer to people products that allow them to measure the quality of their sleep so that they can adopt measures that will help them to have better sleep quality with positive repercussions, this could be an increase of productivity or more longevity and better life quality.

There are three things that we can do to improve our quality of life: a good diet; to practice physical exercises; and good quality of sleep. The one that people generally don't talk about and don't discuss and where people invest less resources and time of study that is sleep, and with bad sleep this can result in fatal diseases, not only accidents.

This is why we are investing in this, we are going to launch products that use Internet of Things, and that with the integration of IOT to apps we will let our consumer that buys our product, that has the device, they will be able to measure the quality of their sleep and receive suggestions regarding how the quality of their sleep can improve.

So, we have invested in this brand, this is a brand that we know that it will give us the possibility to help our consumers to improve the quality of their life and even more, our brand becomes an authority in such a relevant matter because we sell products for the person’s bed, it's a bedding product.

So, in terms of Persono, we are almost finishing the development of this device, in brief we will have MMartan, (Casa) Moysés with Persono devices embedded in the product and that will allow our consumers, all the consumers that buy this product, to measure the quality of their sleep, and with this measurement they will receive suggestions what they can do in order to have a better sleep quality and better life quality. This is the objective of the brand Persono.

Anderson wanted to ask us a question about the PPE line performance. We have good news for you: we were able to sign our first export contract of gowns and disposable masks to the United States. This contract will come into effect and we will start shipping our products at the end of the first quarter/beginning of the second quarter of next year, perhaps there will be an anticipation.

Unfortunately, now we have a second wave in the United States and in Europe and this may result in the depletion of the inventory and there could be an anticipation of the shipments, but we can clearly see that this line will present a performance throughout next year that will be very important.

This year, as we mentioned during the third and the fourth quarter, we are going to shape around 130 million items until the end of that year between masks and gowns, and next year we expect to work with a higher volume. But being very sincere, probably the average prices will be lower than the prices of this year because these prices, although we were very careful when we marked up our prices, the reality is that during the pandemic there was a rise of prices because the raw material also increased. Now during the pandemic disposable masks were sold at R$3 per unit, we never sold it at this price. The maximum price was R$1.10, now the prices are lower.

Now it is a reality that the market today has a super offering because Brazil cannot export PPE products, we cannot export PPE unless the state of calamity is extended; I believe that it will expire on December 31st. If it expires, these items automatically will be able to be exported, and we have a zero-export rate for anything regarding the health care industry.

So, at the end of the state of calamity, we will no longer be zero taxes, but we had already sold our volumes beforehand and we are delivering and until the end of the year we will deliver 130 million, but the third and fourth quarter were significant and next year we believe that this will increase in terms of the number of units sold and we will reassure our first export contract with a major American distributing company, and I believe that this contract will be an initial experience and will allow us to grow our volumes if we have an initial experience that is positive, and we are reassured because the quality of our products is very good.

We have a question in our chat regarding the tax recovery. We are in a pathway of offsetting taxes, during the pandemic there was a postponement of federal tax payment and this also postponed the recovery speed, but I don't know the exact figure, I believe that we have it in our report. We have around R$50 million of taxes that were offset, and we continue offsetting, with the sales growth this pace, I believe will even grow more.

Another question regarding the occupation rate in our plants. (Today we have 100% of occupation in spinning and weaving stage.) Which plants are 100%? We have a weaving, spinning. We still don't have 100% of occupation and we don't have 100% of occupation in, for example, (finishing, sewing and downy weaving produtcs). For straight weaving products, we have a production with 100% of occupation, and as of November, it is obvious that there has been no repercussion (yet) because we're training people. As I said, we had a 5 by 1 working regiment and these regiments means 7 days a week 363 days at year, so today we are following this model in our (spinning and straight weaving) plants.

The online sales prospects for the fourth quarter and for 2021, well, online sales during the fourth quarter will be strong because we have a very important event that is Black Friday, and we believe that we will have ever growing online sales growing when we compare the fourth quarter this year to the last year. We are highly reassured with the online sales together with our omni model with the brick-and-mortar stores and we believe that we will have a strong performance.

Now regarding 2021, we expect growth, (but) to maintain these growth rates of 300%, 700%, because the base is strong and it's very difficult, but we anticipate a growth rate that will be of 2 digits. This will be high. This is for the year of 2021. We are now calculating a 3-digit growth rate for 2021, but for online sales, we calculate a high 2-digit growth.

Now growth prospects and new brick-and-mortar stores. Well, with the marketing model, with the digital marketing model O2O, we have a growth prospect in terms of brick-and-mortar stores, this digital marketing model has also been very important because you taking customers to the brick-and-mortar stores therefore they become much more profitable. So, yes, we are analyzing the possibility of opening brick-and-mortar stores as of 2021.

It is a positive moment for this, today there are many vacant areas in the shopping malls in Brazil and there is also a possibility to have brick-and-mortar stores in the streets that have recovered in the pandemic, so this means lower operating costs, which also give us a prospect to accelerate the opening of a brick-and-mortar stores always combined with digital marketing an online sales.

So, all the tools that were developed before the pandemic but were tested and applied throughout the pandemic allows us to see brick-and-mortar stores which are stronger in sales and with a real possibility of growing in terms of sales.

Here we have a question regarding our indebtedness. As we already mentioned, during two following quarters the net debt of the company dropped. We understand that during the fourth quarter it will be difficult to observe this because of the strong growth of the Wholesale sales and in our industrial production, so therefore, perhaps the drop of working capital that allowed to reduce the net debt perhaps we will not see this in the last quarter. Now, on the other side, we will have a cash generation during the last quarter that will be considerably higher than that of the third quarter.

So, yes, perhaps there will be a slight increase of the net debt during the fourth quarter because there will be higher working capital, Wholesale uses more working capital than Retail, but it will partly be offset by the growth of cash generation during the last quarter, therefore we are at ease. So, if we analyze, the last quarter, you know, throughout the year when we see the… I believe the net debt EBITDA indicator will be reasonable.

If we analyze the second semester of the year and the third quarter was affected by plants that were closed for 50 days, but if we analyze the EBITDA of the last semester of this year and ~~we compare it to the entire year~~ (annualize it), our indicators are good. Our effort has been to extend the financing profile, but we are at ease because the increase of cash generation and when you see the last quarter of this year, when you see what our orders will be like from here on, well, we believe that we will have a better performance that is the net debt/EBITDA ratio that shows the real indebtedness position of the company.

We are at ease, we are extending, but at ease regarding these indexes because today this is the running rate state, it's not the second, the first quarter, it's not even the third quarter. The running rate state of the company is the fourth quarter of this year.

Operator: Ladies and gentlemen, we would like to remind you that to pose questions please press star 1.

As we have no further questions, we will bring our Q&A session to an end. I will pass it over to Mr. Josué for his final remarks.

Josué Gomes da Silva: I would like to thank everybody that was here today so that we could… I would like to show how satisfied we are with our results and the Retail side is an important part of our strategy and this year we have accelerated more our targets.

I would like to say with the plants operating with the dilution of fixed costs which are ~~not~~ enough to absorb the increase of cost to improve margins, I believe that the last quarter of the company will show the current state of our businesses, and I would like to say that we expect a 2021 very optimistically.

Of course, we are concerned with the public accounts, we are concerned with the repercussions in the inflation, in the interest rate, but we are reassured with our strategy and the implementation of a business plan to transform Springs Global in a house consumption product company. We are global, but this is a company that is integrated with the end consumer using proprietary technology platforms strengthening the brands that are the main brands of bedding tabletop and bath in Brazil.

I didn't answer a question about the outlet. We interrupted the retrofit of the outlet because of the pandemic. We will resume this during the first quarter of next year and we believe that this outlet will be opened by the end of 2021, but probably during the first semester of 2022.

We have had a good performance in our power center that is in the same area, and our revenue is good with a potential of revenue growth that we didn't expect that was to use the effluent treatment station to have the local concessionary to reach the new sanitary law indicators. So, here we have a good potential to generate revenue which more than twofold the power center, and the outlet will come later on with the perspective of using a total revenue that will be more than R$3.5 million per month, reaching R$4 million a month.

We stopped the retrofit, it's been postponed, but we have accelerated our revenue and we will have a higher revenue and we are helping our community to treat the effluent so that the community can reach the universalization levels.

So, should you have any questions, please post these questions to Alessandra, to Roberto, to myself. I hope to be with you during the earnings results of the last quarter, and I am absolutely sure that this order will be very positive for the company when we bear in mind everything that is happening.

Good morning to everyone.

Operator: We will bring to an end of the Springs Global conference call. Thank you very much and have an excellent day.