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ICON - Q1 2018 Iconix Brand Group Inc Earnings Call

EVENT DATE/TIME: MAY 04, 2018 / 2:00PM GMT

OVERVIEW:

Co. reported 1Q18 revenue of $48.5m, non-GAAP net income of $5.7m and non-GAAP EPS of $0.10.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q1 2018 Iconix Brand Group Earnings Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

I would now like to introduce your host for today's conference call, John Haugh and Dave Jones. You may begin.

Cristina Cosentino

Good morning, and welcome to the Iconix Brand Group's First Quarter 2018 Earnings Conference Call. On today's call, we have with us John Haugh, our President and Chief Executive Officer; and Dave Jones, our Chief Financial Officer.

During today's call, we will be making some forward-looking statements within the meaning of the federal securities laws. The statements that are not historical facts contained in this conference call are forward-looking statements that involve a number of risks, uncertainties and other factors, all of which are difficult or impossible to predict, and many of which are beyond the control of the company. This may cause actual results, performance or achievements of the company to be materially different from the results, performance or achievements expressed or implied by such forward-looking statements. The words believe, anticipate, expect, confident and similar expressions identify forward-looking statements. Listeners are cautioned to not place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

I would like to turn the call over to John Haugh.

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

Thank you, Cristina. Good morning, everyone and thank you for joining us today. As many of you know, over the past several months, we've been highly focused on improving our balance sheet, while actively managing our brands. We're happy to say that we've made good progress on both fronts. Before getting into certain of the details, I would like to first discuss our communication strategy for the balance of 2018 -- fiscal 2018.

We plan to communicate with you each quarter offering focused and clear strategic communication about our financial performance and position as well as a business update.

Quarterly, Dave will provide an overall update on revenue and earnings performance and outlook on our guidance and updates on our cash position and debt covenant compliance. I will provide an update on the evolution of the business. This will include 3 broad areas: first, the progress of our new partnerships, which are in startup phase, including Umbro and Target and Starter at Amazon; second, the reinvention of several of our legacy brands, including Mossimo, Ocean Pacific and Danskin; and third, key DTR and licensee relationships for our core brands, including Candie's and Mudd at Kohl's, and Buffalo with Global Brand Group as examples.

In keeping with this approach, while Dave will give you more financial detail, in Q1, I'm pleased to highlight the following data points based on our Q1 performance and outlook for the balance of the 2018 fiscal year: number one, we satisfied our near-term debt obligations; number two, we initiated a plan and are on track to achieve cost savings of $12 million annually, and I'm pleased to state that the majority of these savings came from noncustomer-facing expenses; number three, in line with expectations, total revenue for the quarter was down 17% over prior year first quarter; number four, we are maintaining our revenue and free cash flow guidance for the year; number five, our cash position is stable; number six, we expect to remain in compliance with financial covenants related to our indebtedness.

Moving on to the business. Our business updates in 2018 for women's, men's, home and international businesses will be focused on the initiatives we are taking towards retaining our status as a leader in the brand management space.

To reiterate, these initiatives include: ensuring the success of our new partnerships and brand launches; reinventing several of our legacy brands; and maintaining a value-added relationship with best-in-class licensing partners.

Let me provide specific -- specifics by segment. Revenue for the women's segment was down 41% over the prior first quarter. This decline is in line with our expectations as Danskin, Mossimo and Ocean Pacific transition from their historical DTR relationships.

Candie's and Mudd continue to have a solid performance at Kohl's. We are pleased with our working relationship with their merchant, product development and marketing teams and our ability to support their business strategies. We believe there growth opportunities in London Fog, based on the strong identity of the product and our ability to maintain a collection of licensees that reflect the DNA. London Fog has historically exemplified travel and it's thus one of the top luggage brands in the country. Reflecting that position, we recently renewed our luggage licensing. We are also pleased to announce that we renewed our DTR relationship with Hudson's Bay. As Danskin now transitions out of Walmart, the core Danskin business is growing, and we anticipate the announcement of a new important category shortly. We are also working on the redesign of the danskin.com site to offer the consumer a more compelling online brand and shopping experience.

Mossimo is in brand reinvention mode. We're finalizing terms with new licensing partners and modeling an online-first approach to reach the consumer, including an e-commerce component that we are targeting to launch this fall.

Ocean Pacific is gaining momentum with a capital apparel collection available at [certain and] sport specialty stores that we expect to augment with swimsuits, beach accessories and other categories authentic to the brand's coastal lifestyle heritage.

Revenue for the men's segment was essentially flat for the quarter versus the prior year first quarter. With our multiyear agreement with Target for the Umbro brand, we're demonstrating our ability to place our brand with the right long-term partners to maximize our market presence. Umbro launched at Target in February and is aligned with Target's support for soccer. We believe we will over deliver our plan on Umbro in 2018.

Buffalo outperformed for the quarter, but will experience tough comps in the back half of the year, given a strong 2017 performance. Buffalo is one of our strongest brands, and we continue to partner with Global Brands Group to correctly position the brand in the marketplace, strategically distribute products and maximize sales volume.

Starter is ramping up with Amazon, and will soon offer over 400 SKUs for consumer purchased. We are receiving excellent customer reviews and working closely with Amazon to drive sales and capitalize on the wide recognition of Starter among fans of all ages.

With PONY, we anticipate signing new licensees to drive apparel and footwear. Furthermore, pony.com has been in a pilot stage for several months, and we're working to bring new categories and exclusive styles to the site as it expands. Connecting with the consumer directly through online commerce also allows us to gain insights needed to guide meaningful marketing to drive wholesale sales.

Revenue for the home segment was down 11% for the quarter over last year. A portion of this decrease was due to a shift in Charisma product delivery, and we anticipate recovering this in the balance of the year. Our Charisma business remains strong at Costco, and we've recently supported their global buying strategy by adding the right for several more geographies. The other softness in Home this quarter is due to the terms of a renewal on the Waverly Inspirations contract.

We're happy to advise that during the home market week recently in March, the Waverly core brand held its first ever concept showroom, which allowed us to showcase all products in one setting to every important retailer, resulting in a greater assortment based on the full breadth of the brand.

As previously announced, we are transitioning Royal Velvet from an exclusive DTR to a wholesale market brand starting in 2019. Royal Velvet retains a clear brand identity, epitomizing color and elegance in the home market, and we are in the process of negotiating licensees -- excuse me, licenses with several best-in-class licensees as part of our new go-to-market strategy.

Revenue for the international segment was up 29% for the quarter over last year, adjusting for the Southeast Asia joint venture de-consolidation that we did in 2017. Approximately half of that strength is being driven by the surge of product orders, following the qualification for the 2018 World Cup by the Umbro-sponsored Peru national football team. The remainder of the growth was diversified across broad -- excuse me, both geographic, geography and brand, with particular strength in Europe, Brazil, China and across Starter, Danskin and Umbro. Our international segment is on track for growth in 2018.

Finally, I would like to take this opportunity to address our business with Sears Kmart. Sears Kmart has been an important relationship for Iconix for more than 10 years. For the last several years, we have had 3 brands: Canon, Bongo and Joe Boxer in DTR relationships with Sears Kmart. We have recently renegotiated our contracts on Canon and Bongo to be nonexclusive. In other words, these brands will continue to be offered at Sears Kmart, but may also be made available in other retailers and channels, including pure-play e-commerce.

We are very pleased with the smooth transition we expect Canon and Bongo will be making from this exclusive DTR to the wholesale marketplace. Our Joe Boxer business will continue to be exclusive to Sears Kmart and remains a key part of their offering for a wide range of categories.

Now I would like to turn the call over to Dave Jones, our Chief Financial Officer.

David K. Jones - *Iconix Brand Group, Inc. - Executive VP & CFO*

Thanks, John. Good morning, everybody.

During the quarter, we adopted a new revenue recognition standard, which reflects certain of our license agreements. Approximately $2.7 million of overdues earned in Q1 are being deferred until later in 2018.

In addition, the straight-lining of escalating guaranteed minimum royalties in certain of our license agreements increased total revenue in the quarter by approximately $800,000. So net, the quarter had a negative $1.9 million impact on revenue from the new standard.

Based on our contract base today, we would expect the new standard to add approximately $2.5 million to $3 million to our licensing revenue in 2018.

Over the longer term, we expect annual reductions in our reported revenue as a result of the approximate $17 million contract asset balance, recorded as a result of the adoption of the new standard.

Q1 2018 revenue was $48.5 million versus $58.7 million in 2017, down $10.2 million, due primarily to the transition of our significant DTRs.

However, it should be noted that our Q1 2018 revenue was in line with our expectations and our international segment performed ahead of plan, improving 29% year-over-year.

Our SG&A expenses in the first quarter were $28.6 million, a 13% increase compared to $25.4 million in the first quarter of 2017.

However, 2018 included a number of unique items, including special charges, restructuring fees and a noncash purchase accounting adjustment.

Adjusting for these items, SG&A actually decreased approximately $1.1 million or 5%.

Our operating margin was 42% in Q1 '18 versus 58% in Q1 '17. However, after adjusting for the aforementioned items and gains on sales of intellectual property, 2018 operating margin would actually be 53% versus 61% in 2017.

We are on track with our recently-announced cost savings plan to obtain the annual savings of approximately $12 million through rightsizing our expense structure and appropriately aligning it to the expected go forward business. We continue to believe in the scalability of the business and as such, we expect to be able to maintain our discipline through organic growth or future acquisitions.

Net interest expense was down slightly as a result of our new capital structure. We are satisfied with the stability of our balance sheet. We expect full year interest expense to be approximately $57 million versus $68 million in the prior year. I'll discuss the debt structure in a few minutes.

Other income included $24.4 million gain, primarily related to a noncash mark-to-market adjustment from our 5.75% convertible notes. Our accounting for these notes dictates that we mark them to market each quarter. Other income also includes approximately $4.5 million of noncash gains on the extinguishment of debt.

Non-GAAP net income and earnings per share were approximately $5.7 million or $0.10 per share in 2018 versus $12.3 million or $0.21 per share in 2017. The decrease is predominantly due to the decreased revenue year-over-year.

Our earnings press release issued today contains a reconciliation for non-GAAP net income and earnings per share.

Free cash flow. Free cash flow was $15.4 million in 2018, an 18% increase from $13 million in 2017. Free cash flow is driven by many factors, including working capital changes. A reconciliation to cash provided by operating activities is included in our earnings press release.

Turning to the balance sheet. As John mentioned, we believe our cash position is solid. We had approximately $52 million of unrestricted cash on hand at the end of Q1 '18. We also had approximately $44 million of restricted cash, almost all of which was restricted by our securitization facility. We are projecting to end 2018 with similar amounts of cash on our balance sheet.

Looking at our debt structure, we had approximately $806 million face value of debt at the end of the quarter. Approximately $498 million of that balance is our securitization facility, which has an average interest rate of approximately 4.5%, and matures in January 2020. Our new 5 3/4% convertible notes represent approximately $116 million of the balance. These notes, if not converted, mature in 2023.

Finally, our 2017 senior secured term loan represents approximately $192 million of the total, bears interest at LIBOR plus 7 and matures in 2023.

As mentioned earlier, we believe our current balance sheet puts us in a good position to focus on growth going forward, and we are currently proactively thinking about the January 2020 maturity.

We are in compliance with financial covenants related to our indebtedness and our current 3-year projections show us to be in compliance through 2020.

With respect to our newly-issued convertible notes, I've received a few questions around the number of shares potentially issuable upon conversion. As an illustrative example, if at the end of the first quarter, the remaining unconverted notes were converted, we would have issued about 60 million shares for the principal amount, reflecting a conversion price of $1.95. The make-whole at the end of Q1 would have been about $36 million. If you assume the stock price was $1 upon conversion, we would've issued approximately 36 million more shares related to the make-whole. So based on those assumptions, as an example only, the additional shares would've been approximately 96 million. I hope this helps clarify how our new convertible notes are structured.

We have started 2018 with a first quarter that was as expected and as such, we are maintaining our previously-issued 2018 guidance. With the addition of the gain on extinguishment of debt and the elimination of noncash interest expense, which increases our GAAP earnings, details of our guidance by line are included in our earnings press release.

Finally, at the end of 2017, we talked a bit about strategic options. As an update, at this point in time, we are no longer actively considering strategic alternatives for the company. However, we will always consider opportunities to achieve a significant ROI on our brands.

I'll now turn the call back over to John for closing remarks.

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

Thanks, Dave. In closing, to reiterate as we end Q1, we are on track to achieve guidance for both revenue and free cash flow. Our cash and covenant positions are solid. We are making progress on our growth initiatives and we are working to position our brands, including our legacy DTR brands, to continue to support and grow our revenue base.

Thank you, and we'll open up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from John Broderick with Permit Capital.

John Charles Broderick - *Permit Capital, LLC - Partner and Analyst*

I have a question about Ocean Pacific. It seems like the launch that -- here we are in May, it feels like the launch of that is a little bit late. Is that going to be in stores for the summer season? Or is that -- should we think of that more as a 2019 -- a fuller launch for 2019?

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

So John, it's John Haugh. It's a good question. Short answer is '19. And I'll give you the rationale. Ocean Pacific existed in Walmart through all of 2017 and frankly there's still a bit of remnants in there right now. As brands get repositioned, it depends where they lived before. For us to regain the real authenticity of what Ocean Pacific stood for, a lifestyle brand West Coast, it needs a little bit of space. Last time when we did a really interesting collab with Urban Outfitters, that gave us a little bit of street cred, so to speak. We're doing selected work like that again in '18. That positions us better in '19 to start regaining the volume. But we were not in a position where coming out of Walmart, where Walmart used it as a lot of boys and girls shirt, shorts and swimsuits and a lot of price points at $4.88 and $5.88 and $9.88. We weren't able to go directly from that to kind of reestablishing ourselves as the real brand we want to be. So in any kind of brand reposition, we always have to make the determination whether we can go quickly or whether we need to take a pause. Now contrast that to -- with Starter, which also happened to be at Walmart, which also became pretty commodity-like. I think our AUR in 2016, 2017 was about $6, I think it was $5.88. But because we had always developed and managed the Starter Black business with the great satin jacket that you saw LeBron wearing and Cam Newton, we were able to reposition that immediately into Amazon at a significantly-different AUR and not have what I would call kind of the baggage of the commoditization that had happened with it at Walmart. So that was an instance where we could go right away because we had, had the upstairs line called Starter Black. With Ocean Pacific, we just had one brand, it was just OP. And so we needed a little bit of breathing room, and so our anticipation is '19 as when you start to make revenue again. And in our plans for '18, we called it very, very conservatively and that's where we're going to come in.

John Charles Broderick - *Permit Capital, LLC - Partner and Analyst*

Okay, fair enough. And just one follow-up question. As far as the early indications of the -- kind of attention, I'll call it attention that you get by being positioned on Amazon with Starter versus being positioned in Walmart with Starter, a lot of foot traffic running through Walmart and other large retailers. Do think that the brand gets the same sort of attention that it would get at a mass retailer on Amazon? How do you -- is there any way to compare the 2?

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

Yes. Again, I think it's a very good question. The short answer is no, impossible. Walmart gets 150 million, 160 million people a week through their store, that doesn't mean everybody goes on to the apparel pad. But if they go on to the apparel pad, and you're 1 of 2 brands or 3 brands, and you have 6 rounders, you're going to sell product whether they were looking for you or whether there were just looking for a pair of athletic shorts. In the Amazon world, it gets a lot of people on their site, obviously, but has far more SKUs as you would imagine. We need to be able to get the customer to navigate to our brand quickly. If they come in looking for Starter, then they navigate there quickly. If they come in looking for a men's hoodie, we need to make sure that we are doing our word choice correctly. We need to make sure that we are sponsoring the right pages appropriately so that they come find us, or that they land on us quickly because you can imagine there are countless men's hoodies on the [IO.com]. So we are with the prime side of the house, which is more congruent with where we want the brand to be, and as I think -- you saw they announced the other day there are 100 million households around the world on Prime. So we have to work a little bit harder, absolutely. But the AUR is stronger, consumer feedback so far has been really, really strong, good feedback and you'll see that -- or if you we are on the site, you would see the average rating and our average ratings are -- we're very happy with them and everybody is very happy with them. So now the key is really to drive the business, and you have to drive it more aggressively versus just kind of getting the benefit of somebody having to walk by you -- your rack and throwing a pair of shorts in your cart. So more work on our behalf, but we know it's the very [pledge] of the brand to be long term.

Operator

Our next question comes from Dave King with Roth Capital.

David Michael King - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

I guess, first on the Umbro launch at Target. Do you have how much it contributed in revenue during the quarter? And I guess, more importantly, how do you expect that to ramp over the course of the year? And how should we be thinking about that opportunity over time?

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

It's John. So our -- the tricky part of our calls is to represent our business correctly to you and to our investors. But ultimately, we have to respect how Target wants to talk about brands in their stores. So the direct answer I can give you is, product showed up week 3 of February, looked fabulous. We watched and we got pictures from all over the country of consumers buying it. I got pictures from over the country of consumers dismantling the mannequin because they wanted one of the apparel pieces. Data point, second data point is, as I think is public information, a year-ish ago, Target made a statement that they are all-in on soccer. It's congruent with who they chase, that millennial mom. And so if you look at their emphasis on the importance of this, if you look at Umbro as the only football-only brand in the world, the true leader in soccer around the world, it's a perfect marriage. And so, we're happy with the initial reaction to the consumer. We're happy with all the dialogue we're having with our partner -- partners at Target. And we anticipate the business growing. Remember, it's coming from a base of very, very, very modest business. Umbro around the world has always been a great business for us, but it has been very modest in the U.S. We did very little business at Dick's Sporting Goods. So we believe we've found the right home. We believe the business will grow and we are there to support Target in their strategy and we're happy that what their strategy is, is to be the place for soccer, particularly youth soccer in the U.S. So that's the best way I would answer that one.

David Michael King - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay. No, that helps. I guess, similarly then, as we think about the guidance for this year, how much is in that? I guess, take the Umbro piece out of it, but how much is in there from newer agreements, like I think Mossimo Ecom was one you highlighted that hasn't launched. You also have Starter with Amazon, I think kind of ramping. So how should we think about that in -- especially in the context of you still have kind of Mossimo contributing in the first quarter, Danskin Now, Royal Velvet, but those kind of running off as the year progresses. So trying to get a sense of how much is included for the ones that are ramping, and then I guess, some of the ones that are going to be expiring. How much is -- was in there in the first quarter? And how do you see that kind of shaking out?

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

So Dave, I'll take it, it's John, I'll take a shot and Dave might want to jump in. I think it's a very good question. We [each] put a plan together for '18 and for '19 and for '20 as anyone would do, write a 3-year plan. It's important for us to manage our business. It's important for our lenders to understand where we're going with our business. And in all of those cases in '18 and '19 and '20, we obviously projected at what point something like a Mossimo would run off or Danskin Now would run off to your -- to use your term. And then what we would do to refill the pipe, so to speak. We believe we have done this cautiously, conservatively, judiciously. And so while we anticipate Mossimo will sell through Target or in Target, actually through Q1 or into Q1 of 2019. But it's obviously going to ramp down and they'll bring another -- some of the other brands onto the floor. So we know what we're going to get in Q1, Q2, Q3, Q4 and Q1 of '19. And then we know what we will be able to supplement or complement or replace that with some of the different initiatives we have. I'd go back to the guidance that we gave a couple of months ago and that we reiterated today. You can see that we gave us -- we ended last year, David, $223 million?

David K. Jones - *Iconix Brand Group, Inc. - Executive VP & CFO*

Yes.

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

$223 million. Obviously, the guidance is a range that is slightly south of that; that accounts for the Mossimo, that accounts for Danskin Now. But it also has -- we know as we continue to look at '18 and '19 and '20, we know what we can do to -- actually $225.8 million, I think, is where we officially landed last year, thank you. So our guidance is obviously below that and then because we have accounted for Danskin, and because we have accounted for Mossimo, but as we have done our projections for '18, '19 and '20, we've accounted for those running off and us finding new licensees. In some cases, there will be a -- I would say, in many, if not most cases, it will be a market strategy versus a DTR strategy. But we're okay with that. We think that's actually a better way to manage and control our brands and ultimately, to bring the most value back to shareholders.

David Michael King - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay. I'll try a couple more quick ones. Then as we -- I know it's early, as we think about '19, typically, seen with other companies, these wholesale agreements as you go out to kind of replace the existing DTRs, they typically can take longer to ramp, get sold into retail, et cetera. I guess, thinking sort of broadly, is it fair to assume then that in '19 that revenues will probably be down from the '18 level, realizing it's early? Or is it fair to think that you can kind of hold it flat or possibly even increase it?

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

John again. I think, [kids] -- I sincerely appreciate you trying to get an early read. And it was a very well-worded question I'm not going to answer. But I can tell you that we as a management team, Dave and John and also the individuals who run our vertical heads, international and women's and men's and home, we have looked out '18, '19, '20. We have gone by licensee. We know exactly what contract expires when and what would be required to renew it, be it a DTR, be it a licensee, because obviously with the licensees, often times we have a royalty guaranteed at GMR. And we feel like our business is back solid. It has been challenging the last couple of years. And so I think we conservatively and thoughtfully planned out for the next couple of years. I don't think at this point we're at a position to comment on '19 and '20.

David K. Jones - *Iconix Brand Group, Inc. - Executive VP & CFO*

Yes.

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

But we're thinking about it. We're thinking about it not just because to your point, Dave, this is a long gestation business. So it's critical for us to make sure that we're thinking about planning -- long-range planning, and we've had help doing that, right? It's not just been our management team, we've actually had some experts from the outside to help make sure that we're really pressure-testing all of our assumptions. So that's how we approach this.

David K. Jones - *Iconix Brand Group, Inc. - Executive VP & CFO*

And Dave, it's Dave. I guess I'll just add, and John hinted on it before, but the good news in the transitions that we've had is that we've had notice. So we didn't fall off a cliff. I would say 2018 is a year where we've got the transition happening but we've got some runway to build for the future. So obviously, all of our energy today is focused on the transitions that we've had. And so I would expect that, that would bear fruit in 2019. But agree with John, I think it's early to talk about '19.

David Michael King - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay. Fair enough, that's still good color. And then one more. In terms of the $12 million in expense savings, how much of that's reflected in the $24 million is what it looks like with sort of the core expenses in the quarter if I take out special charges and stuff? So how much is then, in that run rate? And how should we be thinking about that going forward?

David K. Jones - *Iconix Brand Group, Inc. - Executive VP & CFO*

Yes. We -- when we looked at the first quarter, David, we actually thought it was a little bit more front-loaded than we anticipated. So we still had -- we had a bunch of professional fees from the debt refinancing and some other stuff. So I think -- I don't have it calendarized in front of me, but I would expect the margins get a little bit better as we go through the year.

John N. Haugh - *Iconix Brand Group, Inc. - President, CEO & Director*

Okay. So I would like to say thank you to everybody who got on and listened. I would like to reiterate a statement I made earlier that you have the commitment from David and me and Iconix, that we will continue to speak with you with -- we have been a little crazy for the last couple of quarters and while we have put out a fair number of releases and 8-Ks to keep you apprised, we haven't actually had a call, so we're glad we're doing it. And you have our commitment that we will talk to you every quarter, and we will be available for those who want to call and ask us questions. I think the other thing I want to emphasize is, we will do our best to answer questions that we think you're asking. So Dave addressed head on, how to think about the convert. I addressed head on, how to think about Sears Kmart. So instead of us waiting for you to ask, we're trying to anticipate what might be on your minds. We will continue to do that to the best of our ability. So thank you to everybody for your support, and we look forward to talking to you in 3 months.

Operator

Ladies and gentlemen, that concludes today's presentation. You may now disconnect, and have a wonderful day.