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MYRG - Q4 2016 MYR Group Inc Earnings Call

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PRESENTATION

Operator

Good morning, everyone, and welcome to the MYR Group fourth-quarter 2016 earnings results conference call. Today's conference is being recorded. At this time, for opening remarks and introductions, I would like to turn the call over to Kristine Walczak of Dresner Corporate Services. Please go ahead madam.

Kristine Walczak - *Dresner Corporate Services - IR Representative*

Thank you and good morning everyone. I'd like to welcome you to the MYR Group conference call to discuss the Company's fourth-quarter and full-year results for 2016. Joining us on today's call are Rick Swartz, President and Chief Executive Officer, Betty Johnson, Senior Vice President and Chief Financial Officer and Treasurer, Tod Cooper, Senior Vice President and Chief Operating Officer of MYR Group's Transmission and Distribution segment, and Jeff Waneka, Senior Vice President and Chief Operating Officer of MYR Group's Commercial and Industrial segment.

If you did not receive this morning's press release, please contact Dresner Corporate Services at 312-726-3600 and we will send you a copy, or go to MYR Group's website, where a copy is available under the Investor Relations tab. Also, a replay of today's call will be available until Thursday, March 16, 2017, at 11:59 p.m. Eastern time, by dialing 855-859-2056, or 404-537-3406, and entering conference ID 51679991.

Before we begin, I want to remind you this discussion may contain forward-looking statements. Any such statements are based upon information available to MYR Group's management as of this date, and MYR Group assumes no obligation to update any such forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual statements -- I'm sorry, actual results to differ materially from the forward-looking statement. Accordingly, these statements are no guarantee of future performance. These risks and uncertainties are discussed in the Company's annual report on Form 10-K for the year ended December 31 2016, and in yesterday's press release.

Certain non-GAAP financial information will be discussed on the call today. A reconciliation of this non-GAAP performance -- sorry, this non-GAAP information to the most comparable GAAP measure is set forth in yesterday's press release.

With that said, let me turn the call over to Rick Swartz.

Rick Swartz - *MYR Group Inc. - President, CEO*

Good morning everyone. Welcome to our fourth-quarter and full-year 2016 conference call to discuss financial and operational results. Today marks the first time I'll be participating in the call as President and CEO of MYR Group.

As you may know, Bill Koertner will be continuing in his role as Chairman of the Board. I'd like to extend my appreciation to Bill for his years of leadership and guidance and look forward to his support as we continue to grow the Company and deliver positive results to our customers and stockholders.

I'll begin our call today by providing a brief summary of the fourth-quarter and full-year results, and then turn the call over to Betty Johnson, our Chief Financial Officer, for a more detailed financial review. Following Betty's discussion, Tod Cooper and Jeff Waneka, our newly appointed Chief Operating Officers for our T&D and C&I segments, will provide an industry outlook and discuss some of MYR Group's opportunities going forward. I will then conclude with some closing remarks and open the call up for your comments and questions.

Our fourth quarter benefited from favorable weather, which enhanced our project progress and improved equipment utilization, and our full-year 2016 financial performance demonstrates the success of our efforts to grow MYR Group through our three-pronged strategy of prudent capital allocation for acquisitions, organic growth, and return of capital to our stockholders.

Our full-year revenues of $1.14 billion was a record high for the second consecutive year, and backlog grew by $68.2 million to $688.8 million from last quarter. Although our investments in the organic growth prong of our strategy contributed our revenue and backlog growth in 2016, overall, it didn't contribute as much to operating income as we had planned due to a slower than expected ramp up of the work. We continue to believe that these investments will produce long-term stockholder value.

On the acquisition front, in the fourth quarter, we acquired Western Pacific Enterprises, one of the largest electrical contractors in British Columbia. This addition extends our commercial and industrial presence and strengthens our substation capabilities in Western Canada.

We also made steady progress throughout the year integrating E.S. Boulos Company and High Country Line Construction, which have strengthened our ability to be a full-service provider to utility and industrial clients and have broadened our geographic reach. Through a newly formed transportation operation in California, we also expanded our C&I segment, which will allow us to better serve the needs of our customers in this area. These organic growth initiatives over the last few years in both our C&I and T&D segments have begun to contribute to our strong financial performance and increased our backlog in 2016.

We also repurchased $99.8 million of our common stock under our share repurchase program during 2016 to bring our total share repurchases to $142.5 million since beginning the program in 2012. This reflects the Board's confidence in MYR Group's long-term strategy and its belief that our stock represents an attractive investment.

We are proud of all of our accomplishments throughout 2016. Looking forward, we will continue to explore growth opportunities, both organically and through acquisitions, in markets that align with our core capabilities. We look for viable, long-term investments which we believe represent sound, long-term investments for our stockholders based on fully vetted business cases. We believe these efforts will further position MYR Group as an industry leader, and we remain steadfast in serving the needs of our clients while working to be the contractor of choice in all of the markets that we serve.

Now Betty will provide details on our fourth-quarter and full-year 2016 financial results.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

Thank you, Rick, and good morning everyone.

As Rick stated earlier, MYR Group's efforts related to our three-pronged strategy of prudent capital allocation for acquisitions, organic growth and return of capital to stockholders have improved our fourth-quarter results as compared to the prior year. Our fourth-quarter revenues, gross profit, EPS, and backlog all improved, both year-over-year as well as sequentially over each quarter of this year. Our fourth-quarter 2016 revenues were $343.7 million, which represented a record high revenue for the quarter. This also represented an increase of $72.5 million, or 26.7%, compared to the same period of last year. The increase is primarily due to higher revenue from large transmission projects, organic growth in our new geographic markets, and favorable weather conditions in certain areas.

Fourth quarter -- our T&D fourth-quarter revenues reached a record high at $250.9 million, an increase of $49.7 million, or 24.7%, compared to the same period last year. The breakdown of T&D revenues for the fourth quarter of 2016 was $196.4 million for transmission and $54.5 million for distribution. C&I revenues also reached a record high at $92.7 million, an increase of $22.7 million, or 32.6%, compared to the same period last year.

Our overall gross profit in the fourth quarter of 2016 was $41.9 million compared to $32.6 million in the fourth quarter of 2015. The increase in gross profit was primarily due to higher revenue and improved gross margins. Our gross margin was 12.2% in the fourth quarter of 2016, compared to 12% in the same period last year. The increase in gross margin was largely due to favorable weather experienced during the fourth quarter, improved performance on certain jobs and favorable closeouts on several projects. This is partially offset by costs associated with unrecognized revenue related to pending project claims and change orders as well as lower productivity on other jobs. Changes in estimates of gross profit on certain projects resulted in a gross margin decrease of 20 basis points in the fourth quarter of 2016 compared to a decrease of 90 basis points for the fourth quarter of 2015.

Fourth-quarter 2016 SG&A expenses were $26.8 million compared to $22.7 million in the fourth quarter of 2015. The $4.1 million increase included approximately $2.2 million of costs associated with our organic and acquisition expansion into new markets.

We also incurred higher bonus and profit sharing costs and increases in other payroll costs to support our overall growth. The impact of these increases was partially offset by a fourth-quarter 2015 cost associated with an executive office transition last year -- executive officer transition.

SG&A as a percentage of revenue decreased to 7.8% for the fourth quarter of 2016 from 8.4% for the fourth quarter of 2015. Compared to the prior three quarters, our SG&A as a percentage of revenue has improved both year-over-year as well as sequentially over each quarter of this year.

Our provision for income taxes increased to $8.1 million in the fourth quarter of 2016 compared to $4.1 million in the same quarter of 2015. Our effective tax rate for the quarter -- fourth quarter of 2016 was 51.1% compared to 40.8% in the fourth quarter of 2015. The increase in the effective tax rate was primarily caused by the year-to-date impact of lower domestic activity deductions and changes in the mix of business between our states that we work in. In addition, our effective tax rate increased due to the deferred tax balance true-ups for changes in the blended state rates as well as the valuation allowance for the deferred tax assets in certain Canadian subsidiaries.

Fourth-quarter 2016 net income was $7.8 million, or $0.48 per diluted share, compared to $5.9 million, or $0.29 per diluted share, in the fourth quarter of 2015. Fourth-quarter 2016 EBITDA was $26.1 million compared to $20.1 million in the fourth quarter of 2015. EBITDA on a per diluted share basis grew from $0.98 per diluted share in the fourth quarter of 2015 to $1.60 per diluted share in the fourth quarter of 2016.

Shifting now to our full-year 2016 results, revenue increased $80.8 million, or 7.6%, to $1.14 billion compared to $1.06 billion for the full year of 2015. The increase was primarily due to organic and acquisition growth, which was partially offset by a decline in revenue in some geographic areas.

Our overall gross profit for the full year of 2016 was $134.7 million compared to $122.3 million for the full year of 2015 due to higher revenue and improved gross margin. Gross margin for the full year of 2016 increased to 11.8% versus 11.5% for the full year of 2015 primarily due to improved performance on certain jobs, as well as favorable closeouts on several projects. This was partially offset by costs associated with unrecognized revenue related to pending project claims and change orders. We also experienced inclement weather in some of our markets and lower productivity on other jobs. Changes in estimates of gross profit on certain projects resulted in a 20 basis point decrease in gross margin for the full year of 2016 compared to a 50 basis point increase for the full year of 2015.

Full-year 2016 SG&A expenses were $96.4 million compared to $79.2 million for the full year of 2015. The $17.2 million increase was primarily due to $9.4 million of costs associated with our organic and acquisition growth strategies. Bonus and profit sharing costs, as well as personnel costs to support our overall growth, increased in 2016. We also incurred $1 million of costs associated with responding to active investors. The impact of these increases was partially offset by a fourth-quarter 2015 cost associated with an executive officer transition last year. SG&A as a percentage of revenue was 8.4% for full year of 2016, up from 7.5% for the full year of 2015.

Our provision for income taxes was $16.9 million for the full year of 2016 compared to $17 million for the full year of 2015. Our effective tax rate for the full year of 2016 was 44.1% compared to 38.4% for the full year of 2015. The increase in the effective tax rate was primarily caused by the same items impacting our fourth-quarter rate previously noted.

Net income for the full year of 2016 was $21.4 million compared to net income of $27.3 million for the full year of 2015. Diluted earnings per share were $1.23 for the full year of 2016 compared to $1.30 for the full year of 2015. EBITDA declined $78.8 million for the full year of 2016 compared to $83 million for the full year of 2015.

Total backlog at December 31, 2016 was $688.8 million, consisting of $386.7 million in the T&D segment and $302.1 million in the C&I segment. This represents an increase of $68.2 million, or 11%, from last quarter. Our backlog has increased in 10 of the past 12 quarters and was at our highest level since December of 2011 with C&I backlog at a record high. Significant contributors to the increase in 2016 backlog were a multi-year Cross Texas Transmission contract and Western Pacific Enterprises acquisition. Compared to last quarter, T&D backlog at December 31, 2016 decreased $50.3 million, or 11.5%, while C&I backlog increased $118.5 million, or 64.5%.

Turning to the December 31, 2016 balance sheet, we had approximately $23.8 million in cash and cash equivalents, $59.1 million of funded debt and $167.2 million in availability under our credit facility.

As of December 31, 2016, we had working capital of $129.3 million, which is an increase of $41.7 million from the last quarter. This increase is primarily due to our working capital needs to support the higher volume of revenue experienced during the fourth quarter.

As Rick previously noted, during 2016, we repurchased $99.8 million of our common stock under our share repurchase program. As of December 31, we had $20 million of availability remaining on our share repurchase program, which continues in effect until August 15, 2017.

As discussed last quarter, on October 28, we completed the acquisition of substantially all of the assets of Western Pacific Enterprises. The total consideration paid, net of certain net asset adjustments, was approximately $11.3 million, which was funded through our borrowings under our line of credit. Our purchase agreement also included contingent consideration provisions for margin guarantee adjustments which are based upon the performance of certain contracts subsequent to the acquisition.

During the fourth quarter of 2016, we recorded other income of approximately $1.4 million related to the margin guarantee adjustments on certain contracts. Further -- future margin guarantee adjustments, if any, are expected to be completed by the end of 2017.

In conclusion, we had another solid quarter with growth in revenues, gross profit, EPS, and backlog. We believe that we have adequate capital and borrowing capacities going forward to support our working capital needs, bonding requirements, equipment investment, and further growth.

I'll now turn the call over to Tod and Jeff, who will provide an overall industry outlook and a view of MYR Group's opportunity.

Tod Cooper - *MYR Group Inc. - SVP, COO of T&D*

Thanks, Betty, and good morning everyone.

During 2016, our transmission and distribution segment executed projects of all types and sizes throughout the US and Canada while pursuing new work in an active bid market. In particular, we saw an increase in large project opportunities and engineered procure construct, or EPC, work, all of which resulted in another year of solid performance.

In the fourth quarter, we began construction of Cross Texas Transmissions, limestone to Gibbons Creek, 68 mile 345kV transmission line in Texas, which is part of the Houston import project and is expected to be completed in the spring of 2018. In addition, we are nearing completion of the 32-mile 161 to 345kV conversion on the MBP 16 transmission line project for MidAmerican Energy in Illinois, and we started work on the 29-mile 161 to 345kV conversion Kildeer to Hampton transmission project for ITC in Iowa.

Substation project awards included the EPC contract for the West Texas 345kV reactors project for Electric Transmission Texas, an affiliate of American Electric Power, the South Street substation replacement project for National Grid in Rhode Island, as well as smaller new and upgrade projects were several utilities across the country.

Work continues on the Keewatinohk 230kV AC switchyard in Manitoba, Canada, which is part of the Bipole III Transmission Reliability Project. This project, in addition to Western Pacific Enterprises, established relationships -- Western Pacific Enterprises' established relationships further enhances our ability to perform work in Canada.

Recent industry announcements indicate that there will be ample bidding opportunities on projects of all sizes throughout the US and Canada, which bodes well for increased growth opportunity for MYR. Edison Electric Institute published its annual Transmission Project at a Glance report, which indicates that transmission investments are projected at roughly $22 billion in 2017 and $21 billion in 2018. By comparison, actual spend reported from 2012 to 2015 averaged approximately $17 billion per year. According to the report, these investments will be driven by the need to ensure grid reliability, integration of renewable energy, and the replacement of aging infrastructure throughout the US.

Additionally, announcements related to several large transmission projects reaching critical planning and permitting milestones were made in the fourth quarter. We believe these projects should provide steady growth opportunities for our Company. In November 2016, the Department of Energy issued a Presidential Permit for Minnesota Power's 224-mile 500kV Great Northern project, which is slated to deliver new hydroelectricity from Canada to Minnesota. MYR Group's strong regional presence, history of delivering critical 500 projects and major project experience in this area position us well for this opportunity, which we anticipate to bid in 2017.

In December 2016, the Bureau of Land Management granted its record of decision for the Transwest Express and Gateway South projects, which have been in the planning and permitting stages for several years. Transwest Express consists of a 725-mile 600kV transmission project that will span from Wyoming to Nevada and deliver new wind generation to population centers in the West. Gateway South is a multistate 500kV project consisting of 416 miles that will originate in Wyoming and travel west to Utah. While both projects require further development before reaching the construction phase, we believe these regulatory approvals are crucial in moving these projects forward. We are closely monitoring progress of these projects to look for opportunities to be considered as a contractor of choice for both of these projects.

Other announcements in the fourth quarter indicate transmission projects throughout the country will provide regional opportunities for our operating subsidiaries. For example, the New York Public Service Commission is currently evaluating 12 proposals submitted by the New York Independent System operator, which represents nearly 1,000 miles of bulk transmission line that will deliver new, clean generation to help New York meet its goal of securing 50% of its electricity from renewable sources by 2030.

On the West Coast, the California Energy Commission announced the need for up to $5.8 billion in investments that may be required in the state's transmission system to integrate additional renewable resources in order to achieve their renewable portfolio goals by 2030.

One of our largest clients, Xcel Energy, plans to increase its investment in both renewable energy resources and transmission infrastructure, which will raise its capital spending plan to $18.4 billion between 2017 and 2021 compared to its previous forecast of $17.7 billion over the 2016 to 2020 period.

FirstEnergy also announced it will increase its planned investment in transmission infrastructure as part of its Energizing the Future grid modernization plan. The announcement calls for an investment of $4.2 billion to $5.8 billion from 2017 to 2021.

Turning to the distribution market, we continue to see an improvement in demand for our services in many regions of the US. MYR has a number of long-term alliances with clients throughout the US, and we continue to perform a significant amount of distribution work under various types of agreements.

In the fourth quarter, we were awarded a new five-year contract with our client, Tucson Electric Power, which follows 10 years of continuous alliance contracts. In addition, we were recently awarded a three-year distribution sourcing contract with Southern California Edison, which is an exciting new growth opportunity for MYR Group. We expect distribution work to remain steady as the housing market -- as the housing market improves and the need to replace aging infrastructure and support internal utility resource constraints remain key priorities.

In summary, we believe transmission and distribution opportunities of all sizes will remain viable in both the near and long-term. We also believe we can participate in the healthy T&D market in 2017 and beyond thanks to our strong resources and our exceptional workforce.

I will now turn the call over to Jeff Waneka, who will provide an overview and outlook of our commercial and industrial segment.

Jeff Waneka - *MYR Group Inc. - SVP, COO of C&I*

Thanks Tod and good morning everyone.

Activity in our C&I segment was strong throughout the fourth quarter and our record revenues and backlog in 2016 were due to significant growth in all our markets. In addition, we believe that the acquisition of Western Pacific Enterprises in the fourth quarter will present exciting C&I opportunities in Canada primarily related to healthcare and transportation.

Project activity throughout 2016 reflected our ability to meet the complex demands of our clients, and healthcare construction in particular remained a key contributor to revenue. We continued work on the new 1.2 million square foot Denver Veterans Administration Medical Center, the new 670,000 square-foot Banner University Medical Center in Tucson, Arizona, and the 361,000 square-foot Eastern Maine Medical Center in Bangor, Maine. In Canada, Western Pacific Enterprises is currently providing electrical services for the 282,000 square-foot Stanton Territorial Hospital in the Northwest Territories, which is scheduled to be complete in 2018.

In the fourth quarter, we were awarded preconstruction service contracts for the new 300,000 square-foot North Children's Hospital and 194,000 square-foot expansion to St. Francis Hospital, both in Colorado Springs.

Our transportation division experienced significant growth in 2016 due to -- due in part to several contract awards in California and Washington state, two of our new markets. Additionally, in Colorado, we completed two notable projects for the Colorado Department of Transportation, which bolstered our portfolio of expertise related to the latest transportation technologies.

Looking ahead, we expect strong growth to continue in our new and established markets, and expect our core competencies in healthcare, data centers, commercial, industrial, education, aviation and manufacturing facilities will help us gain a share of these opportunities across the country.

Healthcare projects show no signs of slowing down. Several new project opportunities have been announced and multiple facilities are undergoing expansion and renovation. Our depth of experience in this sector, combined now with Western Pacific Enterprises' vast experience, positions us well for new project awards in Canada. Data centers throughout the Western US are in a state of rapid growth and expansion, and we expect to see several opportunities due to our established client relationships and specialized expertise in the markets we serve.

Several new transportation projects have been announced that entail sophisticated network and advanced communication systems. We believe our proven experience with this type of intelligent highway technology makes MYR particularly attractive to clients. Our transportation experts are currently engaged in significant design build pursuits in Colorado and on other projects in Washington and California. And again, we expect the expertise Western Pacific Enterprises brings in this area will further enhance our capabilities as the US prepares to tackle our long-delayed transportation needs.

Additional opportunities that suit us well come in the form of new aviation projects as major airports announce plans to enhance the traveler experience and increase airfield operations, new water treatment and water storage projects planned for release in 2017, as well as several gaming and entertainment-oriented projects throughout Nevada and in other target markets. In order to capture these opportunities, we will continue to stay abreast of emerging markets and new technologies and refine our expertise to solidify our industry reputation as one of the few contractors (technical difficulty) the abilities necessary for these highly complex endeavors.

Thanks, everyone, for your time today. I'll now turn it back to Rick Swartz, who will provide us with some closing comments.

Rick Swartz - *MYR Group Inc. - President, CEO*

Thank you for those market updates, Tod and Jeff. Another solid quarter and a year of strong financial and operational performance provides us with the confidence that our strategies are sound and will remain solid in the near and long-term. The investments in organic growth and acquisitions we made are fueling growth. We will continue to invest in our business to drive growth and to strive to achieve top-tier financial performance over the long-term by identifying viable new opportunities for ongoing expansion. Additionally, we will continue to refine our capabilities for infrastructure improvement and provide meaningful careers for our people while maintaining our financial strength and liquidity. Finally, we will continue to be disciplined in our approach towards allocating capital as we continue to work to maintain a strong record of operational excellence and delivering consistent returns to our stockholders.

Of course, we would not be where we are today without the exceptional people who make up MYR Group. As I reflect upon our achievements over the past year and look to the future of our Company, I am confident that our talented leadership team and highly skilled workforce will continue to elevate our position in the industry.

To conclude, on behalf of Betty, Tod, Jeff and myself, I sincerely thank you for joining us on the call today. I'd also like to thank you for your ongoing confidence in MYR Group and I look forward to updating you on future calls.

Operator, we are now ready to open up the call for comments and questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Tahira Afzal, KeyBanc.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Hi Rick and team. Congrats on a fantastic quarter. I guess the first question is, given the strength you've seen in backlog, and for me really the big surprise has been C&I, how do you look at your topline playing out at this point? You've seen good growth in 2016, but it seems you could even exceed that in 2017. So any qualitative thoughts would be helpful.

Rick Swartz - *MYR Group Inc. - President, CEO*

I think, when we look at that, we see a lot of opportunities on the C&I side. Jeff and his team are in there every day talking to our clients, talking to engineers, seeing what's coming in the market. As we've said in the past, what really limits us on saying we are going to really have I guess accelerated backlog growth, though we strive for that, is the timing of the awards. We see a lot of activity out there. But again, when those projects actually come to market and then the timing of it, sometimes we see those pushed out one quarter and that makes a big difference for us on how we count backlog because, again, we only count backlog when we have the contract in-hand. So it's a little bit different than some of our competitors.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Got it. And just to follow-up on that, I guess should we be looking at the fourth quarter, the type of revenue run rate you can support going forward? I know that first quarter has a bit of seasonality, and I'm just trying to see where topline -- what the earnings -- the revenue power is right now as you see it.

Rick Swartz - *MYR Group Inc. - President, CEO*

That's a great question. It is something. Fourth quarter, we did have some really good benefits growth from weather, our equipment utilization was up. And as you said, the first quarter has some seasonality in it. It usually does. It depends when frost is coming out of the ground. Some of the whether that's been happening across the country has impacted us. So I guess, when I look at fourth quarter, I would say that was a little bit different than the run rate you should expect in first or second quarter.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Got it. Thank you. And I have a follow-up and then I'll hop back in the queue. You know, the C&I bookings were phenomenal, and it seems they're pretty diverse from where you started out with that business a few years back even in terms of growth. So, as you look beyond 2017, is it fair to say your growth is going to be less about just your typical commercial non-res, and it sort of seems to be migrating more towards transportation and healthcare and a lot of other things.

Rick Swartz - *MYR Group Inc. - President, CEO*

We've always been focused in those markets. Again, I would say our C&I areas where we were regional players in certain areas, and we've expanded that. We've taken it into Seattle, California. If you look back at the kind of return of the market in the Phoenix area, Tucson area, that Arizona market, it lagged behind what we saw in any other part of the country. And we are starting to see strength there now and that's coming back, so that affected our backlog in 2016. And then, as we said, some of the organic growth areas of California, Seattle, Nevada, those areas are starting to pay the dividends and we are starting to receive some work. So, again, it didn't add to the bottom line as much as we would like for those organic growth areas in 2016, but we see them carrying their own coming into 2017.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

Let me just add, from the C&I backlog perspective and revenue, you also have -- you talked a lot about the organic growth but the acquisitions that we had in the last year between WPE and CSP both having the C&I focus on them has significantly helped that segment.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Got it, okay. I'll hop back in the queue. Thank you.

Operator

Bobby Burleson, Canaccord Genuity.

Bobby Burleson - *Canaccord Genuity - Analyst*

Good morning. So I just had a question on your organic growth initiatives. You mentioned that some of those are progressing a little slower than expected. Is there kind of a bit of pent-up award activity that you guys are expecting here in the first half based on kind of delays in the timing of some of those awards?

Rick Swartz - *MYR Group Inc. - President, CEO*

Outside a problem with the acquisitions, if you're just talking strictly organic growth, again, we went into those areas with solid business plans, so it's something that we put a plan together. We knew it would be -- we would have to make an investment before it started paying off, so some of those had a two-year ramp-up period or a year ramp-up period. We continue to hire the right people, modify the groups we have, and I would say that relationships are starting to expand and we hope for some awards in the near future.

Bobby Burleson - *Canaccord Genuity - Analyst*

Okay, great. Just curious about California in particular with some of the ballot measures that have passed, whether or not you are seeing any increase in kind of the bid pipeline or project opportunities you are bidding on there.

Rick Swartz - *MYR Group Inc. - President, CEO*

I'll start and I'll turn it over to Jeff. From the stance that I look at it from, we are starting to see a lot of rumblings out there. There's projects that are starting to let on the transportation side, but kind of all those ballot issues and some of that stuff that took place hasn't fully been recognized yet or those projects haven't come out. But everything from my side looks very promising in the California market.

Jeff, you got anything to add?

Jeff Waneka - *MYR Group Inc. - SVP, COO of C&I*

I agree, Rick. Most of that work is in the design phase now, and so we are very engaged with the engineering firms and some of the larger clients who will be pursuing those projects. It does bode for some healthy work in the future, but it is going to take a little while for that work to hit the market.

Bobby Burleson - *Canaccord Genuity - Analyst*

But something like that, I guess 2018 isn't unreasonable in terms of a time frame maybe where you guys could benefit from some of those projects?

Jeff Waneka - *MYR Group Inc. - SVP, COO of C&I*

I would agree that we'll start to see that in 2018.

Bobby Burleson - *Canaccord Genuity - Analyst*

Okay, thank you.

Operator

Andy Wittmann, Robert W. Baird.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Good morning and thanks for taking my questions. I wanted to ask about backlog, and if as you look at what you are bidding at today and the burn rates that you expect to experience, if you expect that the backlog will finish higher in both segments organically by the end of the year.

Rick Swartz - *MYR Group Inc. - President, CEO*

Again, Andy, that comes back to the timing of the awards. I'll go back and I'll let Tod add. We are in our clients' offices. He and his people are there every week talking to our clients, again, same as on the commercial side, talking to the engineers, seeing what's out there. People are extremely busy right now, but as projects come to market, the permitting, everything that's required to actually take them to market or at least to the construction phase of it, we really don't -- we are not in control of that timing, but we still see the small to midsize projects being released. And I guess they are coming out in a timely flow right now, and we see quite a bit of activity on the larger size. Those ones still I think are coming, but some of them are still pushed out due to permitting and other issues.

Tod, you got --

Tod Cooper - *MYR Group Inc. - SVP, COO of T&D*

As you mentioned, in tracking the larger projects, as we mentioned earlier on the call, several are still in the permitting stages. They are progressing forward. And you know, we see a few of them that may happen here in 2017, but we are not 100% confident that they will be out there. So as Rick mentioned, it definitely has to do with the timing of the awards, and even in addition to the timing of the awards, the delay in the time to prepare and start actual construction on those projects.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Got it. So some of the outlook for the larger projects sounds like you're talking to the customers but maybe they haven't seen a formal RFP, at least at this point.

Rick Swartz - *MYR Group Inc. - President, CEO*

Yes, and we haven't seen any pullback. On the larger projects, I would say it's an if, not a when. I mean it's -- I guess it's more of a when it will happen, not if they are going to be happening. Sorry about that.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

I thought that's what you meant. And maybe just looking at the backlog as it stands today, the stuff that you've already won an award in, can you talk about the margin profile? Really, in both segments of the business, obviously, over the last several years, your backlog has been more construction content and less pass-through to you guys. And I'm just curious if that's still -- if that trend has continued on the T&D side. And then specifically in the C&I business, how does the backlog margin that you have today compare against what you had maybe a year ago?

Rick Swartz - *MYR Group Inc. - President, CEO*

I would say they are very similar. The markets remain competitive. Though there's -- we see increased work out there, we see increased opportunities out there, the market still remains very competitive. What we are hoping for is maybe some of this gas increase and some other construction increase in markets will pull some of the people maybe a little out of our market and more into those markets, and maybe we will see some margin increases, but we haven't really seen them to date. (multiple speakers) like what we had in the past.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

It sounds like like-for-like projects are similar margins. Is there any mix shift in the backlog that's either larger projects that might be higher margins or anything like that that we should be aware of?

Rick Swartz - *MYR Group Inc. - President, CEO*

We don't really release that on a project-by-project basis. We do it by T&D and C&I and really don't put it into specifics on size of project or what we have in our backlog.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

I guess, when it comes to that mix, you've seen a little bit of increase in the C&I from the segment mix slightly, but I'm not getting more into the size of the jobs or the type of jobs.

(multiple speakers)

Rick Swartz - *MYR Group Inc. - President, CEO*

Yes, and historically, C&I margins are a little lower than they are on the T&D side.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

Yes.

Jeff Waneka - *MYR Group Inc. - SVP, COO of C&I*

We are hoping that the additional opportunities that are out there are starting to allow for a little bit more selectivity in what we are pursuing. And sometimes that will lead to opportunities that have somewhat better margins, and that's probably what occurred in this last quarter.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Okay, that's helpful. Just given the magnitude of the C&I sequential backlog increase here, I think it would be helpful for investors to know how much of that backlog was in fact acquired. Do you have that number handy to provide?

Rick Swartz - *MYR Group Inc. - President, CEO*

For the increase in our backlog on C&I?

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

Are you talking about (multiple speakers)

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Yes, basically how much of the acquisition -- how much did the acquisition contribute to your backlog?

Rick Swartz - *MYR Group Inc. - President, CEO*

Take about $50 million on that one? That's what it added to us in backlog.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And that's mostly C&I?

Rick Swartz - *MYR Group Inc. - President, CEO*

Yes.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Okay, that's helpful. I'm going to keep going here because I think people want to know. The CapEx budget and tax rate, Betty, what are you thinking for 2017 on those two factors?

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

From a capital expenditures perspective, as our Company and the Board reviews our plan, the plan for 2017 is pretty similar to what our historical has been. As you know, in 2016, our CapEx spend was down, and we just -- it's all a matter of timing and when awards come out and the mix of the work and the capital that we need to spend. But think about it more from the longer-term over the last several years versus just the 2016 reduction, so more of that back to that higher level.

And then as far as the tax rate, yes, we had an increase that we saw here in the fourth quarter, but I would say that, this fourth quarter, the items that we pointed out as unusual are more anomalies. If you want to go back to more of a historical excluding those anomalies, it would be back to what we look at going forward assuming no changes in overall rates that come out from the new administration.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Yes, we'll keep an eye on that one. Okay, so something in the high 30s% is kind of what you guys are posting and that would be where you would be thinking today.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

That's correct, that's more of our historical, right.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

I will yield the floor finally and turn it over. Thank you.

Operator

Noelle Dilts, Stifel.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Hi guys and congratulations on a nice quarter. I was hoping you could just comment a bit on how you're thinking about the Trump administration and potential policy changes and how they might impact the transmission market, so specifically any thoughts around the Clean Power Plan, I guess if the Clean Power Plan is stayed, what you think -- how you're thinking about the read-through from that into the transmission market would be one area that I'm interested in. And another would be just in terms of some of this deregulation they're talking about and potentially accelerating from the siding and permitting processes, how you're thinking about those potential changes?

Rick Swartz - *MYR Group Inc. - President, CEO*

I guess, from our conversations internal and with our clients, I think it's a wait-and-see. I don't see it as something that anyone is pulling back. Everybody is hoping there's a way to get these projects to market quicker, and I guess any permitting or anything that could be moved ahead on that side happens. So, I think everybody is just in a wait-and-see, but I haven't seen anybody delay projects or pull them back or do anything even. On the clean power side, they are not doing anything until they basically see what happens. So everybody is still proceeding I guess, and it's a wait-and-see game.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Okay. And then regarding the general Canadian T&D markets and even C&I, how are you guys -- are you seeing some improvement there? How are you thinking about those markets as you head into 2017?

Rick Swartz - *MYR Group Inc. - President, CEO*

I'll cover them as two separate segments. T&D remains very competitive in Canada. It's something that we are going after work. We didn't have a huge investment on the T&D in Canada. We'll go after one-off projects and we'll look at it, and as the market comes back, we will compete at our cost plus a fair margin. But we didn't have a big investment in that segment, so we have kind of been able to sit back and watch it on that side. I don't mean we are not actively pursuing projects, but we seem very competitive. And maybe some of them are below where we would be willing to go in at.

On the C&I side, we strategically went after WPE. We've been talking to them for years. We looked at that side. Their location is in Vancouver, that area. That's a growing area. The C&I continues to expand there. It's not something we really see in their market pull back at this time, so they are more similar to what we are with our C&I presence in US. They are more of a regional player in Canada. They are not clear across Canada, so we see really good opportunities out in the engineering and our customers as we talk to them.

Jeff, you got anything to add?

Jeff Waneka - *MYR Group Inc. - SVP, COO of C&I*

I agree, Rick. They have a very sound base of clients. They are very well respected in the market, and I think that the addition of MYR Group to WPE just even helps them be in a more favorable position to capture work going forward.

Rick Swartz - *MYR Group Inc. - President, CEO*

And helps us with some of the work they've pursued and completed that we haven't done, some of the transportation work. They're kind of in a different segment than we are.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Okay. That's helpful. And then I guess, shifting to the US market quickly, last I guess last year, there was a lot of talk about delays around FERC Order 1000. Can you just talk about I guess, as we sit here today, how the order is impacting the market, in your opinion, either positively or negatively? And then you mentioned more projects coming out EPC. And could you talk a little bit about how you think you're positioned for those jobs and if you have a bit of a competitive advantage over your smaller competitors on those types of projects?

Rick Swartz - *MYR Group Inc. - President, CEO*

I'll start and then I'll let Tod add a little bit. On the FERC side, I would say we saw some activity last year. I don't think it was as quick. If you go back into 2015 where people were anticipating 16 FERC projects coming up, I don't think there was quite as many that were released or out, but we do see it as additional ones coming out in the future and we do see that moving forward. So, we do see some strength on the FERC projects coming out.

On the EPC side, we see that as a continuing growth area for us. It's something that contractors want to be able to bring the product to market quicker, and this cuts a couple of phases of having to go through the engineering, the bidding side, all that, the procurement side, and it allows them to get the project in place a little quicker.

And Tod, do you have anything to add to that?

Tod Cooper - *MYR Group Inc. - SVP, COO of T&D*

No, what we are seeing on the EPC front is in part due to a lot of the spend increases that we mentioned earlier. And in order to get these projects to market quicker, we are seeing several of our clients choosing to go the EPC route. So, with our past EPC experience on several projects and some current projects, we think we are positioned pretty well to be competitive in that market.

Noelle Dilts - *Stifel Nicolaus - Analyst*

Great. Thank you.

Operator

Stefan Neely, Avondale Partners.

Stefan Neely - *Avondale Partners - Analyst*

Good morning. Congratulations on a good quarter, and Rick, congrats on your new role. I was curious if you could kind of give us some thoughts on what you're thinking about in terms of your plans on organic growth spending. Obviously, you've had a fair amount of success with that in the past. I was wondering if your plans at this point in time are to continue that same level of I guess investment going into 2017.

Rick Swartz - *MYR Group Inc. - President, CEO*

We continue to evaluate business cases and look at them from, as we've said on past calls, at our district level, at our management level, people are putting together business cases. I get them across my desk along with Jeff and Tod and Betty all the time. We evaluate them. We look at each one independently and then we balance that with kind of the investments we've already made, because we've got to see some results out of some of them. So, we've got some targets out there and we will continue to expand but we also want to see the results from the past before we just keep adding on to it, because it is an investment of not just dollars but people's time, and we've got to make sure that we treat those just like acquisitions and we give them the attention they need.

Stefan Neely - *Avondale Partners - Analyst*

Perfect, that's helpful. My other question, I was curious if you could give us some details on the jobs where you are awaiting some change orders. Obviously, I know there's only so much you can tell us, but I was wondering if you had any inkling on the timeline and whether those were particularly material or not.

Rick Swartz - *MYR Group Inc. - President, CEO*

At any given time, we've got multiple change orders and things out there. I think we've talked about a couple in the past. I would say the larger one that we talked about last quarter, it's progressing, and we hope to have that finaled in the next quarter or so. But again, it's somewhat material but it's not going to move the needle a whole lot.

Stefan Neely - *Avondale Partners - Analyst*

Okay, excellent. Thanks a lot. And my last question on kind of the same theme there is on the project closeout. You guys obviously had some benefits from that in Q3 and clearly in Q4 as well. Was that a material driver to margins during the quarter, or was it mostly weather? And also do you expect to see kind of a good pace of closeouts in Q1 as well and Q2, or how are you thinking about that going forward?

Rick Swartz - *MYR Group Inc. - President, CEO*

I would say, as far as what we experienced third and fourth quarter, you're correct. We had some very good closeouts that happened. Weather was very good during the fourth quarter, allowed us to close out some of those projects. If I'm looking at kind of our portfolio business and where we are at on some of the projects that would closeout, I don't see that happening per se in the first or second quarter, but I do see that happening later in the year.

Stefan Neely - *Avondale Partners - Analyst*

Okay, excellent. Thanks so much for taking my questions.

Operator

Jon Braatz, Kansas City Capital.

Jon Braatz - *Kansas City Capital Associates - Analyst*

Good morning Rick, Betty. A question on the -- back to the organic growth initiatives. I think, Rick, you mentioned that it wasn't quite what you would like it to be in 2016. Can you give us a sense as to maybe how much of let's say a hit to earnings it might have been, how costly it might have been in 2016?

Rick Swartz - *MYR Group Inc. - President, CEO*

I think I'll start and then I'll turn it over to Betty. But when I look at it overall (technical difficulty) said last year my goal is to have the SG&A covered, that kind of investment on a run rate going forward by the end of the year. We came very close to that, but we didn't quite do it. And again, we don't give individual district-by-district results, but I would say we are fairly close. This year, I see some great opportunities, and allow -- and a way for us to grow in that. So, again, we don't give guidance or we don't give results district-by-district, but that's kind of an overview.

Betty, you got anything to add?

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

No, just it's absolutely helped from a revenue perspective and bringing in (technical difficulty) but from an overall perspective, as Rick says, we are seeing progressive improvements in various different business units without a doubt quarter-over-quarter. And kind of you're right across that mark of starting to see the contributions. Some of them are already contributing at the same level that other business units but not all of them. And -- but we are seeing progress.

Rick Swartz - *MYR Group Inc. - President, CEO*

And these are long-term commitments. This isn't something that we went into a market thinking we would only be there two years are we going to try it out. These are ones where we believe the long-term outlook of that market is good for us to be in, the same way we approach acquisitions. We don't want an acquisition that's going to give us a short pop. We want something that's going to be there for the long term.

Jon Braatz - *Kansas City Capital Associates - Analyst*

Sure. Sort of a short-term question, you indicated in the fourth quarter that weather was very beneficial. First quarter, weather has been pretty good too. February was maybe the warmest month we've seen historically in a long time. How does the weather look like it's playing so far this year? Could we see a favorable impact in the first quarter from weather?

Rick Swartz - *MYR Group Inc. - President, CEO*

I would say what we've seen so far is probably not as favorable as what we had in the fourth quarter. I mean we've had areas that have had a lot of rain. We've had areas that have had a lot of wind. We've had areas where frost has come out of the ground early but it's not dry enough to -- but not warm enough to dry up all that mud. So, progress has been hampered. We see all those things. And then certain parts of the country, again, have a good weather, but it's kind of where your balance of work is in looking at that side. So I wouldn't -- from just overall, it hasn't been as favorable as it was in the fourth quarter, which affects our utilization too.

Jon Braatz - *Kansas City Capital Associates - Analyst*

All right Rick, thank you very much.

Operator

(Operator Instructions). Tahira Afzal.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Thank you very much. I guess I had one other follow-up question. If you look, obviously the C&I business has the greater momentum in a sense right now, but if you look out a year from now and just looking at the same place, which of your two segments do see more momentum in and more potential for organic growth?

Rick Swartz - *MYR Group Inc. - President, CEO*

I see both areas, and I'm not just saying that. That's why exactly when we split up the roles of the COO into Jeff and Tod's roles, we did that, so they both had a focus on their business segments because we see the same potential in either one to grow. And our thing is to have controllable growth and then balance that organic acquisition, and then focus on both so we can succeed.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

With the scale you have now, could you be, by next year, hitting that 14% gross margin profile again?

Rick Swartz - *MYR Group Inc. - President, CEO*

I wouldn't look at it that way. I think you've got to look at it as a longer-term race. We are out to do what makes sense. We are not out just to push topline growth. We've got to also make sure that we focus on the bottom line. And as I said on a previous question, we are going to focus on that bottom-line growth and make sure that these organic growth areas are producing before we just keep adding on top of them.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Got it. Could you get back if you were to look -- I'm just curious that you are a smaller company and you were doing 14% gross margins. I mean would you be open to seeing those again (inaudible) at some point over the next couple of years?

Rick Swartz - *MYR Group Inc. - President, CEO*

The market a couple of years ago was different than it is today. And some of the closeouts we had and all those, we try to disclose every quarter kind of those ups and downs within that and allow you guys to forecast where that's that. So, I wouldn't take it -- I wouldn't model it that aggressively.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

And we've always talked about in our modeling looking at those margins more on the longer-term and not only taking out the unusual margin adjustments that we identify, but the years of 2013 and 2014 being anomalies to not be assumed that we will be able to get back to that same level.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Got it. Rick, I think Bill has trained you well (technical difficulty) before he left.

Rick Swartz - *MYR Group Inc. - President, CEO*

Thank you.

Tahira Afzal - *KeyBanc Capital Markets - Analyst*

Thank you very much again, and congrats again to you and your team.

Operator

Andy Wittmann, Robert W. Baird.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Great. Thanks. The buyback, I think you said $20 million was left under the current authorization. Was that through 2017 or 2018 is my first question?

And then I guess also wanted to just get your posture towards using the buyback. You didn't use it in 4Q, and obviously, in the 10-K, you mentioned that you won't be as aggressive. That seems pretty obvious. But I guess specific questions would be do you plan to deploy the $20 million through a program, a 10b5-1 type plan, or do you expect you will continue to grow opportunistically in the marketplace? Maybe what's a realistic level of kind of average leverage you want to be at? If this trend continues, EBITDA is going to go higher and that's going to allow you to take on more leverage. I just want to understand your thought process behind utilization of the remaining portion of the buyback with those items as the backdrop.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

I'll start and then I'm sure Rick will add. But when it comes to the stock buybacks, this is something that we review every quarter with the Board and each quarter addressing it. And you are right. When it comes to the $20 million, that is August of 2017. And so it continues to get assessed. Overall, what's our capital structure and where we want to invest between our organic acquisition and the stock buyback? Clearly, our goal was to increase our leverage last year in 2016. We accomplished the majority of that by July (technical difficulty) and we haven't really seen the buyback since then because of the program being less aggressive. And we will continue to reassess that using the example of spending the money to purchase a company like WPE instead of the stock buyback in that period. And we will constantly reassess the stock price. Where it's at today is a lot different than it was this time a year ago. So those will be regularly assessed at that point.

Rick Swartz - *MYR Group Inc. - President, CEO*

And if we can find the right opportunity for an acquisition or an organic growth area where we see long-term potential, we will use that money towards that. There's not -- it's not that we are against doing that, but, again, all of the time we are looking at acquisitions. We've got them coming across our desk, but the majority of them, we end up turning them down because we are looking for that right cultural fit; we are looking for something that ties to the business we are in or that we understand. So as I've said in the past, we are not going to get outside of what we know. It's going to be construction related in some form and it's going to have a culture similar to ours. So when those come along like WPE or E.S. Boulos or High Country, we try to capitalize on those, but there's a lot out there that comes across our desk that doesn't quite have that cultural fit so we end up passing on them, or the pricing is outside of what we feel is right.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Okay, great. Then just a clarification on the $1.2 million in other income, I just want to make sure we understood this correctly. Did you say that had to do with contingent consideration? Was that like a reversal of a potential earnout or release in liability? (multiple speakers)

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

Good question, because it is something that's more accounting-driven, and that maybe is easy to understand. That all relates to WPE, the $1.4 million, and it relates to, as we were looking at WPE for many years and eventually went to the process of closing, we wanted to address a process to manage our risk as well as giving the sellers upside on things that they might believe might come through. We think of this margin guarantee as typical margin in our business, kind of substance over form. That $1.4 million, the way we would look at it would typically be up in margins, but purchased accounting requires that to be as other income because of this consideration that the owners would pay us back for the margin guaranteed at that closing date. So you can look at it as two separate components or actually look at it together. It's below the line, so it's not part of our segment operating income for the C&I business. So, it really makes us whole. It's not any large pickup, it just makes us whole.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

Got it. So, basically, they didn't hit the numbers that they -- whatever, that you guys agreed on, and the margin guarantee, because they didn't hit their numbers, they get less and you guys technically get more.

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

That's correct.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

(multiple speakers) look at this. And how much more contingent consideration -- is this the only contingent consideration, is in the form of a margin guarantee, or is there some sort of like more formal or traditional earnout that could be paid a couple years from now, and how much capital is at risk from this?

Betty Johnson - *MYR Group Inc. - SVP, CFO, Treasurer*

There's two components. This margin guarantee, it will end in 2017, and it's just subject to weather. And this could go both ways. This could be an increase where they are going to pay us more back for whatever the jobs, the performance, as well as us pay them based upon their performance. But when it comes to that, we refer to an earnout contingent consideration, the contract definitely provides for earnout over a several-year period. So, that's separate from this. That would be compensation expense in future years.

Andy Wittmann - *Robert W. Baird & Company, Inc. - Analyst*

That's helpful. Thank you very much.

Operator

I'm showing no further questions at this time. I would now like to turn the call back to Rick Swartz, Chief Executive Officer, for any closing remarks.

Rick Swartz - *MYR Group Inc. - President, CEO*

Thank you, everyone, for participating on today's call. As always, I would like to thank you, thank our strong management team and employees for their hard work and our stockholders for their continued support. I don't have anything further. We look forward to working with you going forward and to speaking to you again on the next conference call.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a great day.
