PayPal's Q4 2019 Analyst Call

Wednesday, 29th January 2020

Introduction

John Rainey

CFO, PayPal

Thank all of you for joining us. We will get to the questions in just one second, but I want to introduce the management team that's with me today. As usual, I have got John Kunze with me. Everyone knows John, I believe, but he's our Senior Vice President of Global Consumer Product and Tech. I also have Erica Gessert with me. Erica runs our Analytics and Financial Planning and Analysis department. And this time we have also included Jeremy Jonker. I think many of you are familiar with Jeremy, but he heads up our Corporate Development team and we thought, given that he was involved with Honey and the acquisition of that, that there would be more questions around that, that having both he and John participate in this, given that the Honey group will report to John Kunze, having both of them might be good if we get questions around that. So, with that, I will turn it back over to you, Andrew, to cue up the questions.

Q&A

Jason Kupferberg (Bank of America): Hey, John. How are you doing?

John Rainey: Hey, Jason. I am doing well. How are you doing?

John Kupferberg: Good, good. So I wanted to just ask about the 2020 guidance raise on EPS if we exclude acquisitions, because I know the top line outlook excluding acquisitions and currency did not change and you had that slide doing the EPS walk and I think one of the bars there showed kind of outsized business performance, but I was hoping you could unpack that a little bit. What is driving that underlying EPS guidance raise? Is it just more confidence in where transaction loss is landing or the OPEX leverage? And I guess, in a way, said differently, would you guys have ticked up your operating margin guidance if it was not for Honey and GoPay?

John Rainey: Yes, we would have (raised our EPS guidance) if it had not been for Honey and GoPay. We highlighted the dilutive effect of those. I was particularly pleased, if you go back to the previous call at the end of the third quarter, we were still working through the impact of CECL and we expected that to be a headwind. And it was, but we were able to absorb that fully. And it is a couple of things, both of which you touched on, Jason.

The first, I would say, is just strength in overall transaction margin performance, and you see that through both what happens with take rates, as well as what you are seeing around transaction losses. This is the third quarter in a row which we have had transaction losses at this level. And as I have indicated, in each of the previous quarters, we did not want to get ahead of ourselves and assume that the first quarter that we have losses at that level that we assume that was a trend. But after three quarters we have a much higher degree of confidence now that we can perform at this level going forward. And so that results in a higher overall transaction margin relative to maybe our expectations towards the back half of last year.

And the second piece is our OPEX leverage. We continue to be pleased with our ability to scale our platform and do it at a low marginal cost, and you will see that again in 2020. And that will come through, again, all of the various parts of our business, but I think, notably, just our product and technology organization where we now are developing products without needing to go out and add a bunch of heads to do that in the way that we have done in the past. So, that gives us confidence to [inaudible] and, to your point, we would have raised guidance had it not been for the dilutive effect of the acquisitions.

Jason Kupferberg: Thank you.

Harshita Rawat (Bernstein): Hi. Good afternoon. Thank you for taking my question. So, John, my question is on iZettle, the regulatory approval delayed things a lot. But can you now zoom in on iZettle and talk about how it is performing versus expectations? What could success look like in a couple of years?

John Rainey: Yes, Harshita, I am going to throw that over to John Kunze, and Jeremy may have something to add as well there.

John Kunze: Thanks, John. Thanks, Harshita. Just as a reminder, iZettle provides a mobile point of sales solution and associated software solutions to small and medium-sized businesses, primarily in the UK, Europe and Latin America, which are perfectly complementary markets to the PayPal Here offering, which provides a similar product and solution for primarily the United States. And you are right, we were slowed down in our ability to operationalize that deal because of the regulatory issues. Those are now past us and we are at work – hard at work, integrating iZettle and PayPal together so that our customers can use both PayPal and iZettle services in a very seamless way. We now have integrated product experience in four European markets, including Germany, France, the UK and the Netherlands, with more to come, and we have plans for further rationalization of these products throughout this year and next, so we are very, very excited about our ability to operationalize that deal. Things are going very well.

Bob Napoli (William Blair): Hi. Thank you. On Paymentus, when that deal was announced, the partnership a while ago, it was mentioned as a top-ten relationship with tens of billions of dollars of payment volume. And I know that – and I think you have that now integrated and the full-stack processing going. Can you give any more color on Paymentus and the growth of that business? And just on your discussion on Venmo earlier, I just wondered if you could comment on the Venmo credit card and what you expect out of that product over the next couple of years.

John Rainey: Sure. So let me start with Paymentus, Bob. It is good to speak with you. So Paymentus is on track relative to our reset expectations that we gave in the third quarter of last year. And as a reminder, we said we expect that to ramp over the first half of this year. We are obviously focusing on some of the larger volume bill-payers initially, but that is – I would say it is right on track with our expectations. But I think what is worth knowing here is that bill pay in general is an exciting new vertical for us, and maybe John can talk a little bit about some of our thoughts on building that into the PayPal app.

Bob Napoli: Great. Thanks, John.

John Kunze: Hey, Bob. John pointed out the Paymentus relationship goes beyond just the processing that we will be doing for them on the bill-payer side, but it also includes our intent to bring bill pay as a use case into the consumer app of PayPal. And that is something we are tightly partnered with them on, and we fully expect, sometime later this year, to give consumers the ability to pay their bills from within the consumer app directly as one of many new use cases that we are working on to drive engagement and the value proposition of the app itself.

John Rainey: And on the Venmo credit card, our expectation is that we will launch that mid-year. We are excited about that offering for that group of customers. It gives them yet another way to use Venmo and it gives PayPal yet another way for us to monetize that. But that is more of a mid-year timeframe.

George Mihalos (Cowen): Hey, thanks for taking my question, guys. Just two things real quick. One, if we can kind of segue back to Bob's question, it sounds like there really was not any Paymentus volume here in the fourth quarter. And is it wrong to think that, from a volume perspective, that contribution alone from Paymentus should more than offset the grow-over headwind from Hyperwallet anniversary-ing? Then, as it relates to Honey, can you give us what the revenue base for Honey was for 2019?

John Rainey: We have not provided that [2019 revenue for Honey] and I cannot give it on this call, but I think some of the inferences have been that it was around $200 million. And if you look at the midpoint of our guidance or even the high end of our guidance, we are expecting that to continue to grow at an appreciable rate. But we have not given that specific number, George. On Paymentus, I think I will turn that over to Erica. She can talk a little bit about that.

Erica Gessert: Sure. On Paymentus, the ramp in Q4 was kind of an early-stage ramp. We were testing through Q4, so we did not have significant volume in the quarter on Paymentus. So it would not be in our run rates as we exit Q4 and we continue to ramp, as John said, into Q1. So there was no offset, I would say, in Q4 of lapping of Hyperwallet or iZettle. And as we look at 2020 and some of our expectations around the acceleration of TPV and other things, Paymentus and some of these new bill pay experiences are really going to be a big part of that.

Ramsey El-Assal (Barclays): Hi, guys. Thanks so much for taking my question tonight. I wanted to ask about your expectations on take rate and how that trends next year. You know, it was super impressive the way it came in the way it did, and you commented that there was maybe a little bit of help from things like pricing, but how should we think about take rate next year and how it will trend?

John Rainey: Sure, Ramsey. It's good to speak with you. So we are obviously excited about and pleased about the performance we saw in the fourth quarter, but I do not think it is fair to assume that we should expect sequential increases in take rate going into next year. We do think, though, that we do need to contrast the performance in more recent quarters versus going back to a couple of years ago. The decline that we see in take rate is much less than what it has been. And I think that that is something that, I think it is fair to assume, going forward, is a good assumption. So maybe, to use a couple of extremes, we are not necessarily projecting 20 basis point declines in take rate going forward that we saw a couple of years ago, but at the same point in time, I do not know that it is fair to assume that we will see increases sequentially year-over-year either. I think one of the things that I think is worth noting, though, is that we have consistently attributed the decline in take rate to free P2P, and that continues to be one of the main drivers. So, of the 8 to 9 basis points decline that we saw in the quarter, about half of that was related to free P2P, and that has been pretty consistent. But as we expand into thing like bill pay, as we begin to monetize Venmo more and do some of these other things, I think we will see some lift to that. Now, we have to balance that with the fact that our share of eBay volume is declining, and that enjoys almost a 4% take rate. So there are a number of things that go into that, but I think the main takeaway is, if you look at this on a same-store sales basis, like, what is really happening with our core pricing, it remains very strong, despite it being a very competitive environment.

Ashwin Shirvaikar (Citi): Hey, John. How are you?

John Rainey: I am doing well.

Ashwin Shirvaikar: Hey, I have a couple of questions. One is just a clarification on the hedge gains. It looks to me that the revenue from hedge gains in 2019, the benefit was $230 million. Just to be clear, you are indicating in 2020 it is only $20 million, so you are actually overcoming a lot there, so I just want to clarify that and the cadence of it. And then the other question was to dive a little bit deeper into CECL. Are there revenues as well that are impacted perhaps by the Synchrony revenue share?

John Rainey: Thanks for the questions, Ashwin. So, first on the hedge gain, you are correct. We have about a $200 million headwind, just from the variance in our hedge positions year-over-year. As a reminder, we hedge to protect operating income, not necessarily revenue, but given the way currencies moved through the year and the way that we build our hedge program, our hedge book, going into the year, we are not as protected as we were in the previous year. And so you are absolutely correct there. On CECL, there is no revenue impact to that. The way to think about this – and forgive me if I am telling you stuff that you or others know – basically, the amount of losses that are recognized over the life of the loan should officially be the same, but they are much more front-loaded at this point. And so we have to make expectations around future losses, where, under the previous model, we had to wait until there was an observable sign of some kind of economic weakness or distress that may affect that loan portfolio. And so it is much more front-loaded in terms of the losses right now, but there is no impact to revenue.

Ashwin Shirvaikar: Got it. Thank you.

John Davis (Raymond James): Hey, good afternoon, guys.

John Rainey: Hi, John.

John Davis: John, I wanted to see if you could kind of maybe expand upon Dan's comments. I think we all thought it was a strong holiday season for a strong kind of back half of December, so I do not think that was too surprising, but I think it is the first time you have commented on core January trends making you feel very good about where you stand for the guidance, especially the TPV acceleration. So I do not know if there is anything more you can add to that, or just what he was alluding to. Was it Paymentus? Is it just general macro trends? Just anything you could add there would be helpful.

John Rainey: Sure. I will try to provide a little bit more color. I think, if we go back a year, remember there was a lot more uncertainty around the macroeconomic environment, and I think the holiday releases from some of the big retailers I think were kind of a mixed bag. There were some that did not report as well, and we did not see the strength in the consumer at that point in time. And we started off in the January last year with a continuation of that trend, and that was a little bit concerning. And we kind of got through that, but going into this holiday period, there are a number of things, even getting down to the number of shopping days, that can impact the forecast, and in this shopping period there were the fewest number of shopping days actually available between Thanksgiving and Christmas. And so you have to make assumptions around, does that mean that it is the same amount of e-commerce that takes place under a compressed period of time, or does that change behavior. And that is a big part of our quarter. The fourth quarter by itself is about 15% larger in terms of volume than any other quarter for us. And so we were very dependent upon that very compressed period of time. And we were pleased with what we saw. Things came in above our forecast, and they continued on into January. And so, where I used the term 'wobbly' last year – last year there was a little bit of a wobbly start, this year I think we have a much more firm footing and feel a lot better about how we are starting off the year. So hopefully that helps.

Bill Carcache (Nomura): Hi. Good afternoon, John. The one-point CECL headwind does not seem like a big deal, but I was hoping you could give us an update on your credit strategy and whether you guys are considering additional future credit partnerships to keep the CECL headwinds from recurring and basically just reducing the risk that credit headwinds could intensify if, like you mentioned, they would be more front-loaded if the outlook were to worsen. So any kind of thoughts on that would be great.

John Rainey: Sure. So CECL is a one-point headwind this year. You know, that becomes less meaningful as we get into future years, because the year-over-year impact is not as pronounced. But as you will see when we release our 10-K here shortly, our total credit book today stands at about $4 billion. About $2.5 billion – I think $2.4 billion precisely – is related to the merchant credit portfolio and the rest is the international consumer portfolio. That is a much smaller amount than the US consumer receivable book was when we entered into the asset-light partnership with Synchrony. But we will approach a point where it gets large enough, and perhaps is too much of a draw on free cash flow, and we want to do some kind of asset-light-like transaction again. And so we are already evaluating that.

As you saw with the previous transaction, that is something that takes some period of time, to make sure that you get the right economic arrangement and the right partnership. And so it is not something you should expect in 2020, maybe not even 2021, but we are already thinking along those lines, because we want to make sure that we are allocating capital in the best way and the most shareholder value-maximizing way possible. And credit is a great complement to our business, but it is capital-intensive, and we believe that we can have the best of both worlds where we can offer that to our customers but at the same point in time do it in an asset-light manner. And so you should expect to see us do that in the future, but it is certainly not a 2020 event, and not an event that is triggered by CECL by itself.

James Friedman (Susquehanna): Hi, guys. Thanks for doing this call. I wanted to ask if you could help us either force rank or at least contextualize the significance of Pay with Venmo, Honey, Paymentus and MercadoLibre into the TPV for next year. And then, just as a follow-up on your housekeeping, John, I just want to make sure, Honey is in the TPV guidance for '20, if I am not mistaken. Is that correct?

John Rainey: It actually is not [Honey TPV is not included within TPV guidance for 2020].

James Friedman: Oh, it's not? Okay.

John Rainey: It is not, no.

James Friedman: Okay.

John Rainey: And so –

Erica Gessert: So that would be zero.

John Rainey: Yes, that one is zero. And so you said Paymentus, Venmo, Honey, and what was the other one?

Erica Gessert: MercadoLibre.

John Rainey: MercadoLibre. So, if I just do order of magnitude for TPV, I would say Pay with Venmo and Paymentus are a higher priority than MercadoLibre and certainly Honey. MercadoLibre is something that we are excited to integrate and launch this year, but there is a ramp associated with that. I think that is a big opportunity longer term, but there is not as much of a pronounced impact on our TPV this year related to that. And so I would say that Pay with Venmo and Paymentus are at the high end of that.

Erica Gessert: I would just add one thing on the Honey TPV question. The reason it is not in our guidance right now is that TPV stands for total payment volume, and the dynamics of the Honey business and the way that the monetization on that business works does not necessarily adhere to that definition. We are actually working through this right now as a team and thinking through how we will include their metrics into our go-forward metrics, but it is not in our guidance today, nor did we include the one-time impact or benefit to our customer base as we add those customers in, because we are still working through the details of that as an organization.

John Kunze: But obviously the integration may improve the value proposition. It can lead to more payments [inaudible] in their results in 2020.

John Rainey: Yes. There is an indirect benefit for that, but the direct one we are still working through. And, look, we are committed to coming back to all of you to help you in terms of how we think about the KPIs related to Honey, but this is something that we are still working through internally.

Eric Wasserstrom (UBS): Thanks very much. I hate to ask yet another CECL question but, John, just with respect to the day-one provision increase, most consumer lenders have indicated increases of between 50% to 100%, so you are well within that range. But those are typically companies where the loss experience is between, let us say, 1.5% and 5%, and of course you are somewhere very, very far south of that. So I am just trying to reconcile the very, very low loss experience with the relatively high provision build. Is it just you have very long asset duration, or what would explain that?

John Rainey: I think the biggest thing, Eric, is that the others that have announced this largely have been OCC-regulated banks and so their threshold for recognizing losses is higher than a company like PayPal, which is not OCC-regulated. And so the delta there between what we were doing before versus what we have to do now is greater than some of the OCC-regulated banks.

Eric Wasserstrom: Got it. Okay.

Craig Maurer (Autonomous Research): Yes, hi, John. Thanks again for hosting.

John Rainey: You bet.

Craig Maurer: So, a couple of questions. First, could you clarify exactly what the one percentage point headwind from eBay is? Are you talking about 1% of actual revenue or 1% off the growth rate? And secondly, if you could talk about how we should think about growth in the OVAS line through 2020. And then just lastly – I might as well get them all out here – revenue growth in the guidance seems conservative, based on the experience we saw in take rate and the discussion around accelerating TPV growth. So, just some thoughts there. Thank you.

John Rainey: Sure. So the 1% that we called out is a headwind related to eBay. The context of that is related to our growth rate, so 1% to our growth rate. On OVAS, I think there is a little bit of noise there, because when we were doing the servicing for Synchrony during the transition of that portfolio, that was about around $50 million a quarter – $55 million a quarter. And so, we lapped that this period, and that is what resulted, or that was the key driver of having an OVAS go through to 14%. So we will continue to have that for three more quarters still?

Erica Gessert: Two more.

John Rainey: Two more quarters. And so you should expect the OVAS probably around that range for that period of time. After that, it will get to something that is more akin to what you have seen historically, where it is in line with the overall transaction revenue growth, if not higher, given some of the growth profiles of the things that we have in there, and with what we have done with credit. And then obviously, once we start fully integrating Honey, that is where that will be picked up as well. So this will probably become a larger part of our revenue portfolio going forward.

Oh, and then you asked about revenue growth and if it was conservative. I would not characterize it as conservative. I think we always do our best to split the fairway here, and I think there is a pretty tight band around our revenue guidance, given the size of the company that we are. We obviously love to outperform, but that is going to be based upon outperformance execution, not based upon sandbagging. So I think we have a number of things to go do to achieve that revenue guidance, and some things have to fall our way, but in any given year you have some that do, some that do not. And so we have to go execute to do that.

Colin Sebastian (Baird): Great. Thanks. I have a couple of questions, John. First, by our math, the impact you are embedding for the year from the eBay transition is roughly equivalent to what eBay included in their guidance last night, so that is good. But they also imply they think it is pretty conservative from their side and that the rollout of managed payments could realistically move more quickly. So I just wanted to understand from your side of the equation how much guesswork is there in terms of the pace of that shift in the second half and how you have embedded that in the top and bottom line guidance. And I have a follow-up.

Erica Gessert: We also noticed that our assumptions seemed to adhere pretty closely to what eBay has assumed. I think we have worked closely with them on the ramp itself, and we have kind of gone through it with them in many ways. We feel pretty confident that our assumptions as we exit the formal operating agreement period in July are fairly aggressive with the ramp in Germany and in the US, and then we are certainly assuming that they start to ramp in other markets as well. So, given what we have seen so far on the speed with which they are ramping, the discussion of their relationship with merchants as they move over and the capabilities that seem to be coming out of the gate, we feel pretty good about our assumptions there, so we do not see a lot of risk there.

Daniel Reagan (Cantor Fitzgerald): Hi. This is Dan Reagan on for Joe.

John Rainey: Hi, Dan.

Daniel Reagan: Thanks for taking my question. We just had a question around total payment volume and what the core drivers will be going into first quarter and for the upcoming year.

John Rainey: So, consistent with some of the other things we have said around TPV, we are seeing good trends in our business right now, so what we refer to as core PayPal is a big driver there. As we move through the year, continuing international expansion as well as Pay with Venmo we expect will be some of the drivers there. We are also launching some newer products, like recurring payments, subscription payments, bill pay. All of those things I think can help buoy that number. But I would just say generally speaking, it is good trends in our business, and it is the core PayPal complemented with Pay with Venmo.

Glenn Greene (Oppenheimer): Thanks for taking my question. Two questions, actually. The first one, back to the eBay transition and just noting that they highlighted that they had processed $2 billion of volume so far, which kind of struck me as a really low number in the context of the grand scheme of things. And I realize they are not at full transition run rate, but does that give you increased confidence? I think you initially targeted that you might, or thought you might, lose as much as 50% of eBay volume. It does not strike me that that seems awfully conservative at this point. So that was one question – just a thought on that. The second is on the various China initiatives you have with GoPay, UnionPay etc. How should we sort of think about the pacing of that model to start to move the needle? Is that going to be sort of gradual? Does it move the needle in 2020 or is it more 2021, 2022?

John Rainey: So let me take your second question first. We do not have any sort of outsized impact related to China beyond just where our current presence is today, based upon us having the acquisition of GoPay and the payment license there, as well as our partnerships. That does require some investment. And as I mentioned on the call, it's a not immaterial amount of investment in China that is required. So I think the benefits from the acquisition and our partnerships is something that will manifest in our P&L more in 2021 and beyond.

With eBay, I have not gone through all of the numbers from what they said in their press release, but our expectation, we said, was that, of the branded payment volume, that we would expect to retain around 50% of that. With respect to what they are doing in terms of processing unbranded payments, merchants have to opt into that. And so that might be what's influencing their numbers. Certainly, when we look at Germany and the US, that ramped at a slower pace than what they initially said when they first announced managed payments. And that is not a surprise to us, given we understand the inherent difficulty in launching in many new markets like that. And also you need a compelling reason, if you are a merchant, to change over to that managed payments process, and sometimes much more so than just maybe a price discount or something like that. So I would say that everything that we see thus far has been very consistent with our expectations around this transition, and I feel like, given that they still are a significant amount of volume today on our platform, we feel reasonably comfortable with our assumptions around this as we have laid them out for 2020.

Erica Gessert: I would just add that that original assumption on the blend of branded volume of managed payments of 50%, if you take the US and Germany combined right now today, we are well above that. So, from that point of view, we are feeling good.

Josh Beck (KeyBanc): Hey, thanks so much for doing this call.

John Rainey: Sure, Josh.

Josh Beck: I wanted to ask about Honey. I am not sure this is the exact right forum, but I know Google announced they are making some changes in the coming years on how they handle third-party cookies. So do you foresee any impact from those changes?

Jeremy Jonker: Yes, I will take that one. So the change to the cookies will not impact Honey's value proposition or the way they are embedded within the browser. So we are outside of scope. They are actually at the browser level. They do not leverage cookies.

John Rainey: So no impact.

Timothy Chiodo (Credit Suisse): Hey, guys, thanks for taking the question. I want to ask about Pay with Venmo merchant acceptance. If you could give us an update on where we stand on that, what some of the plans might be for this year to further roll out Pay with Venmo on merchant sites.

John Kunze: This is John. As you well know, Pay with Venmo is a strategic initiative for us and has been for quite some time, and we have been working hard on testing and learning our way into this. When it is integrated through a Braintree integration, we are seeing outstanding results, because the presentment of the option to customers is logical and very usable, and shared checkout there is very impressive. And in other integrations where we have some technical challenge with the cookie management and identifying whether or not someone is a Venmo customer so that we can present the option properly, it has been a bit tougher, and we have been working on ways to improve that and get broader coverage of Pay with Venmo on that integration track. And those are things that we are working on right now that we will be talking more about, likely, in future conversations.

Moshe Katri (Wedbush Securities): Hey, thanks for taking my question. Last year, you provided specific guidance for Venmo run rates for 2019. Can we get some color on that? I think the last update suggested that Venmo will generate north of $400 million of revenues in 2019. Was that the case? And then, anything about 2020 in terms of direction or anything like that. Thanks.

John Rainey: Yes, so, our run rate right at Venmo is generating almost half a billion – $450 million of revenue annually. And again we saw the volume in the last period – the fourth quarter – grow 56%. So, really excited about the continuing trends that we are seeing there. I do not know that we would provide much more than that. Maybe I will let John share his thoughts on this, though.

John Kunze: Yes, I think we are not providing more color, but we can talk about 52 million actives now on the platform, and the Venmo rewards program launching recently, which is a real game-changer. It is merchant-funded rewards to the Venmo debit card as the Venmo customers are using that card. And the Venmo Payouts product, which we saw in action from Chipotle and Pepsi and Netflix last year, there will be more of those to come, and Venmo Credit, which we are working on for the back half of the year. So there are all kinds of ways that we are continuing to bring value to that customer segment and earning the right to monetize some of these new features to get towards larger revenue goals. But as John said, exiting the year on a $450 million run rate with 52 million actives, we are really, really pleased.

James Faucette (Morgan Stanley): Thank you. I wanted to circle back on one of the tenets of your medium-term guidance is you talked about, before, kind of a target level for doing acquisitions or how much you want to spend per year. And I am wondering, when we look at some of the valuations of transactions that have been done in this space recently, I am just wondering if that is still a relatively – or a target we should rely on, or is that with valuations going to have to go up, etc? Just trying to understand that as a source or a use of capital. Thanks.

John Rainey: Sure, James. So, if you look at our guidance of $1 billion to $3 billion per year, assume it is over a five-year time period, for argument's sake. Now that would suggest $5 billion to $15 billion range. And we are roughly halfway through that, if you look at the acquisitions that we have done, including Honey. You should not assume that that range goes up because valuations are getting higher. So there is not an inflation element to our guidance. I still feel comfortable with that guidance, and it is provided as a way to think about our normal ongoing business each year, just given the cash generation that we have.

But with every deal that we look at, value is an important component, and we want to make sure that this is something that we believe provides value to our shareholders and also enhances the value proposition that we provide either to our merchants or consumers. But that is just really kind of a framework for thinking about our capital allocation. We are always going to do what we believe is in the best interest of our shareholders and increasing shareholder value. And if, you know – as an example, that means that maybe there is a deal that is outside of that. If that were the right deal, we would consider that. But that is a framework for thinking about our capital allocation each year.

So, Andrew, I think that was the last question. I want to thank everyone for calling in, and I am sure that we will be following up with some of you individually with more questions, but always appreciate the dialog and always hope that this is of value to all of you. Thank you very much and have a good evening.