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# **Lancaster Colony Corporation** NasdaqGS:LANC

## *Earnings Call*

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# Call Participants

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## EXECUTIVES

**Dale N. Ganobsik**

*Vice President of Corporate  
Finance, Investor Relations &  
Treasurer*

**David A. Ciesinski**

*President, CEO & Director*

**Thomas K. Pigott**

*VP, Assistant Secretary & CFO*

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**Andrew Paul Wolf**

*CL King & Associates, Inc.,  
Research Division*

**Connor J. Rattigan**

*Consumer Edge Research, LLC*

**James Ronald Salera**

*Stephens Inc., Research Division*

**Todd Morrison Brooks**

*The Benchmark Company, LLC,  
Research Division*

# Presentation

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## Operator

Good morning. My name is Lauren, and I will be your conference call facilitator today. At this time, I would like to welcome everyone to the Lancaster Colony Corporation Fiscal Year 2024 First Quarter Conference Call. Conducting today's call will be Dave Ciesinski, President and CEO; and Tom Pigott, CFO. [Operator Instructions] And now to begin the conference call, here is Dale Ganobsik, Vice President of Corporate Finance and Investor Relations for Lancaster Colony Corporation.

## Dale N. Ganobsik

*Vice President of Corporate Finance, Investor Relations & Treasurer*

Good morning, everyone, and thank you for joining us today for Lancaster Colony's Fiscal Year 2024 First Quarter Conference Call. Our discussion this morning may include forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially, and the company undertakes no obligation to update these statements based upon subsequent events.

A detailed discussion of these risks and uncertainties is contained in the company's filings with the SEC. Also note that the audio replay of this call will be archived and available at our company's website, [lanastercolony.com](http://lanastercolony.com), later this afternoon.

For today's call, Dave Ciesinski, our President and CEO, will begin with the business update and highlights for the quarter. Tom Pigott, our CFO, will then provide an overview of the financial results. Dave will then share some comments regarding our current strategy and outlook. At the conclusion of our prepared remarks, we'll be happy to respond to any of your questions.

Once again, we appreciate your participation this morning. I'll now turn the call over to Lancaster Colony's President and CEO, Dave Ciesinski. Dave?

## David A. Ciesinski

*President, CEO & Director*

Thanks, Dale, and good morning, everyone. It's a pleasure to be here with you today as we review our first quarter results for fiscal year 2024. In our fiscal first quarter, which ended September 30, consolidated net sales increased 8.5% to a first quarter record \$462 million, while gross profit increased 9.8% to \$108.7 million.

As a reminder, last year's first quarter sales were unfavorably impacted by an estimated \$25 million in net sales that had shifted into the quarter ended June 30, 2022, in advance of our ERP go-live. The lower sales reduced last year's Q1 gross profit by an estimated \$5 million.

In our retail segment, net sales growth of 8.5% was led by continued strong performance of our successful program for license, sauces and dressings and another solid quarter for our New York Bakery frozen garlic bread products.

Excluding the impact of the sales shift that reduced retail sales in the prior quarter, retail segment sales volume measured in pounds shipped increased 1.4%. The Circana retail scanner data showed our licensed sauce products continue to perform very well during the quarter as Chick-fil-A sauces were up 17.6% to \$41.4 million. Olive Garden dressings were up 9.6% to \$39 million and Buffalo Wild Wings sauces were up 25.9% to \$20.8 million.

Our category-leading New York Bakery and Sister Schubert brands also increased their market share during the quarter. New York Bakery's leading share of the frozen garlic bread category grew 400 basis points to 44.3%. While Sister Schubert's share of the frozen dinner roll category increased 80 basis points to 54.1%.

I'm also happy to report that Chick-fil-A refrigerated salad dressings, which we launched nationally last May, are also performing well with \$10 million in retailer sales during the quarter.

When combined with our Marzetti brand, our refrigerated dressing sales have grown to represent a category-leading share of 28.3%. In the Foodservice segment, net sales grew 8.4% on increased demand from many of our national chain accounts in addition to solid sales growth for our branded Foodservice products. Excluding the impact of the sales shift that reduced food service sales in the prior year quarter, Foodservice segment sales volumes advanced 1.4%. We are pleased to report our Q1 gross profit increased \$9.7 million or 9.8%.

Our Q1 gross profit margin of 23.6% reflects a sequential improvement of 310 basis points over the prior quarter. As we move past some of the temporary costs associated with strategic investments and increased capacity at our facility in Horse Cave, Kentucky and our new ERP network. Our focus on supply chain productivity, value engineering and revenue management remain core to further improving our financial performance.

I'll now turn the call over to Tom Pigott, our CFO, for his commentary on our first quarter results.

**Thomas K. Pigott**

*VP, Assistant Secretary & CFO*

Thanks, Dave. The results for the quarter reflect continued topline growth and improved gross margin performance. First quarter consolidated net sales increased by 8.5% to \$461.6 million. Decomposing the revenue performance, revenue was favorably impacted by approximately 600 basis points from last year's sales shift.

Higher net pricing contributed approximately 140 basis points of growth. The remainder was driven by volume. Consolidated gross profit increased by \$9.7 million or 9.8% versus the prior year quarter to \$108.7 million.

The gross profit growth was driven by the favorable impact of comping to the prior year shift in customer orders, which we estimate to have been an approximate \$5 million tailwind, favorable pricing net of commodities performance, higher volumes and the improved supply chain performance Dave mentioned.

Commodity costs were consistent with the prior year. Selling, general and administrative expenses increased 4.4% or \$2.2 million. The increase reflects investments to support the growth of the business as well as higher personnel costs. The investments to support the growth of the business included higher consumer spending and increased brokerage costs.

Consumer spending increased to be more in line with historical levels versus a low comparative period as our product supply position has improved. Expenditures for Project Ascent, our ERP initiatives were down partially offsetting these increases. Costs related to the project totaled \$3.8 million in the current year quarter versus \$9.2 million in the prior year quarter.

Consolidated operating income increased \$7.5 million or 15.2% due to the gross profit improvement, partially offset by the higher SG&A expenses I mentioned. Our tax rate for the quarter was 23.7%. We estimate our tax rate for the remainder of fiscal '24 to be 23%. First quarter diluted earnings per share increased \$0.23 or 16.9% to \$1.59. The net impact of the reduction in Project Ascent expenses was favorable by \$0.15.

With regard to capital expenditures, our full year payments for property additions totaled \$18.3 million. For fiscal '24, we are forecasting total capital expenditures of \$70 million to \$80 million. This forecast reflects a decline versus the prior year spending with the Horse Cave expansion now substantially complete.

In addition to investing in our business, we also returned funds to shareholders. Our quarterly cash dividend of \$0.85 per share paid on September 30 represented a 6% increase from the prior year's amount. Our enduring streak of annual dividend increases stands at 60 years. Our financial position remained strong with a debt-free balance sheet and \$73.7 million in cash.

So to wrap up my commentary, our first quarter results reflected continued topline increases, improved gross profit performance and investments to support further growth. I'll now turn it back over to Dave for his closing remarks.

**David A. Ciesinski**

*President, CEO & Director*

Thanks, Tom. As we look ahead, Lancaster Colony will continue to leverage the combined strength of our team, our operating strategy and our balance sheet in support of the 3 simple pillars of our growth plan. To: one, accelerate core business growth; two, simplify our supply chain to reduce our cost and grow margins; and three, expand our core focused M&A and strategic licensing.

In our fiscal second quarter, we anticipate retail sales will continue to benefit from our expanded licensing program, including incremental growth from new products, flavors and sizes we introduced in fiscal 2023.

In the Foodservice segment, we anticipate continued volume growth from select customers in our mix of national chain restaurant accounts. Regarding inflation, while our input costs remain high, in total, we do not anticipate a significant impact from inflationary costs in the upcoming quarter versus the prior year period.

With respect to our ERP initiative, Project Ascent, following the successful completion of our final implementation wave in August, we are now devoting our attention to leveraging the capabilities of the new system to strengthen our execution and support our continued growth.

In closing, I'd like to thank the entire Lancaster Colony team for all their hard work this past quarter and their ongoing commitment to our business. This concludes our prepared remarks for today, and we'd be happy to take any questions you might have.

## Question and Answer

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### Operator

[Operator Instructions] Your first question comes from Jim Salera of Stephens.

#### **James Ronald Salera**

*Stephens Inc., Research Division*

I wanted to ask about your visibility into consumer restaurant traffic as we kind of exit 2023 and move into calendar 2024. Should we take the commentary around the select restaurant volume growth to mean that overall restaurants are kind of cautiously optimistic moving forward?

#### **David A. Ciesinski**

*President, CEO & Director*

I think, Jim, we were talking about it more in the context of our relationships with our customers. What I would tell you is if we look at some of the more recent traffic data -- what I would tell you is L52 traffic across all restaurants were flat. L12 restaurants were down 100 basis points, and that was true in the most recent 4 weeks as well.

When you look at QSR traffic, it was growing modestly. And I think what we're seeing in the most recent period is that traffic is now closer to flat. Full-service restaurants to include -- even some of the quick casual concepts are seeing their traffic under more pressure.

I mean that's sort of industry-wide. When you bring it in and you look at our strategic relationships, we're seeing our QSR customers on balance, sort of consistent with broader trends performing in line with what I described, and then we have customers like Chick-fil-A, which are continuing to buck the trend and seeing their traffic remain even stronger.

So as we sort of bring it in and we talk about how do we see things, I think we're going to obviously experience what everybody else is in the industry. But I think our partnership with Chick-fil-A and maybe a couple of others provides us a little bit of a tailwind just because of what they're seeing from a traffic perspective.

#### **James Ronald Salera**

*Stephens Inc., Research Division*

Great. That's very helpful color. Maybe shifting to retail. Can you just give us some context around what the promotional environment looks like, have you seen retailers coming to you guys asking for maybe more discounting or more pricing competition across some of the other peer groups in your categories?

#### **David A. Ciesinski**

*President, CEO & Director*

So another great question. We're seeing two things. We are seeing requests for increased promotional support. But what I will tell you is it's not being manifested in the form of you need to reduce your prices because of deflation. I think what they're seeing in the marketplace is the same thing that we are, that our basket of goods from an inflation perspective, has normalized, right?

We're no longer seeing the inflation that we were before, but we're not seeing deflation to the point where it feels like they can squeeze us for a trade. We are seeing some of our peers start to increase. But I think what we're looking at more closely is what's going to happen with private label.

### Operator

One moment for our next question. Our next question comes from Connor Rattigan of Consumer Edge.

#### **Connor J. Rattigan**

*Consumer Edge Research, LLC*

So obviously, impressive volume growth for both businesses even when adjusted for the pull forward. And I guess just kind of as you look forward with compares kind of getting tougher, especially in retail, I guess just sort of what is your visibility going forward on volume growth? I mean, I guess should we sort of expect this sustained low single-digit volume growth going forward for the rest of the year?

**David A. Ciesinski**

*President, CEO & Director*

It's a great question because we're all watching the same macro information start to roll in for all the food and discretionary spending in all outlet channels. And we still feel optimistic that we're in a position to deliver low single-digit growth. And that's principally going to be coming in the form of volume because we have a little bit of price in Q1, but you're going to see the impact of that price sort of work itself out as we go forward. So where we see it right now, we continue to feel that we can deliver low single-digit growth led by volume.

**Connor J. Rattigan**

*Consumer Edge Research, LLC*

Awesome. And then also just a quickly follow-up on Jim's question as well. I mean, I guess there's been some concern that 2024 margins will just be, I guess, we'll call it, flat to modestly up, right? I mean, I guess, just trying to get a sense for sort of how you guys feel on margins sort of coming out of 1Q. I mean, it doesn't really sound like you've seen much relief on the cost front. I mean, I guess, do you guys feel like you're in a good place to really make progress on margins this year?

**Thomas K. Pigott**

*VP, Assistant Secretary & CFO*

Yes, great question. So I think the overall outlook is consistent with what you said flat to slightly up on margins. From a tailwind standpoint, we've got a nice productivity program. We're kicking in our value engineering program. And so that should help us, but the commodity basket has neutralized. We're not seeing the inflation. Now we're not seeing deflation yet when we look at the total basket.

So the key watch-outs for us is -- we hit on already earlier in the call, is kind of the pressure to spend back. And that's a TBD for us overall. But I think overall, we are -- we've got a lot of initiatives to try to drive more margin growth, but we're cautious about our outlook given kind of some of the macro trends we've hit on.

**Operator**

Our next question comes from Andrew Wolf of CL King.

**Andrew Paul Wolf**

*CL King & Associates, Inc., Research Division*

I would like to follow up on pricing and promotional outlook. So maybe a different way to ask about it is if things are finally hitting normal, first, are there -- how is wage rate inflation, which I guess is this -- believe as the second biggest factor cost. Is that still normal just as we kind of think about regardless of pricing power, what's going on with your cost structure. And any other input, energy or anything else in the cost structure, both controllable, scaling up Horse Cave and perhaps not controllable like input costs.

**Thomas K. Pigott**

*VP, Assistant Secretary & CFO*

Yes. When you -- so when you look at the other drivers, we -- from our perspective, we're still seeing higher than historic labor inflation but not like we saw a couple of years ago or a year ago. So that's moderated to low to mid-single digit. And then as we look at the rest of the basket, we're looking at similar rates of inflation impacting our P&L, and that's where our cost savings program kicks in. The only other one-off is the depreciation from the Horse Cave expansion, which has started to hit our P&L and will continue to be amortized over the future years.

**Andrew Paul Wolf***CL King & Associates, Inc., Research Division*

Got it. So back to just sort of the normalization theme. So it sounds like your own spending, consumer spending, direct spending is normal or getting there. Just could you frame your pricing conversations with the retailers, in particular -- in that sense, I mean, can you go to them with your cost structure, like you have in the past and said, Yes, commodity costs are flat, but we still got this? Or are they kind of in no mood to hear that given where the volume has been for the industry?

And lastly, just to kind of revisit your own view on promotion, how promotional you want to be with the -- on the shelf with the retailers.

**David A. Ciesinski***President, CEO & Director*

Sure. So we got a couple of things there. I want to make sure I got my notes right, Andrew. Your first question was how are we thinking about inflation and the need to pass on pricing? And maybe to build on Tom's point, what we're seeing as you look at our basket of commodities, they're essentially flattening out. We are seeing some modest inflation on labor that's a little bit higher than normal, but we feel like we're able to offset that with our productivity program. So if you put this together, we don't expect margin headwind per se from inflation be it the commodity basket or from things like labor.

So then you sort of press it forward and you think about the retailers, one, we don't think that there's a need for us to go and to talk about elevated pricing and for reasons that I'll get into here in a second, we think that it could probably be disadvantageous. And maybe the way that I would frame this is that I think our economy or we think our economy right now is at a transition point, not an inflection point, but a transition point that's really being brought about by the end of the era of free money.

I think all of us have been doing it long enough that we can remember back when interest rates were at normalized level. And so I think what we're looking at, the context that we're framing this whole situation and is this idea of the end of the era of free money. And what we're seeing then is manifest in the form of resumption of elevated interest rates on credit card debt and other things that people are buying on time. The resumption of student loans, the end of emergency pandemic benefits, such as child tax credits and enhanced SNAP benefits. And when you put all of that together for consumers, this end of this era of free money.

I think what we're finding is that families are sitting down and they're reworking their sources and uses of cash. and they're having to make trade-offs. And I think what we're starting to see now is depending on where they sit in the economic strata, starting to bite some consumers and families before others.

But I think all of them are starting to sit down and look at sources and uses. And for some of those families, they're saying, "Hey, I want to work more hours to be able to cover the cost of, let's say, student loan resumption". In the case of others, they may be saying I want to do that. And by the way, I also need to start to think about making choices and trade-offs across everything that they're spending on, from experiences to food to discretionary items.

Now this brings us into your question on promo. I think the way we're thinking about it is that in this environment, now it's a transition environment from where we are to where we're going, it's going to be really imperative that for us, managing brands, every one of our brand leaders, our sales folks need to be looking at their consumer value equation. The features, the benefits, the brand, right, over the cost to make sure that in this new environment that we're transitioning to, that we continue to bring a relevant value proposition, because consumers are in the process. They're not talking about it, but they're doing this right now. And I think for everybody that plays in our space, we need to be stepping back and asking ourselves some of those fundamental questions.

And to the degree in which we see our value proposition is under pressure, then we'll think about using things like trade or marketing or even things like Shopper Marketing in-store or Price Pack Architecture and things like that. But the way we're really thinking about this, we're trying to take maybe a little bit more of a strategic view because we don't really think this is going to be a 1 year or a 1-quarter thing. I



would submit that what we're working our way into, again, isn't an inflection point like 2007 and 2008. This is a transition point where we just need to make sure that we're continuing to offer a relevant value proposition.

**Andrew Paul Wolf**

*CL King & Associates, Inc., Research Division*

Great. I guess that's really helpful. And earlier, Dave, you mentioned private label. I assume that -- that's sort of the big event not completely unknown, but the degree to which is private label substitution, I would imagine as a big driver of some of the responses.

**David A. Ciesinski**

*President, CEO & Director*

Yes. So -- and I think it's really -- it's a watch out. So if you look at some of the most recent data, what you're seeing is that the private -- the growth of share of private label is still somewhat modest, right? So you're not seeing a big run to private label. And I would go back to the fact that this transition away from free money is starting to buy consumers in certain demographic segments more than others, and they're making trade-offs. In some cases, they just may be going to shop in different outlets where they feel like they can get value. In some cases, they may start to look at things like private label.

For us, as we think about our brands, this is stuff that we've done. All of us that have been doing it and while as I can remember brands like [indiscernible], where we knew we had to have certain price gaps versus private label because if we crept above those price gaps, our brand was under pressure, right? So that was then. This is now. We need to be doing the same thing on our brands, all of our brands within the context of this environment to make sure the value proposition is right in the absolute, but it's also right versus those other substitutes, whether it's private label or another brand.

**Operator**

One moment for our next question. Your next question comes from Todd Brooks of The Benchmark Company.

**Todd Morrison Brooks**

*The Benchmark Company, LLC, Research Division*

I want to dig in on the licensed branded product a little bit. First, I was wondering if you had at your fingertips the Arby's number for Q1. You talked about the other 3 key brands.

**David A. Ciesinski**

*President, CEO & Director*

Give me a second here. Dale, if you get it before I do, fell free...

**Dale N. Ganobsik**

*Vice President of Corporate Finance, Investor Relations & Treasurer*

So for the quarter, Todd, it was about \$3 million.

**Todd Morrison Brooks**

*The Benchmark Company, LLC, Research Division*

Okay. Great. My follow-up and why I needed that data point. What I don't think I maybe understood about the business, I wanted to explore is -- is there a certain seasonality to demand for these products between the September quarter and the June quarter? Because I know we saw it last year, but I thought some of that may have been around Horse Cave and just ramping into the new facility. But again, we've seen a sequential downtick of about by my estimate, almost \$7 million here in the September quarter. Can we talk about seasonality for those products? And then I've got a follow-up along that same line of questioning.

**David A. Ciesinski**

*President, CEO & Director*

My intuition is that this really isn't a seasonal business. A seasonal business Sister Schubert's a great example of a highly seasonal business where we're going to see a spike over Thanksgiving and Christmas and another spike over Easter. We're going to see -- if we were talking about gravy in the old days, that would be a business with a big seasonal spike.

With most of our sauces, I think you're going to see that it's more level loaded across periods. I think what you're likely to see that may be driving periods where it's higher and periods when it's lower, a couple of things, one, when we launched the items a lot of time, we get a lot of elevated display endcaps that will drive a spike. So when we lap that, it could come across as something that's unique that's going on. But really, it's -- we're just lapping a period of launch and now it's just selling off of the shelf.

I do think that you may see brands like Buffalo Wild Wings that you see more focus on around March Madness and football than you will and others like barbecue items, I think it will move maybe more consistent with that. Olive Garden dressing, I wouldn't expect that to be terribly seasonal. It's a year-round business. There's a little bit of a spike on salads after the first of the year when everybody decides to go on a diet. But again, that's a little bit of a one-off there that I would point to.

**Todd Morrison Brooks**

*The Benchmark Company, LLC, Research Division*

Okay. Great. And then my follow-up is, can you Dave or Tom or Dale, can you snapshot for us? If we look at the licensed branded product portfolio, entering the end of this year versus the end of the last calendar year in '22. Can we review how much broader the offerings are, whether it's pack size flavors, but also distribution if Horse Caves' allowed you to open up different channels of distribution? And then maybe we can segue into a discussion of growth outlook for these products across full fiscal '24?

**David A. Ciesinski**

*President, CEO & Director*

Sure. So why don't I try to do it. I think when you look at the business overall, the change that we're talking about in Q1 for all of our licensing was about \$26 million and about 30% of growth. So we continue to feel pretty good about the growth from the proposition overall. Now bringing it into some of the specific products, I'll try to work on that for you off the top of my head here.

So I think if you go back into the spring period of last year, we launched -- actually it would have been fall of last year, we launched a 24-ounce size for Chick-fil-A and then on the heels of that, we came out with the barbecue and the Sweet & Spicy Sriracha that really started to go more broadly in distribution, not in the fall, but in the spring.

In the spring for Chick-fil-A, we also launched the salad dressings and produce that we talked about, 4 flavors of those. And I mentioned on the call there that we did for this quarter, \$10 million of retailer sales on those items.

As you go around on Buffalo Wild Wings, if my memory serves me, we launched 2 items, 2 incremental new flavors there. On Olive Garden, we launched a Caesar, which is -- we're very pleased with how it's doing in the marketplace. And we announced the launch of Texas Roadhouse on the last call, but obviously, that's not into the marketplace. We don't expect that to be out until later in this fiscal year as we had showcased for you.

So you add all that together, what's that maybe 7 or 8 SKUs that we brought, probably the hardest driver of those SKUs is the 24-ounce where we're seeing very nice growth. Loyal consumers are trading up to the larger size, but all of them are contributing in some measure. So hopefully, that kind of gives you an idea of what we're doing in terms of growth we brought to the marketplace, phased between the fall and the spring.

In terms of capacity, I would say at this point, we have enough capacity to continue to facilitate the growth of both our own brands and bottles and licenses. So we have no limitations there. We are limiting

the number of shifts that we're using in some of these facilities in Horse Cave. So if we saw an opportunity really to go, we would be able to add more ships to sell.

**Thomas K. Pigott**

*VP, Assistant Secretary & CFO*

Yes. I mean overall, we feel really good about the platform. If you go back to '22, we generated 28% growth in terms of net sales. We generated around 30% in '23, and we expect to continue to drive strong growth behind this platform, enabled by all those new items that Dave mentioned as well as the Horse Cave capacity expansion.

**David A. Ciesinski**

*President, CEO & Director*

Yes. And as the base gets bigger, obviously, the size of the period-on-period growth numbers will get smaller. We're not going to continue to grow at those sort of rates now that this is growing into a material piece of business for us.

**Todd Morrison Brooks**

*The Benchmark Company, LLC, Research Division*

So with capacity still in Horse Cave, opportunities around, channels that you may have deferred before, club maybe, especially with some of the larger pack sizes, where do we stand on that? And there was some work kind of pre-pandemic on the drug and dollar channels. Don't know where we are now for kind of reopening and revisiting those opportunities. I think you had really good success in drug with the core Olive Garden SKU, if I remember correctly. So I was just wondering about distribution expansion as a source of growth.

**David A. Ciesinski**

*President, CEO & Director*

Sure. It continues to be an opportunity, but one of the unique features of a licensed partnership is that our partners are able to weigh in and talk about what channels they want their products and in what channels they don't. So we don't always have the same degree of latitude that we might like. What I can point to more recently is Olive Garden has -- we're building distribution in the Drug channel, and it's continuing to perform well. And in Dollar as well.

Buffalo Wild Wings were taken into Club. We're going to have some rotations going on this fall that we're excited about. with Costco and some of the others. So this is very much an active and ongoing discussion, but maybe the nuance here, Todd, is that -- we have to bring our partners along in these discussions, and each of them has maybe different feelings about which channels they want their brand in. So maybe the easiest way to describe it.

But this also becomes an area where our sales team and our marketing team works to educate, these are restaurant operators. They're smart, sophisticated people, but they're really not in the CPG space. So part of the idea of the partnership as we work with them to bring them along, can't push them, but we work with them to bring them along.

**Operator**

Your next question comes from Alton Stump of Loop Capital.

**David A. Ciesinski**

*President, CEO & Director*

Alton might be having a technical difficulty, we can certainly bring him back. If you'd like to go to the next caller, operator?

**Operator**

[Operator Instructions] All right. If there are no further questions, we will now turn the call back to Mr. Ciesinski for his concluding comments.

**David A. Ciesinski**

*President, CEO & Director*

Thank you, and thank you, everybody, for joining us this morning. We know it's a busy time with lots of companies reporting. So thank you for joining us, and we look forward to talking to you in February when we report our second quarter results. Have a great rest of the day.

**Operator**

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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