MRV - INGLÊS 13/05/2016

OPERATOR – Good morning and welcome to MRV 1Q earnings conference for analysts and investors. Today with us we have both CEOs of the Company, Rafael Menin and Eduardo Fischer, Leonardo Correa, CFO and IRO, Ricardo Paixão, financial planning and IR director and Mateus Torga, IR executive manager. We would like to inform you that this event is being recorded and that during the company's presentation all participants are going to be in listen-only mode. We'll then start the Q&A session for analysts and investors only, when further instructions will be provided. Should any of you need assistance during the conference call please reach the operator by pressing *0. The audio is also being simultaneously webcast on MRV's investors relations website. Before going on we would like to let you know that any statements made during this conference call relative to MRV's business outlook, projections, financial and operating goals are based on beliefs and assumptions of MRV's management and rely on information currently available. Forward looking statements involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could affect the future results of MRV and lead to results that differ materially from such in the forward looking statements. Now we are going to turn the conference to Mr. Rafael Menin. Please, Mr. Menin, you may go on.

RAFAEL MENIN – Good morning everyone. We are very pleased to report one more positive and consistent quarterly result despite the challenging moment we are going through in Brazil. We were able to deliver to our shareholders and investors a good level of launches, sales, revenues, record cash generation and increased in our margins compared to previous quarters. However, in addition to reporting positive results we would like to expose the reasons why we believe that MRV is the most prepared player to continue in the leadership of the housing market in Brazil. Originally, from the state of Minas Gerais, MRV started its process to extend geographically to the state of Sao Paulo 20 years ago. Currently we are present in a 142 cities in all the states of the region South, Southeast, Central west, northeast and in the Federal District. To get to this point, it was necessary to put together a highly qualified team in all the cities and perform many investments in technology and processes. We are therefore in our assessments the only company in the industry with the capacity operating with quality in such geographic extension. That said, our next challenge would be to increase our market share in the cities in which we have started to operate more recently. For you to have an ideal how much we can advance in this area, it is worth comparing the performance of sales between what we call reference cities to MRV's general performance. In our reference cities, we have had average sales of 0.72 sales for each 1.000 inhabitants in the social class C. If we look into MRV's general performance, this number goes down to 0.16 sales for each every 1.000 inhabitants in the same social class. That is looking ahead; we still have lots of potential to explore in newer markets. To reach such objective it would be fundamental to invest assertively in our land bank. For you to have an idea in the last two years alone we invested more than R$ 400.0 million in the position of high quality plots of land. Having a robust land bank with the suitable geographic dispersion will enabled us to supply the inventory of unit on sales in a way we can capture the greatest potential in each market. Finally, we would like to tell you that we are quite optimistic with future prospects and even in this process of political transition we are going through our industry will continue to be considered and valued for its important social role as a major generator of employment, contributor of taxes and protagonist of the country's development. Now, I'm going to turn the call to Mr. Eduardo Fischer.

EDUARDO FISCHER – good morning everyone. I would like to start highlighting two very relevant points in our results in the 1Q of this year. The first is the strong evolution of gross margin. As we have released along the past quarters, we have been able to have expressive improvement in the management of construction sites renegotiating materials, lands and services. This improvement already appears stronger in our balance sheets and our expectations that we continue to capture gains coming from renegotiations and the operational evolution of our production area. The second point that is important to highlight is the reduction of our other expenses line, along the whole of the year of 2015, we engaged several efforts to reduce eventual liabilities especially civil liabilities that remove value from the Company. We have had active campaigns of agreements, we closed important negotiations with consumer protection agencies and we changed internal practices, all to minimize the impact of these lines. The result of these actions start to show and we will continue focusing our efforts in these strategies. Now I'm going to talk a bit about the operating performance of our 1Q. We have already released a record amount for cash generation in the 1Q. We generated R$ 108.0 million, which reinforces the success of our simultaneous sales model and efficiency of transfers to banks. In the commercial area, we closed the period with sales about R$ 1.2 billion it's important to mention that although we feel a higher strictness of banks in the granting of credits to our clients we have been able to adapt to a scenario of further restrictions and continues with sales levels absolutely normal. That, because of our major geographic dispersion that minimizes this effect and our greater efforts in the commercial area. As for real state credit we'll again growing in the number of financing to individuals after the impact that we have with the bank strike in October. From the implementation of simultaneous sales project the credit area has been working closer with the commercial area and that has been enabled us to be more and more efficient with transfers happening faster in comparison to sales. In addition, I would like to highlight that today we have 73.0% of units that are about to be completed in 2016 already transferred to banks, which shows the efficiency of our business model. Going back to production, we had a 1Q with a execution of units below our historical average. That because of the seasonality and because of the time of construction. Since the beginning of the year, we had a large amount of construction in initial phases. In the 2Q our expectations is that, the number of units will go back to its normal levels. To close I would also like to call your attention to the evolution of our land bank. As Rafael mentioned, we have been very active in the last 2 years in buying areas for replacement in mature markets and growing in cities where we have potential. We invested more than R$ 400.0 million in the period and we have been able to seize opportunities in times of crisis to close better deals. Moreover, we are going to be in a more and more privileged position along the years to absorb in even greater markets. Thank you and I'm going to turn the call to Leo.

LEO – good morning everyone. Eduardo talked about our enhancement in terms of cost and consequent impact on margins. I would like here to approach the continues improvement of our financial standards with a decrease in the need for our working capital. This improvement is fruit of small enhancements in several areas, notably in the sale of launches of a project and immediate transfer of credits to banks and the extension of times for our suppliers. We still expect to have gains in our financial cycle and I mention here 2 points: electronic registrations in the notary offices that are maturing some pilot events to current practices; and the fact that the number of developments in construction in the metallic molding is increasing therefore decreasing the time of construction. Continuing on the same topic, but looking into a different perspective, our cash generation has been enabling us to decreasing indebtedness. This quarter we had growth cash of R$ 2.0 billion and part of it will be use to amortize corporate debt. Our board continues with the same determination of making our cash accumulate in the balance sheet and the allocation is going to be decided in a moment of more economic clarity. Cash generation together with good economic results has enabled us to have the best credit rating in the industry and free to seek a best position in the company for a better economic time with higher transfer to our consumers. Our Log subsidiary reported their results two days ago. It showed an adjusted FFO higher compared to the previous quarter and compared to the 1Q2015, with margins of almost 43.0%. Log has ventures whose basic infrastructure was all applied and not all possible share was added in a series of cities outside the Campinas-Sao Paulo-Rio area. The marginal return of this new warehouse is extremely high and will be achieved as the economy starts to have a higher level of activity. Finally I'm going to talk about [11:45], its already robust land bank increased by 10% in this 1Q. Contracted sales had expressive growth of almost 600.0% compared to the 1Q2015. Margins are great. Its contribution for the equivalence line is still relatively small, but certainly growing. Now, I'm going to open for the Q&A.

OPERATOR – Thank you. We'll now start the Q&A session for investors and analysts. If you have a question please press *1. if your question is answered, you can remove it from the list by pressing #. Questions will be answered in the order they are taken. Please remove your phone off the hook so that we can guarantee optimum sound performance. Please wait while we collect the questions.

Our first question comes from Luiz Maurício Garcia from Bradesco.

GARCIA – Hello, good morning everyone. I have two questions. The first, well, in view of the changes in our political scenario that were confirmed this week I would like you to talk a bit your expectations with regards to Minha Casa Minha Vida program, specially for price levels 2 and 3. So if you could tell me a bit of your interpretation about that. I believe that along these processes of change, the Company had a chance to talk to different stakeholders that are involved in the processes and I think it would be interesting to hear from you. The second question is concerning Caixa Econômica Federal. Some companies reported a bit of a delay in Caixas' approval for credit. I think that we are going to see some changes there but I would like you to comment a bit about cash in terms of release of credit, analysis of credit and what we could expect from Caixa in the new economic-political scenario.

RAFAEL – Hi Luiz, this is Rafael speaking. At first, about Minha Casa Minha Vida program. It was the most successful program of the period of the government generating employment, a very important social role, perhaps the most important point is concerning taxes. So it is, we have a study that says that every real that is spent in subsidies the government has a return of R$ 5.0 in taxes, so in the prices 2 and 3 taxwise this is very important for the government so we strongly believe that the government will be interested in continuing the program operating in its full, because it is a program that is positive, taxwise, it has a very important social role and it is a major generator of employment. [15:10] is an association that is very strong, we have had very good contact with political agents, we will certainly have meetings with them as of now and we believe that Minha Casa Minha Vida price 2 and 3 will be preserved. There can be some changes here and there but I think the most specific aspects of Minha Casa Minha Vida will be preserved. As for bank credits, we have seen that they are stricter specially in 2016, both Caixa and BB are a bit stricter. What is good about our business is that when we see the main hits to our portals coming to our construction site, the demand for MRV products has grown, because we are the only company with capillarity, we operate in a 142 cities, we have market that performed a bit better, others a bit worse but the flexibility of operation in such geographic dispersion makes us to have people looking for our product and that in a way has offsetting a greater restriction of credit from public banks. In the 1Q we talked about that, we reported good sales volume, a bit below the 4Q but still it was a good sales volume. We are going to have a 2Q with a bit of more volumes in terms of launches and we are going to have Caixa's auctions so with that I think that we are going to be able to dribble these higher restrictions of credit from both Caixa and Banco do Brasil.

GARCIA – well, very clear, thank you very much.

OPERATOR – Our next question comes from Nicole Hirakawa, from Credit Suisse.

NICOLE – Good morning everyone. I have two questions. The first is about the volume of contracted units, which is still below the number of launched units, so if you could get us an update in the side of the backlog of contracted units that you have today and if you see a bit more difficulty in the contracting with corporations as some companies have mentioned. And about your gross margin, I would like to know what your stable volumes would be and also if you can tell us the difference between gross margin and backlog. Thank you.

FISCHER – Nicole, this is Fischer. Good morning. OK, first about the difficulty to hire corporations. We haven't had any problems with that. No problems whatsoever. Of course, we have a business policy that we only launch today when we have the contracted corporations and we have a huge backlog. We had major contracts with corporations along 2015 and we are quite comfortable with that. Difficulty with corporations for us is zero. Both with Banco do Brasil or with Caixa Economica Federal. They are in line, they are working no problem, so these rumors about difficulties with the contracting of corporations for me is absolutely news. As for the gross margin and this is something that I did mentioned in my opening remarks, we have been saying for a long time that we have been getting relevant operating gains. This intensified along 2015. We were able to capture the benefits of a crisis, we intensified our areas of supplies with negotiated with our suppliers all the time, we have very good deals with lands and labor. And that allied to the maturity of our operations in areas where we operate for longer resulted in what we saw today. What are our expectations from here on? I think that we have small room for improvements but this is a number that along the quarters is going to be close to what we have today.

NICOLE – And if you could comment about the difference of trends. The gross margin is constantly improving but when you look at your backlog, it's going down a bit some quarters. Therefore, I would like a help to reconcile to these two numbers.

FISCHER – Well, today when you look at the difference between the two margins you will see that they have been converging. We have accelerated production, you see that we are capturing margins faster and when you look at these two numbers in the line of taxes you have numbers that have not been captured yet. And when you take them into consideration you see that you tend to have a conversion. Looking further on you are going to see the numbers at the levels that you see today.

NICOLE – OK, thank you very much and have a good day.

OPERATOR – Our next question comes from Enrico Trotta from Itaú BBA.

TROTTA – good morning, Rafael, Fischer, Leo. I have two questions. A bit of a follow on of Nicole's, you have another quarter with cost savings; you have been using the crisis well to renegotiate contracts with suppliers, prices and the lands. Could you talk about the monetary, financial impact of your cost savings in this 1Q and indeed if this will repeat along the following quarters because you say that there is a bit more room to improve margin but in it's limit it should be very close to the 1Q. And the second point again as a follow up to Luiz's questions about public banks being more restrictive to credit we see the number of cancellations still a bit flat accounting for approximately 26.0% of gross sales. Do you think the fact that public banks are a bit more restricted may lead to cancellations to take a bit more to go down in this year, a bit more than what you're expecting for the year? Thank you very much.

FISCHER – Hi, Enrico. This is Fischer again. I'm going to start with the cancellations, OK? We have been talking about that, we started our efforts in 2014 and along 2015 with our simultaneous sale and that started to show results. So the number is going down. You have to remember the following: each cancellation represents a negotiation and it has its own time. Even if I want to accelerate the backlog to have the cancellations as fast as possible because this is interesting for us I have to have this unit to be resold as soon as possible but sometimes you cannot be assessed, as you want. I'll give you an example: a client bought a unit for R$ 100.0 thousand in the past, the unit today is worth more, even if the client cannot raise funds they don't want to cancel the deal, so each negotiation had it's time, each cancellation has its time, so we have been working a lot, we want to cut cancellations as fast as possible but it has it's own pace. And looking to the future what we are going to see is that as we are able to do more this number is going to continue to go down. So I think that's what you're going to see for the next quarter, a trend down. As for gross margin, I cannot quantify that in BRL. What is important to highlight is the following: we are capturing gains at a speed that is even faster than what we expected, with better negotiations, better volumes. However, you have to take into consideration that our improvement in production areas when you get at the end of construction we have been able to capture gains that we haven't in the past. I have a budget that is x in the end of construction and I have x-1, for instance. That has to do with management efficiency and that has been showing more strongly. So putting these two things together, we go back to what I said in the beginning: I think that these margins is going to be at the level it is today and eventually even better. As the scenario of the country changes as well, and we can change our sales prices for real state, we can see this movement even more intense.

TROTTA – OK, Fischer. Thank you very much and have a good day.

OPERATOR – Our next question comes from Daniel Gasparetti, from Bank of America.

GASPARETTI – Good morning everyone. Thanks for the call. My question is about lands. We saw an increase in the net exposure of the Company. The accounts payment for lands have grown. I would like to know your expectation about cash consumption in this line in the next quarter you are talking more with the swaps, now you are more into buying is that your strategy for metropolitan regions? What is the level of prices that you have in there? This is my first question. The second is still about cash generation. We saw that you had a higher level this quarter and I would like to know if this is a seasonal effect going back to average levels of the past. Just for me to have a potential of this line. And if you allow me I'll apologize but I would like to ask a third question: you said that gross margin should be at this level, even better, but can it get even worse, can it, I don't know, have something wrong in then gets worse?

LEO – Hi, Daniel. Well, with regards to cash consumption and the land. MRV strategically defined that it would invest more money in lands and that started about two years ago. We thought that the competition and was moving and because we're generating cash and have low leverage we would be more aggressive in the purchase of lands. So we wanted to buy the best plots of land available in major cities, we intensified our efforts there to do the best deals and for you to do the best deals you have to have some cash disbursement. You cannot do the best deals just with the cash land swap and we invested more than R$ 400.0 million in the past 2 years. Looking ahead, 2016-2017 the level is going to be basically the same, we're probably going to have a disbursement of about R$ 500.0 million in plots of lands for the next 2 years, this is in our cash and even with this acquisitions we'll be able to generate good cash. And as I told you we have been intensifying the purchase of land in the cities in which we have a landbank that was a bit less robust. We were quite aggressive from 2007 to 2012 in smaller cities, in a movement that was the opposite of most of our competitors, our competitors went to capitals, to Rio, to Sao Paulo, to the South and Southeast and we had an opposite movement and we invested more in lands in Brazil. After 2012-2013 the company started to be so aggressive and we improved aggressiveness in large cities. So this is the balance of our land bank, to have more inventory in largest cities, in capitals, and that will make us have more launches and more sales in the cities, increasing our market share. As for the recurring gross margin it was what Eduardo said, we have been finishing some of our developments, sometimes with an accounting budget that is a bit higher than the cost of the construction and then we have to adjust the numbers and that has enabled us to have margin gains. In the 1Q we do not see that as a recurring effect but I think that we going to see margins along the year at the same level. Of course, there is a bit volatility quarter on quarter but if you think of 2016 as a whole, we are going to have gross margins close to the 1Q2016. This can be slightly up and down but basically the same.

GASPARETTI – OK. Thank you very much and once again, I apologize for asking three questions. Good day.

OPERATOR – Our next question comes from Gustavo Cambaúva from BTG Pactual.

CAMBAÚVA – hi, good morning. I have two questions. The first is looking into the average launch price it went down a bit this quarter. I would like to know if this was because of our mix this is what I suppose or if it was a strategy because of the way your inventory is positioned, what it to adjust the mix to Minha Casa Minha vida, free market because you have a change in interest and that makes the purchase a bit more difficult for the customer. So I would like you to comment a bit on this drop in average prices and how the mix adapted to this quarter compared to previous quarter. And the second question, you did mentioned in the beginning of your presentation about your gross cash that is at a higher level of almost R$ 2.0 billion. You said that indeed you should have a higher gross cash but what do you think would be the level of leverage that would make you more comfortable to perhaps have a higher payout? Do you want to be net cash before you start to pay out dividends? So if you could talk a bit about the payout of this cash, I would appreciate that.

MENIN - Ok. Thank you. First, I'm going to talk about prices. We have increased the prices in line with inflation. Of course every quarter there are changes, it depends on several things. Sometimes you have the influence of larger cities, smaller cities, there are differences there. But as a whole we are following along in line with inflation rates. In some cities, because interests are a bit more expensive we have more products inside the Minha Casa Minha Vida program and with that, you have the possibility of having a small drop of prices in some places. As for leverage, the recommendation of our board of directors is to continue to accumulate cash, this determination has to do with the country's political economic scenario. Of course, our expectation is for things to get better. We have had our economy being affected for 2-3 years now but in the short term, we do not have any further decision. If the company's net cash we don't see a problem, this is something that may happen in the short term if we continue at the pace that we are doing in terms of cash generation. But the decision of payout of dividends and how they are going to be paid out will come we have better clarity of what is the political economic scenario is going to be like.

CAMBAÚVA – OK. Thank you very much.

OPERATOR – our next question comes from Guilherme Camparelli, from Citibank.

CAMPARELLI – Good morning. I have two questions. The first concerning revenues, it has had a small drop this in this quarter. I would like to know if this is a seasonal effect and if you are going back to R$ 1.1-1.2 billion in following quarters or if it's going to be closer to the level that you have today. Second, about inventory. You have about R$ 6.0 billion. Do you think that this is a level of concern, does it affect your expectations of launches for the year or do you think this is a suitable level? If you could talk about your strategy, I would appreciate that.

FISCHER – Hi Guilherme. This is Fischer. I'm going to start with the last question. In our strategy we want to capture the potential market. So what we have been doing along 2014-15 and 16 we have more aggressive purchase of land bank exactly to try to capture all the potential that we mentioned in our presentation. Concerning cities that we believe that there is still room to growth. So, the first movement is to buy land and make launches. And as the cities mature along the process the trend is to pick up speed of sales and raise the level of cities in terms of market. So we are going through these process now. So, it is not a concern, it is our strategy. If we are able to put that into practice, we are going to see an increase of our market and this is our strategy for the long term. As for revenues, I did mention that in my presentation, we produced less in this quarter compared to what we had produced and also sales, we have a robust launch in the 4Q and average sales had a lower movement. From here and now we expect a higher production in the second quarter and also as sales pick up the idea is that revenues will go back to the levels that we are used to go for.

OPERATOR – our next question comes from Daniel Malheiros from Votorantim Bank.

MALHEIROS – good morning gentlemen. Thank you for taking my questions. I have two questions indeed. One is about your equity line, you have a very good breakdown in the quarter and when the Prime went down in terms of the losses of this line. So if you could talk a bit on the evolution of this line for the following quarters, and my second question is about G&A. You were at about R$ 66.0 million, do you have room to decrease the G&A if you analyze that it should be at the year, how do you think this line is going to evolve?

LÉO – I'm going to start with G&A. Once again, I'm going to say that the recession in a way helped us to renegotiate contracts, suppliers so our objective is to have G&A similar to last year, not with an evolution of prices. Because of improvement of efficiency of our team compressing costs and renegotiations. So we see room to have G&A basically the same that we had last year, nominal terms. As for the equity line, it's interesting that you raise this point, for some time now we have been talking about the work that we had with our company, subsidiaries, with Prime, to review costs where there were problems before, we believe that the new unit are at a level that is completely different from what we have in the past that will reflect on equity line and this is going to be completely different. So this is something that is going to show from quarter on quarter but we are going to see this line of equity method going from negative to positive.

DANIEL – Leo, thanks for the answer. If you could talk about the line of equity method more specifically, what is the time for this line to go from negative to positive? If you could talk about that.

LÉO – Well, I think that we'll need one or two quarters from negative to zero and then more towards the end of the year we are going to see this line eventually positive, or at least past zero, so that is starting to go from the negative to positive.

DANIEL – Ok. Thank you very much.

OPERATOR – Our next question comes from Marcelo Mota, from JP Morgan.

MARCELO – good morning. I have also two questions. If you could talk about sales expenses. In the beginning of the presentation, you talked about the idea of increase in sales in some cities, getting to the level of reference cities. I would like to know if that involves a more aggressive marketing that can affect margin and if you could go back to the question of cash flow. Gasparetti asked about seasonality, we did see a decrease quarter on quarter, is that a new level or not? If you could go back and elaborate a bit on that, I would appreciate.

RAFAEL – Hi Marcelo. This is Rafael. Well, as for commercial expenses I did mentioned that in the beginning we have been able to have a large volume of customers coming to our market channels and constructions sites. We have had higher commercial efforts but it’s important to highlight that MRV has commissions in our balance sheet and certainly our commercial expenses are a bit higher. But looking further on commercial expenses are going to be in line with what we saw in 4Q and 1Q, between R$ 115-120.0 million. A bit, about what we wanted but because of current times we decided to be a bit more aggressive because of the geographic dispersion, a very high quality inventory so we believe it's suitable to be a bit more aggressive in terms of commercial expenses. And so we have been able to have evolutions in this line so we think that this is a correct decision. As for cash generation, cash generation has some volatility. Generally, demands of January is a month that shows less result especially in this year. If we look back, the three years we had a 1Q that is slightly lower and because we have a backlog of units to be canceled we see cash generation a bit higher than Company profit. We are going to have a better 2Q, better 3Q and along the year we are going to have cash generation slightly above net income. So we do not see a trend of deterioration compared to the 1Q. Again, you can have some quarter that is slightly worse but if you think of the year as a whole the level is going to be close or even better than in the 1Q.

MARCELO – Thank you very much.

OPERATOR – Our next question comes from Fred Mendes from HSBC.

MENDES – Going back to one of the first questions, when you take a look at to your sales volume, 10,0% y.o.y., the demand continues to be strong, that is undeniable in the segments in which you operate but you have to restrictions of banks that I don't think it’s going to change and will have an impact for further quarters. So compared to 2015 do you think you are going to be below, do you think you're going to be flat, comparing 2016 to 2015. And the second question: if you take a look at the pro soluto, specially after units are delivered, it went up again R$ 36.0 million, 13.0%. I would like to know what is your view of this line, if do you think you are going to minimize losses and again because credit restrictions are not going to a change especially with unemployment going up.

FISCHER – Fred, this is Fischer. I'm going to talk about sales and then I will turn to Ricardo to talk about pro soluto. As for sales, it is what Rafael mentioned. The demand is there. We have been had more investments in media and we still have many people coming to look for us. So we do have a strong demand. What happened in the period and we had also mentioned that is that banks are more restrictive in terms of credit. But there was no rupture there, so we have some difficulties, sometimes we have to spend more money to capture the sales but this is not something that causes rupture in the process. So to answer your question I think in the year we are going to be basically flat compared to 2015. Again there will be better and worse quarters but as we put into practice our evolution and improve our sales we are going to be even better. So I don't see anything along the year that may lead to rupture or a higher drop. I think that things are happening more or less in line with what happened last year.

RICARDO – As for pro soluto, it's important to mention the following: inside the pro soluto line we have to think about what is before or after the unit is delivered. Before the unit is delivered, is something that is part of the business, before the delivery of the unit. After the unit is delivered then we have to work hard to decrease that. We have the new agreement now that for our customers to receive the keys to the new unit they have to settle the pro soluto.

FRED – OK. So in 2016 even with the changes, the trend is that this amount continues to go up and in the short term there is no reason for you to revise your PDD ratio that it is the high single digit?

RICARDO – Yes. Every moment that the contracts get to our default criteria, we are going to have a review. So when the contract gets to this point we recognize them as losses. So we don't have any surprises in this line.

FRED – OK, thank you very much. Very clear.

OPERATOR – Once again, if you have a question, please press *1.

Please wait while we collect the questions.

Once again, if you have a question, please press *1. Please wait while we collect the questions.

Thank you. Our Q&A session is closed. We are going to turn the call back to Mr. Menin for his final remarks. Please, Mr. Menin, you may go on.

FISCHER – This is Fischer speaking. Just to close I would like to highlight that all the efforts that we have been talking about in during and last quarters are starting to show results. Our operations is growing is becoming more and more efficient, this is going to show in the gross margin, the efforts that we engaged with our partnerships starts to show results in the line of equity, in other expenses, efforts for the decrease of liabilities are starting to show as we put our action plans into practice. So the idea is that we are going to follow 2016 with these actions and we'll be able to deliver more and more solid results along the quarter. Just to close, this is a result of all efforts that we engage in the year of 2016. Thank you very much for joining us and see you next time.

OPERATOR – Thank you. The conference call for this release of earnings of the 1Q2016 of MRV is now closed. We thank you for joining us and wish you a good day.