Elbit Systems Ltd.
Conference Call
March 26, 2024

Rami Myerson: Good day everyone, and welcome to our fourth quarter 2023 Earnings Call. This is Rami Myerson Elbit Systems' VP Investor Relations. On the call with me today are Butzi Machlis, our President and CEO, Kobi Kagan our CFO and Yossi Gaspar, Senior EVP - Business Management.

Rami Myerson,

All participants are at present in a listen-only mode. Following the formal presentation, instructions will be given for the question-and-answer session. As a reminder, this call is being recorded.

I would like to point out that the Safe Harbor Statement in the Company's press release issued earlier today also refers to the contents of this conference call.

As we do every quarter, we will provide you with both our regular GAAP financial data as well as certain supplemental non-GAAP information. We believe that this non-GAAP information provides additional detail to help understand the performance of the ongoing business. You can find all the detailed GAAP financial data, as well as the non-GAAP information and the reconciliation, in today's press release.

Kobi will begin by providing a discussion of the financial results, followed by Butzi who will talk about some of the significant events during the quarter and beyond. We will then turn the call over to a question and answer session.

Earlier today, we hosted an investor conference at the Tel Aviv Stock Exchange. A recording of the event is available in the Investor Relations section of our website at www.elbitsystems.com.

Investors and analysts that wish to ask questions related to the topics discussed at the investor conference are welcome to present their questions during the Q&A session of the call.

With that, I would like now to turn the call over to Kobi.

Kobi - please?

Kobi Kagan: Thank you Rami,

Hello everyone and thank you for joining us today.

The 2023 annual results reflect Elbit's resilience, as well as our commitment to supporting the IDF's efforts during the current war and also delivering to our customers around the world. Many of our customers are investing significantly to upgrade and expand their armed forces driven by geopolitical tensions.

This demand supported the growth of our order backlog to almost $18 billion dollars providing good visibility. As part of our operational transformation, we continue to invest to expand capacity and deliver the growing backlog.

Our financial performance in 2023 also includes the write-off of 52 million dollar expenses in the fourth quarter, related to the closing of an underperforming subsidiary of Elbit Systems of America, with limited synergies and a discontinued project managed under the subsidiary. Approximately 18 million dollars of the expenses related to the restructuring were recorded in COGS and excluded from non-GAAP results. $34 million of the expenses were recorded in G&A and were not excluded from non-GAAP results.

I will now highlight and discuss some of the key figures and trends in our financial results.

Fourth quarter revenues were one billion, six hundred and twenty-six million dollars compared to one billion five hundred and six million dollars in the fourth quarter of 2022. For 2023 as a whole, our revenues were approximately 6 billion dollars, versus approximately 5.5 billion dollars last year.

Our diverse geographic revenue base is important to the long-term sustainability of our business.

In 2023, Europe contributed 30%, North America 24%, Asia-Pacific 21% and Israel contributed 20% of revenues.

The increase in European revenues was broadly based, and included growth in UAS, munitions, C4I and radios, EW and training and simulation sales.

Growth in Israeli revenues reflects the increased demand for a broad range of our solutions following the breakout of the Swords of Iron war. Israel contributed 27% of sales in the fourth quarter, compared to 20% of revenues over the whole of 2023.

North America revenues were lower mainly due to lower airborne systems sales.

Asia-Pacific revenues declined mainly due to lower sales of precision guided munitions.

The non-GAAP gross margin for the fourth quarter was 25.3%, compared to the fourth quarter of 2022 at 25.8%. For the full year of 2023, non-GAAP gross margin was 25.7% compared with 25.5% last year.

GAAP gross margin in the fourth quarter was 23.5% of revenues compared to 25.3% in the fourth quarter of 2022.

Gross profit in the fourth quarter was reduced by approximately $18 million of expenses related to the closing of a subsidiary.

GAAP gross margin in 2023 was 24.8%, compared with 24.9% in 2022.

The fourth quarter non-GAAP operating income was $105 million or 6.4% of revenues, compared with $104 million or 6.9% of revenues last year. GAAP operating income for the fourth quarter was $68 million, versus $120 million in the fourth quarter of 2022.

Operating income in the fourth quarter includes $52 million of expenses as explained above, of which approximately $18 million were excluded from non-GAAP operating income.

Non-GAAP operating income in 2023 was $449 million or 7.5% of revenues compared with $367 million or 6.7% of revenues last year. GAAP operating income was $369 million versus $368 million last year.

The operating expense breakdown in 2023 was as follows:

- Net R&D expenses were $424 million or 7.1% of revenues, compared to $436 million or 7.9% of revenues in 2022.
- Marketing and selling expenses were 6.0% of revenues, versus 5.9% last year.
- G&A expenses were $330 million or 5.5% of revenues, compared to $313 million or 5.7% of revenues in 2022 and includes $34 million of expenses related to the write-off.

Financial expenses were $46 million in the fourth quarter, compared to $27 million in 2022.

Financial expenses in 2023 were $138 million, compared to $51 million last year, reflect mainly the increased interest rate environment and higher debt.

Other expenses were $5 million in 2023 compared to $24 million in 2022. The reduction includes the revaluation of holdings in affiliated companies and expenses related to non-service costs of pension plans.

We recorded a tax benefit of $5 million in the fourth quarter that was similar to 2022.

The effective tax rate in 2023 was 10.1% compared to 8.2% in 2022.

Our Non-GAAP diluted EPS was $1 and 56 cents in the fourth quarter and $6 and 70 cents for the full year of 2023, compared to $1 and 71 cents in the fourth quarter of 2022 and $6 and 27 cents in 2022.

GAAP diluted EPS was 67 cents for the fourth quarter of 2023 and $4 and 82 cents for the full year compared to 67 cents in the fourth quarter of 2022 and $6 and 18 cents in 2022.

2023 Non-GAAP earnings per share reflects improved operational profitability partially offset by the $52 million write-off and higher financial expenses, as mentioned previously.

I will now review the annual financial results of our business segments and would note that our segmental disclosure of operational income is provided on a GAAP basis.

Aerospace revenues increased by 8% in 2023, mainly due to training and simulation revenues in Europe and UAS revenues in Asia Pacific and Europe, partially offset by lower sales of Precision Guided Munitions.

Aerospace operating income in 2023 was $125 million and 6.7% of segment revenues, compared to $107 million and 6.2% in 2022. The increase in operating income was mainly due to increased revenues and positive program mix.

C4I and Cyber revenues increased by 6% year-over-year mainly due to C4I revenues in Asia Pacific.

C4I and Cyber operating income in 2023 was $51 million and 7% of segment revenues, compared to $49 million and 7.2% in 2022.

ISTAR and EW revenues increased by 13% in 2023, mainly due to Electronic Warfare and Electro-Optic systems sales in Europe, and countermeasure systems.

ISTAR and EW operating income in 2023 was $135 million and 11.4% of ISTAR and EW segment revenues, compared to $49 million and 4.7% of segment revenues in 2022. The increase in operating income was mainly due to increased revenues and positive program mix.

Land revenues increased by 12% in 2023, compared to 2022, mainly due to the increase in artillery and weapon station sales in Europe and ammunition and munitions sales in Israel.

Land operating income in 2023 was $81 million and 6.2% of segment revenues, compared to $29 million and 2.4% of segment revenues in 2022. The increase in operating income was mainly due to increased revenues, positive program mix and progress in the operational transformation of IMI.

Elbit Systems of America revenues were similar year-over-year.

The $5 million operating loss in 2023 compares to an operating profit of $75 million and 5.1% margin in 2022. The operating loss was mainly due to the $52 million write-off, discussed previously, as well as negative program mix.

Our backlog of orders as of December 31, 2023 was $17.8 billion, $2.7 billion higher than the backlog at the end of 2022. Approximately 60% of the current backlog is scheduled to be performed during 2024 and 2025, and the rest is scheduled for 2026 and beyond.

Operating cash flow for the fourth quarter was a $314 million dollar inflow compared to a $195 inflow in the same quarter last year.

For 2023, we reported operating cashflow of $114 million versus $240 million in 2022.

The Board of Directors has declared a dividend of 50 cents per share.

I will now turn the call over to Mr. Machlis, Elbit's CEO.

Butzi, please go ahead.

Butzi Machlis: Thank you Kobi.

I would like to begin by thanking all Elbit employees around the world for their hard work and their ongoing commitment to all of our customers.

I also want to send my sincere condolences to the families of our employees that have lost their loved ones during this conflict and our prayers for a speedy return of all the hostages.

The financial results of 2023 combined with the resilience the company continues to demonstrate, provide me with confidence in our ability to realize the potential of our employees and our advanced technological solutions.

We finished 2023 with another record backlog and 8% revenue growth that reflect the strong demand for our relevant portfolio of solutions that we have developed over many years as well as our broad geographic footprint.

At the beginning of March we announced the closing of an underperforming subsidiary with limited synergies to our business as well as the discontinuation of a project managed by the subsidiary. This decision is part of our efforts to improve our portfolio management and ensure the relevance and synergies of the different parts of Elbit's portfolio. Kobi discussed the financial impact in his remarks.

At our annual investor event today, I presented the core pillars of our strategy that we have discussed with you in the past.

The first is our multi-domestic strategy and global presence. Elbit's revenues are broadly split between the US, Europe, Asia-Pacific and Israel. We adopted this strategy many years ago to ensure stable growth during periods of defense budget increases and cuts and to reduce risk.

To deliver this strategy we invested in building domestic subsidiaries in key markets around the world. These subsidiaries provide engineering, manufacturing, and support to the local defense forces and also export their solutions to other customers. They employ domestic managers and employees and are fully integrated into the defense industrial eco-system in their home markets ensuring that defense budgets are spent locally. Elbit Systems provides cutting edge, operationally proven technologies to our subsidiaries that are then adapted to the specific requirements of each customer. Our multi-domestic presence has also helped us overcome challenges including the current war in Israel and the COVID pandemic.

Elbit Systems of America provides a good example of the implementation of our strategy. Over the last 20 years ESA has increased sales from approximately $200 million to approximately one and a half billion dollars in 2023 and employs approximately 3,600 people across the US. It is fully integrated into the American defense industrial base supplying a range of advanced solutions as both a prime contractor and a supplier to all branches of the US DoD.

In November 2023, Elbit Night Vision received a $500 million IDIQ contract to supply Squad Binocular Night Vision Goggles to the US Marine Corp. This follow-on order highlights our position as a prime contractor to the DoD.

The second pillar of our strategy is our portfolio of technologically advanced solutions. We provide a range of solutions that help armed forces close the sensor to shooter loop rapidly and effectively. We provide a range of sensors that can detect the enemy in day and night, communication solutions that can transfer the information around the battlefield and a range of effectors to engage quickly and precisely, helping to reduce collateral damage.

Our solutions are developed by employees that have served, and are familiar, with the challenges of the modern battlefield. Most of our solutions have been used operationally and we strive to improve them regularly, based on the experience accumulated by our end customers.

In February we signed two contracts for $600 million and $300 million to supply armored vehicle solutions to the Australian Army and a European customer. These solutions integrate a range of sensors and other systems that will help increase the lethality and operational effectiveness of armored vehicles equipped with our solutions.

The third pillar of our strategy is our significant investment in R&D. Elbit Systems continues to invest more than 7% of revenues to develop a broad range of cutting-edge solutions for our customers. As a percentage of revenues this is higher than most of our defense peers. By investing our own money in R&D we retain control of the IP as well as the ability to maximize the synergies that can be generated across the portfolio. The increased digitization of the modern battlefield provides multiple new opportunities to leverage these synergies and incorporating artificial intelligence and machine learning into our solutions.

The fourth pillar of the strategy are our 19,000 employees. Most of our employees are veterans that understand the requirements of our customers based on their own experience. Many of them continue to serve in reserves after their regular military service providing a valuable feedback loop between the battlefield and the laboratory. During the current conflict more than 15% of our employees in Israel were mobilized into reserve duties for the IDF and about half of those mobilized are still in uniform. We look forward to their speedy and safe return.

Our strategy is working as demonstrated by the acceleration in the growth of both our order book and revenues in recent years. This growth reflects the successful combination of our international footprint, portfolio of relevant solutions, sustained investment in R&D and our high caliber employees.

At our 2023 investor conference we presented the investments we are making in our operational transformation to support the broader transformation of Elbit Systems and help improve performance and our ability to deliver the growing backlog. In 2023 we made further progress in the operational transformation.

In 2023 we opened four new facilities around the world. In the US we opened a new Ground Combat Vehicle assembly and integration Center of Excellence in Charleston, South Carolina and in January we opened a new production support facility at our Sparton subsidiary in Florida. We also opened new facilities in the UK and Germany. In 2023 we also completed the implementation of the new ERP system across the company

In 2024 we plan to begin operations at our new ammunition production site in Ramat Beka and the new UAV facility in Modi'in.

In recent years we increased capex to fund the building of new facilities and the roll out of the new ERP systems. We believe this investment will deliver good returns and support growth over the coming years.

The one area the improvement has taken longer than expected was the supply chain. The availability and cost of electronic components improved during the year as expected. However, we have experienced increased delays and disruptions to our supply chain following "Swords of Iron" war.

Elbit Systems supplies a range of solutions to the Israeli Defense Forces. These include the Digital Army Program or DAP 750 command and control solution, Electronic Warfare systems, UAVs, artillery and mortars, systems for main battle tanks and armored vehicles, night vision systems as well as a range of training and simulation solutions from the single soldier to the squadron and battalion level across all domains and more. Our solutions are currently being used extensively by the IDF.

Since the 7th of October we have accelerated the development of some of our solutions that were still in development and were scheduled to be fielded in the medium or longer term. They have already been sent to the field in days or weeks. We did this thanks to the dedication of our employees and our culture of innovation and creativity. We are also upgrading multiple systems and solutions following the lessons learned during the conflict.

We have ramped up production to support the IDF's requirements and maintain deliveries to our international customers at the same time. We increased production capacity at our factories by adding shifts and recruited several hundred additional employees to support the surge.

Before we move to the Q&A, I would like to thank Rami for his contribution to Elbit Systems and wish him success in his future endeavors. From the first of April, responsibility for investor relations will move to Kobi.

In summary, we continue to implement the strategy that has built Elbit into a leading global defense company. The current war in Israel has not changed our long-term plans and the operational transformation is progressing well. I am encouraged by the resilience we have demonstrated overcoming multiple challenges in recent years. All these increase my confidence in our ability to deliver on our potential to all our stakeholders, our customers, our employees and of course to you, our shareholders.

And with that, we will be happy to take your questions. Operator?

Operator: Thank you, ladies and gentlemen. At this time, we will begin the question-and-answer session. If you have a question, please press star-one. If you wish to cancel your request, please press star-two. If you are using speaker equipment, kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by we poll for your questions. The first question is from Pete Skibitski of Alembic Global. Please go ahead.

Pete Skibitski: Hello, everyone, and good afternoon.

Maybe we can start with the very strong backlog growth in the fourth quarter of 7.2%. I think it worked out to be almost 18% for the full year, pretty much all organic. So, as you alluded to Butzi, the demand is pretty strong, unusually strong right now. But I wanted to clarify just a little bit. Are you seeing the greatest strength in order flow from the Israeli MoD right now? Because I noted that Israeli revenue almost doubled sequentially in the fourth quarter. So, I just was wondering if you could clarify, you know, the fastest regional growth in demand.

Kobi Kagan: Good morning, Pete. Thank you for your comments and questions. First, as you mentioned, we had 18% organic growth in our backlog and a 1.1 billion dollar organic growth of backlog just in the fourth quarter, which is above 7%. And, as we presented in last few months, we have a strong intake of international programs, which we mention, for instance, the Land 400 Redback win in Australia, which is a 600 million dollar intake. So, while having significant orders, as we mentioned in November, from the Israeli Ministry of Defense, we have also very strong demand from the international market.

Pete Skibitski: Okay, very good, very good. Appreciate that. And then, just, you know, if I look at operating margins by segment, which you guys give annually, it looks like you did have operating margin expansion in all of your segments year-over-year, except for ESA, where you took the charge, of course. And so, I'm just wondering, given the momentum in some of the other segments, does this give you confidence that, you know, 2023 is perhaps, you know, the trough margin year for Elbit, and that we'll see expansion in '24 and beyond? Just given, you know, you should have better volume and the improvement you've seen in the other segments.

Butzi Machlis: Hi, Pete. As I am sure you remember, our plan was to reach a level of revenues of between 6.5 to 7 billion US dollars at 2026, and an operational profit of about 10% that year as well. I am quite confident that we will be able to reach the level of revenues earlier than 2026. And we are still fully committed to reach the OP level of 10%. We are working hard to do that. And you can see that we are on track. You can see that quarter-by-quarter we are improving our operational profit.

Pete Skibitski: Very good, very good. Last one for me. I was just wondering, your margin plan, I know, relied – will rely on the new facility in the south of Israel. I am just wondering, has the war slowed down construction of that new facility at all? Or is it still planned for completion by the end of the year?

Butzi Machlis: No, on the contrary. We have accelerated the activity, and we expect to start the activity there, or to inaugurate it, around the fourth quarter of this year.

Pete Skibitski: Okay. Okay, great news. Thanks so much guys. Appreciate it.

Operator: The next question is from Ellen Page of Jefferies. Please go ahead.

Ellen Page: Hi, guys. Congrats on the quarter. So, just following up on Pete's question about that facilities, how do we think about your ability to continue to grow artillery volume from here? Just given demand is strong, do you have capacity for growth prior to Q4, or is it more constrained?

Butzi Machlis: Thank you for your question. The answer is yes. We have invested in additional production capacity. We increased the number of employees. And we are working three shifts. And, as was mentioned, we opened already last year several new facilities around the globe. And this year we will open two new facilities, one in Modi'in for UAVs, here in Israel, another one in the south part of Israel at Ramat Beka, which we are planning to inaugurate around the fourth quarter of this year. So, we think that all these investments that were made not just recently, were made during the last years will yield into new capacity for production and will enable us to meet our commitment for the Israeli market, as well as for our international customers.

Ellen Page: Okay, that's helpful. And, just on cash. You had a use of cash again this year. How do we think about working capital – or last year, sorry. How do we think about working capital through 2024? And are you expecting to have better inventory management going forward? Or, how do we think about that 350 million dollar use? Of earnings?

Kobi Kagan: Good morning, Ellen. So, in terms of cash, we had to increase working capital to meet the growing demand. As Butzi mentioned, we have increased revenue of above 8% year-over-year, and 8% in Q4. And as we presented in our backlog, our backlog is 17% higher than last year. So, we need to increase production to meet our customers' demand. That requires strong working capital, that requires inventories. And as mentioned, we increased inventories by 350 million dollars. Another specific reason is the issue of maritime transportation headwinds, which require us to hold more inventories to be able to supply the demand. So, we are looking at that very closely, with our new ERP systems. We are monitoring that very, very closely. And we are receiving concise and precise decisions to meet our demand, while, of course, the capital and cash expenses are a big issue to be dealt with.

Ellen Page: Okay, that's helpful. I will leave it at that.

Rami Myerson: Thanks, Ellen.

Operator: The next question is from Omri Efroni of Oppenheimer. Please go ahead.

Omri Efroni: Hi, guys, and congrats on the great quarter. Maybe to elaborate on the last question about financial expenses. You have pretty high financial expenses, approximately 140 million for the whole year of 23. Maybe if you can elaborate a little bit more about the working capital, and how should I think about it? Is it tied up more of one segment? Maybe the aerospace and the land division? And what about the guarantees? Are you thinking about a way to lower the price of credit, of interest, let's say, on the guarantees, and how one should think about it? Thank you.

Kobi Kagan: Hi, Ofri. So, as discussed previously in our conference, we have 138 million dollars of financial expenses during the year. Part of the expenses are a backlog of more than 4 billion dollars of guarantee, financial guarantees, which we are required to hand to our customers, mainly when we receive down payments. And we are working with the banks, of course, of reducing this cost as much as possible. But we always prefer to issue guarantee, which cost us around half a percent, and receive down payment other than use credit, which cost us as market rates, more than 6%.

Omri Efroni: Okay, great. Thanks for the color. I'll be happy if you can give a little bit of explanation about the UAV segment. Now, Elbit has taken its new facility, it's opening the new facility in Modi'in. Maybe you can talk about it more of how much capacity it's going to be added to the aerospace, and especially the tactical UAVs, and the large strategic UAVs that you can sell and deliver. Thanks.

Butzi Machlis: Hi, Omri. We receive recently many orders for UAVs in many countries, and they are all embedded in the airborne segment. The airborne segment it's not just for UAVs, it is our entire airborne portfolio, which includes training and simulation, avionics, helmets, and some more activities. But talking specifically on UAVs, we see a growing demand for our UAVs here in Israel, but also around the world. We have, as you know, a family of UAVs, from small tactical UAVs to MALE UAVs. The uniqueness of our solution is not just the UAV itself. Is our ability to provide operational solution for our customers based on our different sensors and effectors, which are all linked to the UAVs. Actually our unique offering is not just a simple UAV, is a full integrated package, which helps several operational scenarios which are required in the market. And there we bring the entire synergy of the company. In order to meet the backlog of UAVs we got recently in many countries, we took a decision to invest in a new facility for UAVs in Modi'in. And this facility will be inaugurated around June, July this year.

Omri Efroni: Great. Maybe a last one for me, if I may. And, coming to the fourth quarter of 24, the facility in Ramat Beka it's going to come online. How should I think about the ramp-up in the capacity and the production in the facility? Is it going to be a quick one? Or it can be long as six months, three months, 12 months? Thank you.

Kobi Kagan: We will start production in the new facility in the last quarter. And we will gradually increase capacity and increase production. It will take us probably around nine month to get into full production capacity in that facility, and we have invested quite a lot in this new facility. It includes a lot of automation, new robot technologies, new technologies for production. And in order to ensure good quality, improved yield and good productivity for the new program. The level of orders we got recently is requiring this new facility, and the investment we made during the last two years will certainly help us to deliver all these goods and all our commitments to our customers.

Omri Efroni: Thank you very much, guys. And congrats again.

Butzi Machlis: Thank you.

Kobi Kagan: Thank you, Omri.

Rami Myerson: Thanks, Omri.

Operator: The next question is from Atinc Ozkan of Wood and Company. Please go ahead.

Atinc Ozkan: Thank you, and congratulations for a strong backlog growth at the end of the year. I have three questions today. The first one is, if you could provide an update on how we should look at investment needs going forward, given that the Ramat Beka investment will be mostly completed in 2024. I know that you have been spending around 180, 200 million dollars per annum. But demand is there and, are we going to see new investments from Elbit, let's say, in 2025? My second question is kind of related to that. Given the emerging need for multi-domain warfare across the globe, and what we see in Gaza, Red Sea or Ukraine, and given Elbit's capabilities, wide range of capabilities – what – in which segment do you see the strongest growth? Not regions, which segment? For instance, I notice that there is this emerging kamikaze drone and loitering munition threats and there appears to be no remedy, soft kill or hard kill, when these come in swarms. So, is there a solution for that? Do you have a specific solution for this that you could basically teach to global militaries? That's the second one. And the third one is, I've seen some articles in Israeli press that the MOU with Itochu in Japan has been cancelled. But, you know, Japan is, probably going to be the third largest military defenders. They are boosting their defense budget. So, what is your strategy there to basically penetrate this important market? Thank you.

Kobi Kagan: Thank you, Atinc, and good morning. As you know, we are not providing guidance, but with the inauguration of the Ramat Beka facility and the fully going live of the new ERP system, which required a lot of CapEx investment in recent years, we might expect a reduction in CapEx investment in the coming years. So, that gives my view of how we are going to address CapEx in recent years.

Atinc Ozkan: Should I take that as reduction in absolute levels, or as a percentage of revenues?

Kobi Kagan: Again, you should take it as a non-guidance remark of a small reduction in CapEx in the coming years.

Atinc Ozkan: Understood. Thank you.

Butzi Machlis: With regard to the second question, I do not think that there is one area which I can identify as a growth engine for the company. Actually, there are different growth engines in each division, in each segment. And each one of them has its own uniqueness and its own capabilities, and that is the beauty of our portfolio. That we are not dependent just on one segment or just on one growth engine. To answer your question about swarms and UAVs, of course, we have solutions for that, which are based on countermeasures, based on hard-kit solution and based on energy weapon solutions as well, which we are developing for many customers around the globe. With regards to Japan, we of course respect the decision. Japan is an important market and we know that the budgets are increasing in this market. We have collaboration in this place, and we have opportunities in this – in Japan, and we will continue to work in this market.

Atinc Ozkan: Thank you, gentlemen.

Rami Myerson: Thank you, Atinc.

Operator: If there are any other additional questions, please press star-one. If you wish to cancel your request, please press star-two. Please stand by while we poll for more questions. *[pause]* There are no further questions at this time. Before I ask Mr. Machlis to go ahead with his closing statement, I would like to remind participants that a replay of this call will be available two hours after the conference ends. In the US, please call 1-888-782-4291. In Israel, please call 03-9255-900. And internationally, please call 9723-9255-900. A replay of this call will be also available on the company's website, www.elbitsystems.com. Mr. Machlis, would you like to make your concluding statement?

Butzi Machlis: I would like to thank our employees for their hard work and contribution to Elbit Systems' success. To everyone on the call, thank you for joining us today, and for your continued support and interest in our company. Have a good day, and goodbye.

[End of conference call.]