



**CHAGEE**

**Chagee Holdings Limited Fourth Quarter 2025  
Earnings Call Transcript**

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## **PARTICIPANTS**

### **Company Speakers:**

Junjie Zhang - Chief Executive Officer

Aaron Huang - Chief Financial Officer

Dengfeng Yin - Chief Operating Officer, Global Executive President, and Chief Executive Officer of Greater China Region

Alicia Guo - Investor Relations Director

### **Analysts:**

Lillian Lou - Morgan Stanley

Xiaopo Wei - Citi

Sijie Lin - CICC

Jessie Xu - JPMorgan

## **PRESENTATION**

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### **Operator**

Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Chagee's fourth quarter 2025 earnings conference call. At this time, all participants are in a listen-only mode. We will be hosting a question-and-answer session after management's prepared remarks. Please note that today's event is being recorded.

With that, I will now turn the call over to the first speaker today, Ms. Alicia Guo, investor relations director of the Company. Please go ahead, Ma'am.

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### **Alicia Guo (IRD)**

Thank you. Hello, everyone, and welcome to Chagee's fourth quarter 2025 earnings call. With us today are Mr. Junjie Zhang, our CEO, Mr. Dengfeng Yin, our COO, Global Executive President, and CEO of Greater China Region, and Mr. Aaron Huang, our CFO.

The company's financial and operating results were released by the newswire earlier today and are currently available online. Before we continue, I refer you to our safe harbor statements in the earnings press release, which applies to this call. Any forward-looking statements that we make on this call are based on assumptions as of today and Chagee does not undertake any obligations to update these statements. Also, this call includes discussions of certain non-GAAP financial measure. Please refer to our earnings release, which contains a reconciliation of non-GAAP measure to GAAP measure.

With that, I will turn the call to our CEO, Mr. Junjie Zhang. Please go ahead, sir.

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**Junjie Zhang (CEO)**

Hello everyone. Thank you all for joining Chagee's fourth quarter 2025 earnings conference call.

Over the past year, the market has experienced significant volatility, and the competitive landscape has grown even more complex. As a newly listed young company, we indeed encountered some ups and downs on our 2025 journey, took a few detours, and at times faced moments of uncertainty in our decision-making. The management team has conducted a deep review and reflection on these, viewing them as vital nourishment to drive the company's evolution and build long-term competitiveness.

Looking back at our journey, 2023 to 2024 were a period of rapid expansion in Greater China market. Our primary strategy was teahouse expansion, with the core objective of securing prime locations across major commercial districts nationwide, leveraging a standardized business model to achieve rapid scale. This strategy delivered significant results. We now have over 7,000 core teahouse locations across mainland China, and through Boya Tea Latte, our blockbuster product, we successfully pioneered the fresh-leaf tea category and accumulated a total of nearly 240 million members registered with our membership program. These achievements have formed the foundation of our durable competitive moat.

Over the past year, the market entered a new phase, and consumers have shown a K-shaped divergence in spending habits, one side chasing extreme value, the other seeking premium experiences through superior products and service. The ongoing price war among third-party delivery platforms has further intensified this divergence. For Chagee, we have a strong foundation in premium experiences, with over 7,000 prime offline locations, a core fresh-leaf tea latte driving over 90% of revenue, and a loyal membership base. We underinvested here before. Now we are ready to expand categories and fully unlock our offline potential.

Last year, once our foundation solidified and we entered high-quality development, we recognized that expansion phase inertia no longer met the demands of refined management and operational excellence. Starting the second half of 2025, we advanced a series of internal adjustments, including organizational restructuring and business model transitions, while strategically slowing down the pace of new product launches. This had a measurable impact on our revenue. We also underestimated delivery platform price

wars' effect on offline sales. We stayed true to our long-term strategy, avoiding short-term trends. Today, I would like to share the clear insights from these experiences and our definitive 2026 direction. We believe a team that faces problems head-on, learns from them, and sharpens its thinking deserves long-term trust. In this way, we aim to deliver enduring value to our shareholders, our consumers, and society at large.

I can now share with confidence that our internal realignment is largely complete, and we have returned to steady operations and order. We remain firmly committed to our brand positioning as a high-value brand delivering high-quality products, and we will continue to create exceptional consumer experiences. Looking ahead to 2026, our core strategy will remain centered on our high-value brand positioning and consumer value, with full focus on refining every detail that shapes the consumer experience. Specifically, we will focus on five key areas: brand upgrade, product innovation, scenario expansion, experience enhancement, and organizational improvements. These initiatives will bring us closer to our consumers and support sustainable high-quality growth.

At the brand level, we will launch new formats for regular and personalized teahouses, complemented by varied product lines to suit diverse occasions and emotions. We will elevate the offline experience, creating a true "third space" that connects emotionally with consumers and showcases Chagee's unique charm.

On product, we will stay true to the logic that "products equal people." We will innovate across categories by anchoring on our 18-30 demographic's core demands, and develop new offerings in Special Deals, tea lattes, and more, aligning our portfolio with consumers' multi-scenario lifestyles.

We will penetrate new scenarios with morning and evening-specific products, such as energizing morning tea lattes and evenings low-caffeine drinks, to complete our all-day lineup. We will also grow into workplaces, celebrations, birthdays, schools, and weddings, leveraging scenario marketing to win lasting mindshare and weave Chagee into everyday and special occasions.

Consumer experience and organizational strength underpin our strategy. We will enhance teahouse environments through improved ambiance and differentiated designs for flagship, landmark, and boutique teahouses. On service, we will overhaul after-sales systems, roll out company-wide training, launch an SVIP hotline, and create feedback channels that directly shape improvements based on real consumer input.

Strong organizational capability is essential to delivering on our strategic goals. In 2026, we will advance digital tools, optimize processes, and standardize best practices in operations, R&D, supply chain, and beyond. This will create a leaner, more agile structure perfectly synced with our brand's expansion and consumer needs.

We understand that high-quality growth is a long-term process requiring patience and resolve, and we must consistently do what is right for the long term. In 2026, all of our strategic execution and resource allocation will center on "consumer value." We believe that only by truly understanding consumers, meeting their needs, and creating value that exceeds their expectations can a brand achieve long-term, steady development. We also look forward to working with all partners to advance these strategies and build an even more vibrant Chagee.

Over eight years, Chagee expanded from one teahouse to 7,453. This growth reflects the strength of our sustainable business model, adaptive organization, and commanding brand equity.

In 2025, due to the comprehensive organizational adjustments in the second half of the year and a deliberate pause in new product launches, we experienced a slower growth in top-line. Our same-store sales in the fourth quarter declined 25.5% year-over-year. This was indeed our biggest challenge in 2025. But what I want to emphasize is not just this number, but also the fact that despite short-term pressure, we did not resort to short-term tactics. Instead, we held firmly to our long-term principles. Entering 2026, recent domestic same-store sales shows sequential improvement, reinforcing our confidence in a full-year trajectory of stabilizing in the first half and improving in the second. From a long-term perspective, we will continue to make overseas operations a powerhouse growth driver. We are unwavering in our goal to evolve Chagee into a global tea leader, originating from China but resonating universally.

With that, I will now turn the call over to our CFO, Aaron, who will provide detailed insights into the financials. Thank you.

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**Aaron Huang (CFO)**

Thank you, Junjie, and hello everyone. Thank you for joining our earnings call. As Junjie outlined, we have gained valuable clarity from 2025 that position us well for 2026 execution. I will focus my remarks on the metrics that support this outlook. Before we begin, please note that all amounts are in RMB and all comparisons are on a year-over-year basis unless otherwise stated.

For the full year 2025, total GMV reached 31.6 billion, representing a 7.2% increase from 29.5 billion in 2024. In the fourth quarter, total GMV was 7,322.9 million, reflecting the challenging environment in our home market but also strong growth momentum overseas. As of December 31, 2025, our teahouse network totaled 7,453 locations across Greater China and overseas, a 15.7% increase from 6,440 a year ago. Specifically, our franchised teahouses accounted for 6,838, compared to 6,971 in the third quarter, while company-owned teahouses reached 615, representing a net increase of 248 sequentially. This change was primarily because we converted some of our franchised teahouses into company-owned ones.

In Greater China, average monthly GMV per teahouse was 337k in the fourth quarter of 2025 and 387k for the full year, consistent with the same-store and mix dynamics that Junjie discussed. At the same time,

overseas GMV for the fourth quarter grew 84.6% year over year to 371.9 million, and for the full year our international markets made an increasingly meaningful contribution to overall growth.

On the revenue line, fourth quarter 2025 net revenues were 2,974.5 million, compared to 3,334.4 million in the same quarter of 2024. For the full year 2025, net revenues increased by 4% to 12.9 billion.

In the fourth quarter, net revenues from franchised teahouses were 2,434.9 million, representing 81.9% of total net revenues, compared to 3,095.9 million a year ago. This reflects the cadence of new product launches and the impact of subsidy competition on delivery platforms. Net revenues from company-owned teahouses were 539.6 million, up 126.2% from 238.6 million in the fourth quarter of 2024, mainly as a result of our deliberate development of the company-owned teahouse network in both Greater China and overseas markets.

Turning to Margins. Our gross profit, calculated by excluding cost of materials, storage and logistics from net revenues, reached 1,581.9 million this quarter, resulting in a gross margin of 53.2%. This marks an improvement from 51.6% last year. The margin improvement results primarily from lower packaging materials, equipment and supply chain costs.

On operating expenses, share-based compensation expenses this quarter were 66.1 million. This reflects our commitment to long-term employee engagement and aligning their goals with shareholders. To provide greater clarity on underlying operational performance, we will reference non-GAAP operating results, with full reconciliations available in our earnings release and Form 6-K.

We recorded an operating loss of 35.5 million, compared to operating income of 642.5 million last year. Based on management accounts, the operating loss was mainly attributable to the operational changes in the fourth quarter, with an impact of approximately 320 million, which includes organizational structure optimization and business model transition. Excluding share-based compensation expenses, non-GAAP operating income was 30.5 million, representing a 1.0% margin. The above-mentioned margin difference reflects our stepped-up investment in talent recruitment for global expansion, including brand building to support new product launches, R&D to enhance our offerings, and digital infrastructure to elevate customer experience.

Operating costs for company-owned teahouses were 376.8 million, up 130.8% from 163.2 million a year ago. As of December 31, 2025, we operated 615 company-owned teahouses, up from 169 at year-end 2024.

Other operating costs increased by 26.9% to 231.4 million, largely due to higher payroll supporting the expansion of our global teahouse network. On a non-GAAP basis, other operating costs accounted for 7.6% of revenues, compared to 5.5% a year ago.

Sales and marketing expenses for the quarter were 373.6 million, down 5.6% from 395.7 million a year ago. On a non-GAAP basis, sales and marketing expenses represented 12.2% of revenues, compared to 11.9% a year ago.

General and administrative expenses reached 635.6 million, up 89.0% year over year from 336.3 million. This includes costs associated with a targeted organizational restructuring to position the company for more efficient, leaner operations going forward. The higher G&A reflects our continued investment in global corporate infrastructure to support international expansion, alongside costs associated with ongoing initiatives to optimize internal processes and resource allocation. On a non-GAAP basis, G&A expenses represented 19.7% of revenues, compared to 10.1% a year ago.

Beyond operating income, we generated positive financial income, reflecting interest earned on our current cash and investment balances, as well as a positive other income, which was mainly comprised of government grants largely in line with the prior year period. On a non-GAAP basis, excluding share-based compensation, our full-year 2025 tax rate was 18.4%.

Importantly, we delivered another profitable quarter on both GAAP and non-GAAP bases, marking our 12th consecutive quarter of profitability at the net income level, even through this transitional period. GAAP net income was 33.9 million. Non-GAAP net income, excluding 66.1 million of share-based compensation expenses, was 100.0 million, with a non-GAAP net margin of 3.4% compared to 19.3% last year. For the full year 2025, GAAP net income was 1,186.3 million and non-GAAP net income was 1,909.9 million.

For the fourth quarter, basic and diluted net income per ordinary share were both RMB0.15. On a non-GAAP basis, basic net income per ordinary share was RMB0.50 and diluted net income per ordinary share was RMB0.49. For the full year 2025, basic net income per ordinary share was RMB6.27 and diluted was RMB6.18. On a non-GAAP basis, basic was RMB10.21 and diluted was RMB10.07.

Turning to liquidity, we ended the quarter with 7,892.4 million in cash and cash equivalents, restricted cash, and time deposits, up from 4,868.7 million at year-end 2024. This robust balance sheet provides ample flexibility to execute on growth investments while delivering shareholder returns.

In closing, our fourth quarter and full year 2025 results demonstrate our durable profitability and our commitment to returning value to shareholders through disciplined capital allocation. This positions us strongly as we execute on 2026 priorities.

With that, I'll turn the call back to the operator to begin Q&A. Operator, please go ahead.

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**Operator**

Thank you. We will now begin the question and answer session. (Operator Instructions). Our first question comes from the line of Lillian Lou from Morgan Stanley. Your line is now open. Please ask your question.

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**Lillian Lou (Morgan Stanley)**

Thank you, management, for taking my question, and thank you to Junjie and Aaron for the detailed remarks. My question is about same-store sales. It follows up on Junjie’s prepared remarks on the Company’s outlook for 2026. You mentioned that the Company has now largely completed its internal realignment, and that 2026 will be a year focused on high-quality growth and development. You also mentioned that since the beginning of this year domestic same-store sales shows sequential improvement, reinforcing the Company’s confidence in a full-year trajectory of stabilizing in the first half and improving in the second. As an analyst, I would like to tie this outlook back to the numbers. From fourth quarter of 2024 to fourth quarter of 2025, same-store sales were still in a downward trend overall. From this perspective, how should we evaluate the turning point for same-store sales in 2026? And what specific measures are planned for same-store sales recovery going forward? Thank you.

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**Junjie Zhang (CEO)**

Thank you for your question. We conducted a deep review of our same-store sales performance and we think that it reflects both external challenges and our internal strategy adjustment pace.

As you mention, we underestimated the complexity of a company who has over 3,000 employees, which has delayed our strategy roll-out for the year of 2025. For that I apologize for the market.

Market competition in 2025 exceeded our expectations. The intense third-party platform competition impacted offline operations, and our short-term market tactics were not as strong as they needed to be. In this environment, we chose not to chase low-price traffic blindly. Instead, we stuck to our premium brand positioning and at the same time we were very focused on internal adjustments and slowed our new-product cadence, which did create short-term pressure on cup volume. Even so, we believe growth based on healthy business models is sustainable. Meanwhile, we are reflecting on how to actively adapt to market changes with flexible short-term tactics while maintaining our high-value brand positioning.

Honestly, we took some detours in new product launch rhythm and marketing execution, and we did not fully keep pace with how fast the market was moving. The positive side is that these lessons have made us more alert and agile. You can already see this in our “Qwen” campaign in February, where we reacted quickly and captured the opportunity, which shows the team’s agility is getting back to the normal level.

For 2026, we are not going to pursue growth for its own sake. We want to get back to a cycle of higher-quality operations, with same-store recovery as our top KPI. We will focus on four things: store operations, consumer experience, product innovation, and organizational efficiency.

First, on operations, we will focus on existing teahouses, slow new openings. We will moderate this year's expansion pace and prioritize healthy operations at current teahouses. For underperforming ones, we will keep optimizing and upgrading, and in parallel we are building a full-chain quality management system from sourcing all the way to after-sales to lay a solid foundation for long-term operations.

Second, on consumer experience, we are focused on enhancing brand value. We won't trade price cuts for traffic. Instead, we attract consumers through high-quality product innovation and superior in-store service experiences.

Third, on innovation. On the one hand we will keep innovating across multiple categories while reinforcing our core fresh leaf milk tea franchise. Our new product "Signature Pu-Erh Tea" launched in December provides a strong example. With a dormant member reactivation rate as high as 51%, meaning one in every two members buying this product was an old member who hadn't consumed the previous month, it drove a 16.2% week-over-week GMV uplift in the launch week, significantly exceeding the historical average for all new products. This example proves that our product innovation capability is our core driver for navigating cycles and restoring same-store sales.

On the other hand, we are exploring more consumer scenarios such as gatherings, weddings, birthdays and other moments, and extending to all-day occasions to deepen the brand's warmth and texture in consumers' lives.

Last, on efficiency. We have now completed the major organizational adjustments, and we will continue to refine the structure so that we can maximize efficiency.

Overall, we expect 2026 to be a year where we are very focused on high-quality growth rather than rapid expansion for scale, and our goal is to keep revenue and profit broadly flat year-on-year while seeing same-store growth trends stabilize at the operating level. And we believe in the second half, the overall same-store sales and operations will be healthier. We also want to focus that our priority for this year is to secure the market share rather than for the net profit. So, if we have a conflict, if we see a conflict between market share versus profitability, we will choose the former one.

So, to sum up, the priority for this year, for 2026, is to both elevate the user experiences and to keep the same-store sales getting back to the healthy level.

Operator, next question please.

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**Operator**

Our next question comes from the line of Xiaopo Wei of Citi.

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**Xiaopo Wei (Citi)**

In your prepared remarks, you briefly touched base on the business model transition. Could you share with us what has been motivating you to execute such a business model transition? And could you give us some more update on the status of the transition?

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**Dengfeng Yin (COO)**

Thank you. Our model transition has one core motivation, that is to build true "shared risk, shared reward" strategic partnerships with franchisees.

Last year, industry price wars intensified. Franchisees faced dual pressures of sales decline and rising costs. The old model offered insufficient buffers in downturns. So we restructured incentives, shifting from traditional supply relations to a GMV-based revenue-sharing model.

In the new model, brand fees do go up slightly, but those fees come with two strong offsets. First, we offer enhanced discount management through market intelligence and targeted campaigns. Second, we cut raw material costs ratio at franchisees end sharply. Now our revenue moves up and down with their GMV sales. When they succeed, we succeed.

From 2026, we fully roll out the new model. This unites our interests and goals. We look forward to even tighter collaboration to drive sustained GMV growth.

Operator, next question, please.

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**Operator**

Our next question comes from the line of Sijie Lin of CICC.

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**Sijie Lin (CICC)**

Can you provide an update on the performance of our overseas markets? What are your expansion plans in 2026 for both domestic and overseas markets?

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**Junjie Zhang (CEO)**

Thank you for your question. Let me start with our overseas performance in 2025. In the fourth quarter, our international markets showed strong and healthy growth. We added a net 83 teahouses, bringing the total to 345 in the overseas market. GMV grew 23.9% quarter-over-quarter and 84.6% year-over-year. More importantly, the average monthly GMV per teahouse for overseas teahouses outperformed domestic ones, preliminarily proving the replicability and strong vitality of our business model overseas.

In 2025, we entered four new markets, Indonesia, the United States, Vietnam, and the Philippines. Currently, our overseas footprint covers seven countries, Singapore, Malaysia, Thailand, Indonesia, Vietnam, the Philippines, and the United States. In Vietnam, our first teahouse opening generated over 20,000 cups across three teahouses in the first three days, with brand voice rapidly climbing to second in the local tea category. At year-end 2025, our Hello Kitty IP co-branded Cocoa Oolong launched across five Southeast Asian countries, achieving a 75% new product sales share on launch day in Thailand and 38.3% in the Asia-Pacific region over the first three days, topping regional tea brand voice. These achievements have demonstrated that Chagee's brand power can transcend borders.

I'll break 2026 strategy into domestic and international markets. For domestic markets, we focus on existing teahouses, prioritizing quality. This year, we will moderate domestic expansion pace and shift our focus to same-store sales growth and ensuring store-level health and profitability. We plan about 300 net new teahouse openings in strategic locations in mainland China. The number is not the goal. We prioritize healthy profitability for each new teahouse while supporting existing same-store growth through optimizing and reinforcing key location resources. Additionally, we may make strategic adjustments to our expansion pace based on our performance this year.

Overseas expansion will continue at a steady pace. In the fourth quarter, we added 21 teahouses in Malaysia, 19 in Indonesia, 13 in Thailand, 12 in Vietnam, and 11 in Singapore. This momentum carries into 2026. Thailand is now expanding from Bangkok to Chiang Mai. And our Korea debut is planned for the second quarter, making it our eighth overseas market. 2026 is our foundation-building year. We target about 200 net new teahouses overseas. More importantly, in every market we enter, we will continue to refine business models and build replicable templates for future scale.

Lastly, in terms of globalization, I have to add on a little bit of touch. We are doing something that is a must. This is something we have to do, but it is difficult. We're not only investing in the overseas market in the next several years. We're actually investing in the next decades, especially the U.S. market. So we're not talking about a short-term sprint, but a long-lasting marathon for our global expansion.

The priority for our overseas markets is to refine the business model as we go. And also the priority is to keep up healthy unit economics, especially for the U.S. market, which is the second largest market except for China.

So we believe there are a lot of business models that we can adopt, like license or franchisee, but we choose the hard way to bring it out because we not only want to open dozens or hundreds of stores in the U.S., but we want to bring the drinking habits of tea into the U.S. market like Starbucks has been doing for the past several years when they entered into the Chinese market.

We chose a route that is more difficult and requires higher capex, and we might make mistakes. But I'm here to ask for the capital markets to give us more confidence and understanding about our overseas market expansion.

Lastly, to add on a little bit, Chagee is not adopting the normal way to grow, especially as a listed company. But we believe we want to bring the higher value and make Chagee a high-value branding-oriented company in the future. In the short term, we believe most of the capital markets or investors are focusing on P&L. But in the long term, Chagee wants to grow the company as a new category pioneer, which not only provides freshly brewed drinks to our customers, but also brings a new lifestyle to our customers, such as RTD and also different scenarios of consumption.

In the short term, we might see volatility from our financial performance. But in the long term, we believe Chagee has the possibility to evolve from a freshly brewed maker to a lifestyle changer worldwide to global consumers. So hopefully we have all the investors' long-term support, and we welcome your comments and your advice as well. Thank you.

Operator, next question, please.  
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**Operator**

Our next question comes from the line of Jessie Xu of JPMorgan.  
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**Jessie Xu (JPMorgan)**

2025 was a tough year, but I think it's fair to say that the most difficult time seems already behind us. Investors had been looking forward to a marginal improvement in same-store sales trend, and I think 4Q print already provides some reasons for investors to turn more positive from here.

Management mentioned cost reduction initiatives on the earnings call last quarter. So could management introduce concrete measures? What did we do? How is it progressing? And any initial feedback or efficiency gains from these initiatives? And lastly, how should we think about the op-ex ratio for this year? Thank you.  
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**Aaron Huang (CFO)**

Thank you for your question. Our cost reduction and efficiency efforts are not short-term fixes for a single quarter's performance. They're part of a bigger, long-term push to make the organization healthier overall. Things are moving forward well, and we're already seeing some early results.

On the organization side, we've wrapped up phase one. That means combining mid- and back-office functions and cutting out duplicate work. As Junjie just mentioned, we opened a lot of new stores during the year of 2023 and 2024. And in 2025 alone, we opened more than 800 stores as well. So now we're focusing on the same-store sales and shifting more resources to the front lines for better execution and faster response. This is about smarter structure, not just trimming headcount.

For expenses, we've put in stricter controls and better budgeting. It covers everything from targeted marketing spending down to daily operations.

Looking at 2026, we expect our overall fee rates to stay stable. Especially for sales and marketing, we'll keep investing in this area. We'll also keep investing in efficiency and controls without hurting core growth areas. The aim is better quality inputs leading to stronger outputs, no matter the environment.

For the G&A expenses, our goal is to keep optimizing the overall efficiency with the precondition that without impacting our overseas market expansion. Thank you.

Operator, next question, please.

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**Operator**

Thank you. As there are no further questions, I'd like to hand the conference back to management for closing remarks.

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**Alicia Guo (IRD)**

Thank you again for joining our call today. If you have any further questions, please feel free to contact us or request through our IR website. We look forward to our next call with everyone. Have a great day.

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**Operator**

This concludes today's event. Thank you for participating. You may now disconnect.