



**Alerus Financial Corporation**

**Second Quarter 2022 Earnings Conference Call**

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## CORPORATE PARTICIPANTS

**Katie Lorenson**, *President and Chief Executive Officer*

**Al Villalon**, *Executive Vice President and Chief Financial Officer*

**Karin Taylor**, *Executive Vice President and Chief Risk Officer*

## CONFERENCE CALL PARTICIPANTS

**Ben Gerlinger**, *Hovde Group*

**Jeffrey Rulis**, *D.A. Davidson & Co.*

**Nathan Race**, *Piper Sandler*

## PRESENTATION

### Operator

Good afternoon and welcome to the Alerus Financial Corporation Earnings Conference Call.

After today's presentation, there will be an open opportunity to ask questions. Please note this event is being recorded.

This call may include forward-looking statements, and the Company's actual results may differ materially from those indicated in any forward-looking statements. Important factors that could cause actual results to differ from those indicated in the forward-looking statements are listed in the earnings release and the Company's SEC filings.

I would now like to turn the conference over to Alerus Financial Corporation President and CEO, Katie Lorenson. Please go ahead.

### Katie Lorenson

Thank you. Good morning everyone and thank you for dialing into our call today.

Joining me today in Minneapolis is Karin Taylor, our Chief Risk Officer, and Al Villalon, our CFO.

I am proud to announce that during the quarter we added Jim Collins, a seasoned bank leader in the Twin Cities, to our Executive Team as our Chief Banking and Revenue Officer. Jim will lead and support the continued new client growth and existing client expansion, while building on our recent successes in adding talented bankers and advisers in the Twin Cities and throughout our footprint.

On July 1, we closed on the acquisition of Metro Phoenix Bank, the 25th acquisition in the Company's history. We are pleased to have Metro Phoenix join the Alerus franchise. The Phoenix-Scottsdale MSA is one of the fastest-growing areas in the country over the past five years.

Metro Phoenix Bank, started by Steve Haggard, is a well-established, high-growth, and highly efficient bank with a strong commercial presence. With the approval and closing, Steve has now assumed leadership over the entire market as the Arizona President. Together, our combined organizations are one of the largest community banks and SBA lenders serving the market. This acquisition significantly increases our presence in Phoenix, Scottsdale and demonstrates our commitment to growth and client expansion in Arizona.

Looking back on the quarter, we reported EPS of \$0.53, which included a \$0.05 negative impact related to merger expenses. We continued to experience good loan growth as loans grew 17.3% on an annualized basis ex-PPP. Growth was across products, but highlighted by additions to our commercial client base, a proven catalyst for growing our Retirement business.

Year-to-date, new plan sales in the Retirement division are nearly 50% higher than last year, while lost plans have remained at stable levels. Our Wealth Management division produced at record levels of new revenue, which drove a linked quarter increase in revenue despite the quarter being the worst midyear market results in over 50 years.

We experienced outflows in deposits which were largely linked to seasonal declines in core operating accounts of public entities, and excluding PPP, our underlying core NIM expanded 9 basis points to 2.96%. Our mortgage originations on a year-over-year basis declined at a level greater than originally anticipated as 30-year mortgage rates quickly rose from 3% to 6%. While we are coming off peak originations of \$1.8 billion in 2021, we never overbuilt on an infrastructure, and we channeled our One Alerus culture and shared resources across business units to get that level of business done.

While the mortgage industry is rapidly changing, our focus has always been on the purchase market due to our long-standing relationships with realtors and builders, especially in the Twin Cities. As our competitors reposition and downsize, this will present opportunities for our top-tier producers to pick up more market share in the purchase market.

Despite the headwinds in Mortgage, we continued to execute on our One Alerus strategy as we continued to grow the number of plans and participants in Retirement and Wealth Management. We continued to deepen our relationships within our large client base on our platform.

Today, we remain uniquely positioned in the banking sector as we continue to generate over 50% of our revenues from fee income, the majority of which is recurring annuitized revenue with minimal capital allocation and no credit risk. Our loan portfolio remains well diversified and credit is very strong as we continue to experience minimal past-dues, low levels of classified loans, and negligible charge-offs. In addition, as a non-CECL bank, we stand with a healthy allowance for loan losses at 1.66% of total loans. Expense management remains a key focus, with core expenses flat to the previous quarter and down nearly 6.5% compared to the second quarter of 2021.

I want to thank all of our employees for their hard work and dedication and welcome the Metro Phoenix Bank employees to our Company. Our momentum in attracting and retaining talent as well as client-growth opportunities across our diverse product offering, supported by strong common Tier 1 capital levels of 14.19%, has Alerus well-positioned to continue to grow, expand, and deliver strong returns to our shareholders.

With that, I will hand it off to AI to discuss the financial details of the quarter.

Take it away, AI.

**AI Villalon**

Thanks, Katie.

I will start my commentary on Page 14 of our investor deck that is posted in the Investor Relations part of our website.

For the second quarter of 2022, reported average loans increased 4.0% on a linked quarter basis. Excluding the impact of PPP, average core loans increased 4.6% on a linked quarter basis. The increase in core average loans was driven by a 9.2% growth in C&I and a 5.4% growth in consumer. Within C&I, we saw a pickup in loan production, along with an uptick in utilization rates as clients continued to tap into their existing lines.

C&I utilization increased from 28% to 32% during the quarter. At the end of the first quarter, we had approximately \$6.9 million of PPP loans outstanding. Average deposits declined 2.7% on a linked quarter basis due to seasonal decline in interest-bearing deposits. The decrease in interest-bearing deposits was due to a seasonal decrease in our public unit funds. We typically see a drawdown in these public funds in the summer, with an increase happening during the fall usually.

Turning to Page 15, credit continues to remain very strong. We had net charge-offs of 7 basis points in the first quarter compared to 3 basis points of net recoveries in the prior quarter. Our nonperforming assets percentage was 16 basis points compared to 15 basis points in the prior quarter, while our allowance is 1.66% of period-end loans.

On Page 16 are some key revenue metrics. On a reported basis, net interest income decreased 5.1% on a linked quarter basis. Excluding the impact of PPP, net interest income increased 6.9% due to higher loan growth and higher net interest margin. Noninterest income declined 0.8% on a linked quarter basis due to lower Retirement revenues offset by improved Mortgage and Wealth Management. I'll go into detail about those segments in later slides.

Turning to Page 17, net interest margin was 2.98% in the first quarter, an increase of 15 basis points from the prior quarter. Excluding the impact of PPP, our core net interest margin was 2.96%, an increase of 19 basis points from the prior quarter. Core net interest margin benefited from higher investment portfolio yields along with higher loan yields from our commercial real estate profile offset by lower yields from our C&I portfolio.

Turning to Page 18, \$706 million or 37% of our loans are floating, as you can see at the top of the slide. As you see, almost all our variable loans are above their stated floors or have no floors. On the bottom left, you can see a waterfall of our net interest income and net interest margin, that our volumes and rate, as previously mentioned, positively, fiscally (phon) impacted our results.

On Page 19, our core funding mix remains very strong. We saw a small increase in our deposit costs due to rising interest rates. Given the recent rise in interest rates, we do anticipate our deposit costs to rise now. We're currently anticipating our deposit beta to be between 25% to 30% in the quarter, which is still lower than we previously anticipated.

On Page 20, I'll provide some highlights on our Retirement business. AUM declined 10.1% due mainly to market volatility, with S&P being down over 16% in the quarter and the Aggregate Bond Index down 5%.

While AUM declined, we did see the number of participants increase to approximately 450,000 versus 445,000 in the prior quarter. Revenues declined 7.7% from the prior quarter mainly due to lower asset loans.

Turning to Page 21, you can see highlights for our Wealth Management business. Similar to what we saw in Retirement, AUM declined 9.5%, mainly due to market volatility again. Despite the decline in AUM, revenues increased 4.1% from prior quarter mainly through a custody deal that was won at the end of the prior quarter, strong new production by our advisory business, and higher transactional revenues.

Turning to Page 22, I'll talk about our Mortgage business. Mortgage originations increased approximately 45% from prior quarter as we rebounded from record low housing inventories in our main markets. Despite the challenging market, our current volumes are over 22% higher than a similar time period in 2019.

Lastly, turning to Page 23, is an overview of our noninterest expense. During the quarter, noninterest expense increased 5.0%, mainly due to higher incentive compensation related to revenue-related activities, mainly an improvement in Mortgage. We also saw an increase in professional fees due to higher M&A expenses in the quarter. Other expenses decreased as a result of lower provision for unfunded commitments as we saw a pickup in commercial utilization, and marketing expenses increased quarterly due to a typical seasonal pickup.

Now I'll provide some forward-looking guidance. First, I'll comment on the Metro Phoenix Bank, which we closed on the acquisition on July 1. As of June 30, Metro had the following balances. They had \$84 million of cash, \$38.5 million of investments, and \$277.6 million of loans. We're assuming \$354.5 million of deposits.

We issued 2.68 million shares of total stock for a consideration of \$63.8 million for the purchase of Metro. After the purchase of Metro, we do not anticipate a material impact on our tangible common equity or capital ratios as a result of the transaction.

Now I'll provide guidance for the third quarter. On a stand-alone basis, we're expecting average loan growth to be in the high single-digits on a linked quarter basis. For Metro, we're expecting double-digit loan growth on a linked quarter basis in that loan book. Overall, we expect some interest margin expansion, but the expansion will be limited as we anticipate rising deposit costs given rising interest rates. Again, we're currently expecting our deposit beta to be between 25% to 30%.

With Metro, we expect net interest income to grow in excess of 20% from the prior quarter. We expect overall fee income to be down low single-digits, mainly driven by continued decline as we expect all originations to be under pressure due to seasonality.

Given no market growth, we expect Wealth to be up similar at the second quarter and Retirement to be flattish. On a stand-alone basis, we're expecting expenses to be up mid-single-digits, mainly due to merger-related costs. Excluding those merger-related costs, we expect core expenses to be flattish. With Metro, we expect Metro to increase our core expense base by mid-single-digits. Lastly, we expect credit to remain strong and continue to expect net charge-offs to be below historic levels.

With that, I'll now open it up to Q&A.

**Operator**

Absolutely.

The first question comes from the line of Ben Gerlinger with Hovde Group. You may proceed.

**AI Villalon**

Hey, Ben.

**Ben Gerlinger**

Good morning.

I think there's been a lot of rumor and a little bit of speculation, and hopefully, we can put anything to bed here. I hate to start the Q&A off on this somewhat somber tone, but AI, after you threw out the first pitch, did you cheer for the Twins or for the Yankees?

**AI Villalon**

I cheer for baseball in general, Ben. I appreciate the question there. My roots are from New York, but I've been in the Twin Cities for a long time. I support baseball in general, so whoever won that game, I'll support (inaudible).

**Ben Gerlinger**

Yes, of course you cheered for whoever who won. That would be the Yankees.

Anyway, so when you guys think about the market as it is today, and obviously there's different segments within the company and there are different market forces. The core bank should have higher rates coming forward—used to have a stronger revenue—and with that it gives you an opportunity to reinvest within the broader business overall.

When you think about priorities and internal investment, where would you put that next incremental dollar? Is there any one segment, that technology investment priority, or anything to that degree that would allow Alerus to be better set up for the next decade?

**AI Villalon**

I think Katie could take that one, for sure.

**Katie Lorenson**

Yes, I'll take that one. Thank you, and good question.

I referenced in my opening comments commercial banking being the catalyst for many components of our Company, and so as we focus and laser in on where we bring the most value to clients, we are very much bringing obviously Jim Collins on board, who is a proven leader and grower in commercial banking. That is where we're focusing on growing our franchise because it does give us the opportunity to expand on the fee income at a very high level of success.

**Ben Gerlinger**

Got you. Okay, so it's a bit of a lead into a broader relationship if I'm squaring that circle a bit here.

Then my follow-up really stems to the next bigger picture question going forward. Is there any opportunity that you can trim out more expenses throughout the franchise overall, assuming that Mortgage doesn't move? Or is it really dependent upon if rates don't change much, Mortgage shouldn't change much, i.e. compensation doesn't change much? Is there anything from a structural perspective, from an expense within that, that could improve overall profitability?

**Katie Lorenson**

Yes, absolutely.

**Al Villalon**

I could take that one. Go ahead.

**Katie Lorenson**

Sure. Go ahead, Al.

**Al Villalon**

Yes. Jim's been on board here now for about 60 days, and he and I have been syncing up on various things. I've been here for about a little over six months. As we look at the structure, we do see that there's opportunity to right-size some expenses, but also too we're dealing with an inflationary environment right now.

We are dealing with some of those inflationary pressures that everybody else is dealing with too. So, for us right now, trying to keep expense flattish in this high inflationary environment is our goal right now, but as we look to the long term, though, I think Katie's going to comment here as well and probably build on this, is that we're trying to build a structure too that's going to allow us to continue to grow for the long term, because there's so much opportunity for us.

As I keep working every day and understanding the potential of this Alerus story, Jim and I and everybody here sees that there's so much runway for us to grow, and some of that growth is required investment as well. That's what we're trying to work on right now, is what is the investments we're going to make to help support that growth for not just the short term, but for the very long term.

Katie, do you want to add anything to that?

**Katie Lorenson**

I would add on. Yes, thanks.

A key focus for us in the past three to five years has been on a couple of things. It's been on developing the credit infrastructure, as well as bringing on technologies that allow us to be more efficient to grow, and so our opportunity to scale without adding overhead is impressive. Under Jim's leadership and our ability, as you can see by our past recent successes, in bringing on talent we think is the real catalyst to support that growth going forward at a higher level than what we've been, with the right credit and operating infrastructure behind it.

**Ben Gerlinger**

Got you. That's helpful. If I can just sneak one more in.

I know that the core bank is a bit of the gateway to (inaudible) encompassing relationship. I don't think that you guys are on the hunt for necessarily a full bank acquisition today, but if you were to think about any incremental lender or any type of lending—could be a banker or a team of bankers—is there any geography or any lending class that is top of list? I know (inaudible) much of anything for high-caliber talent, but if you could write the script on who the next incremental banking hire would be, what would be that characteristic?

**Katie Lorensen**

Sure. Absolutely.

C&I bankers, mid-market, strong Treasury management, and we think we've got great opportunities here to do so in the Twin Cities. In regards to full bank acquisitions, we continue to look, and we keep that funnel pretty wide at the top as we look at businesses that could add scale or just bring a client base that gives us that opportunity to expand relationships, but certainly, talent acquisitions, which we've done a number of, continue to be one of our highest priorities.

**Ben Gerlinger**

Got you. I appreciate all the answers. I'll step back in the queue. Thanks, guys.

**Katie Lorensen**

Thanks.

**Al Villalon**

Thanks, Ben.

**Operator**

Thank you.

The next question comes from the line of Jeff Rulis with D.A. Davidson. You may proceed.

**Jeffrey Rulis**

Thanks. Good morning.

Question on the deposit flows. I think the pandemic clearly disrupted seasonality, as you guys spoke to—I think you mentioned that. I just want to check in on the confidence that you do see those public inflows, maybe you've seen some quarter-to-date, but I want to get a sense for—the other part of that is there's seasonality, but there's also some changing deposit behavior and deposit retention. We're seeing some outflows for the industry, so just your take on confidence in seasonality, as well as are you seeing some rate-chasing activity as well? Thanks.

**Al Villalon**

Yes, thanks for the question, Jeff.

We actually just did a study on a seasonality approach, and it has been over the last several years, pretty much tried and true, that those public funds go from us in the summer, and that's why I was comfortable talking about that on the call today, because—and we're starting to see again a slight pickup again in the deposits from the public funds, because it's just that the 2Q, a lot of those public funds are being used to pay for teachers, they've been paid out during the summer, and then they start building back in come the fall, so we feel comfortable about that.

You're right, though. There is some seasonality, and we're watching it very closely. Especially with the Fed hike that just happened, we're just going to be watching behavior very closely, so that is definitely on our radar.

**Jeffrey Rulis**

Outside of that public fund movement, are you seeing some of the other regular way customers chasing rates? Or is there any piece of the deposit mix that you've seen that change quarter-over-quarter?

**AI Villalon**

No, Jeff. We actually haven't. The thing that's been really impressive here is how sticky our customer base is right now. We've been able to lag our deposit costs right now, and there hasn't been a lot of movement out there, and that's why when I said that we're expecting our deposit beta to pick up but it's still below what I would have anticipated it to be in a rising-rate environment like this, it's been a pleasant surprise for us to see how—for me, I should say, because I've only been here for six months—how sticky our customer base is.

**Jeffrey Rulis**

Got it.

I want to circle back on the expenses. I know you tackled some structural, big-picture, efficiency-type questions, but could you remind us of the timing now of where you think Metro Phoenix, the conversion of that, occurs and what maybe could be carved out on the targeted cost saves with that, and timing?

**AI Villalon**

Yes. We're targeting conversion in the later part of third quarter this year. I'm sorry, third quarter of this—so, sometime late this third quarter, we're (inaudible) conversion. We are still anticipating the cost saves that we originally disclosed, but there might be just a little bit plus or minus in that range, I'd say, just a little bit.

**Jeffrey Rulis**

Okay.

Then, lastly, just maybe housekeeping related to the deal. Any kind of adjustment on goodwill or tangible book dilution given the rate movement we've had? I don't know if the marks change, but basically at announcement, any update on goodwill or tangible book impact?

**AI Villalon**

Yes. Actually, we just got those in just recently, and I'd say that there's really no change to that, and that's why I put the highlight in the guidance that we still don't anticipate material impact to our tangible common equity or capital ratio. So, we just got those marks in.

**Jeffrey Rulis**

Okay, I'll step back. Thank you.

**AI Villalon**

Yes, thank you, Jeff.

**Operator**

Thank you.

The next question comes from the line of Nathan Race with Piper Sandler. You may proceed.

**Nathan Race**

Yes. Hi. Good morning, everyone.

**AI Villalon**

Hey, Nathan.

**Nathan Race**

I appreciate the guidance for Retirement and Benefit Services revenue in 2Q, but thinking longer term, I'd love to get an update just with the natural attrition within RB&S AUA, how you guys are thinking about the opportunity to add clients organically with your sales efforts, and also just given how you guys have increased the capture rate as plan participants enter a term when you guys onboard those assets into Wealth Management, and how that translates to future growth after 3Q, assuming equity markets stabilize from here.

**AI Villalon**

Katie, do you want me to take that one, or do you want to take that one?

**Katie Lorenson**

I'll start, and then you can fill in, AI. Good morning, Nate. Thank you for the question.

In regards to Retirement, as I mentioned in my opening comments, we are seeing a higher level of new plan sales than we have in previous years, as well as reduced levels of attrition. Many of those plans are not asset-based, the new plans. Many of them are on a per plan, per participant base. We've got a couple of tailwinds, I believe, certainly the market on the asset-based fees, as well as on the new plan basis, and as those plans grow, our fee income naturally increases as participation in the plan increases. That's one catalyst of the growth.

Then, commercial client expansion. As we grow our commercial banking client base, our typical success rate with commercial clients is about 50%, and also getting the retirement plan over time. It doesn't

always come, day one, but certainly, as the relationship develops, we absolutely get a chance to talk to that client about the services that we can offer, and half the time we end up getting that plan to transition to us.

Again, the Retirement business is a significant feeder system to our Wealth Management business, and more than it has ever been in the past. We've always been good at capturing rollovers on a reactive basis, and over the course of the past year or two we've been much more focused on being proactive with that participant base, engaging with those individuals that are potentially nearing retirement or are just in a place where financial planning is something that they're thinking about and something that they're in need of. That opportunity within that division is significant for building out the rest of our fee-income opportunities in the future.

**AI Villalon**

Yes, I think Katie gave a great overview there.

The only thing I could add to that is that our leader in the Retirement business, Rob Woytassek, he's really stepped in and really done a great job in that commercial client expansion story there. He's identified opportunities for us to really get that overlap and synergies in terms of deeper penetration with our clients. We've already seen some initial success in that commercial expansion strategy, and he's targeted some opportunities for us, and we're going to continue executing on that probably for the foreseeable future.

**Nathan Race**

Got it.

Just going back to what Katie said initially in terms of the mix shift change in clients being added, I imagine that also reduces the market sensitivity of this revenue source going forward, if I'm hearing you guys correctly.

**Katie Lorenson**

Right. It does. Most of the new business is not all tied to asset base. Some components of it, trust and custody of course would be, advisory services would be, but the administrative and recordkeeping tend to be more tied to just per-plan fees and per-participant fees.

**Nathan Race**

Okay. Great.

If I could just switch gears and think about overall balance sheet dynamics. With Metro Phoenix adding roughly \$450 million or so in earning assets here in the third quarter, how are you guys thinking about overall deposit flows from here? It sounds like you guys are going to compete on deposit pricing going forward, but is it fair to expect the earning asset base stabilizes around \$3.5 billion from here and that would in turn support margin expansion, just given the asset-sensitive nature of your balance sheet? Or how are you guys just thinking about the overall balance sheet flow and just level going forward?

**AI Villalon**

Yes. Thanks for that, Nate.

As we think about the balance sheet right now, I highlighted in there we are seeing really strong loan growth. Just on a (inaudible) stand-alone basis, we're thinking high single-digits there on a linked quarter basis. But Metro, talking to Steve Haggard down there, we are really excited about the opportunity, and we're expecting that book to grow in the double-digit range as well.

Our preference is loan growth right now. With a 14.19% Tier 1 capital, common Tier 1 capital, we have a lot of dry powder to support loan growth, and we'd like to keep supporting that loan growth. Right now, from an investment portfolio side, though, we're letting some of that stuff mature to help continue to support the loan growth there and remixing the balance sheet just a little bit, but with that loan growth we're putting on too, we're expecting deposits to come and help support that as well from a funding standpoint.

**Nathan Race**

Okay. Yes, and so just given the ongoing earning asset mix optimization with loan growth remaining strong here into the third quarter, and just given the asset-sensitive nature of the balance sheet, is it fair to expect the margin to get north of 3.20% and perhaps even north of 3.50% in both the third quarter and fourth quarter, respectively, of this year?

**AI Villalon**

Yes, so on that we—NIM is always an output function for us, but we are expecting growth in that right now. The question right now as—we're pretty much having pretty frequent discussions on deposit pricing because we'll monitor it, given the rapid rise in rates—it's hard for us to really say where it's going to pinpoint, but the one thing I do say is that with Metro coming on board, though, there's going to be an uplift to our NIM, especially because their margins are definitely higher than us, probably to the tune of, I want to say, 40 to 50 basis points.

If you look at their year-to-date performance for us and stripping off PPP for both companies, they have a lot higher margin from us, and that's going to help our margin as well.

But again, one thing—I'm tempering it just a little bit now—is that given what Jeff had asked about, previous question, that we have a lot of rising rates, we're just watching the deposit dynamic right now.

**Nathan Race**

Got you. It makes sense.

If I could just ask one more. Credit has always been a nonissue for you guys historically, and that remained the case in the second quarter, by and large.

Just thinking about the SBA team that you guys added in the Twin Cities fairly recently, and then I believe you guys are picking up an SBA team in Phoenix as well, and I guess generally, that asset class has looked at as higher risk-reward, so I guess I'm just curious if, just given all the rate pressures that's impacting small businesses these days, if your plan to continue portfolio production is still intact and how you guys shift, if at all, your underwriting approach to SBA relative to conventional commercial loans.

**AI Villalon**

Karin, do you want to take that one?

**Karin Taylor**

Yes. Sure, Nate.

I think in this environment we're certainly looking to continue to grow SBA from a relationship perspective, but we'll also look at the potential to sell some of those on the secondary market. I think we're open to both approaches. I don't see us changing our underwriting standards. I think we've got strong standards in place, and certainly with the guarantee, that affords us a level of protection.

**Nathan Race**

Okay. Great.

Sorry, perhaps one more for Katie. Just you touched on whole-bank acquisition opportunities, but curious to maybe get an update in terms of what you're seeing in the Retirement and Benefit Services space for additional deals there.

**Katie Lorensen**

Yes, we continue to increase our sources in regards to partnering with advisers across the country who are in the business of finding these businesses and positioning them to sell within one, two, three, four years. That's helped us grow our pipeline and get into higher levels and volume of conversations, and so we're very pleased with that activity.

There continues to be competition in the space, which I think just speaks to the value of the business of retirement and the annuitized fees and the capital that has to be allocated to those fees. So, we like where we're at from a conversation, from a pipeline standpoint, and we like even more what we've got, because clearly there's tremendous value within that business unit.

**Nathan Race**

Okay. Great. I appreciate you guys taking all the questions. Thank you.

**Katie Lorensen**

Thanks, Nate.

**Operator**

Thank you.

This concludes our question-and-answer session. I would like to turn the conference back over to Katie Lorensen for closing remarks.

**Katie Lorensen**

Perfect. Thank you, and thank you everyone for joining our call this morning. We thank you for listening. We thank you for the great questions.

I'll close with just a few comments. Clearly, our industry is facing some headwinds. Our Company has historically outperformed, and we remain well-positioned for future success because of our diversified business model. The momentum we're seeing in building our pipeline for new business, our client expansion across all products, and the high level of engagement we have within our team and our

leaders is very special. We are very proud to be where we are. We remain focused on working together to grow our Company, and the steady and strong foundation that we have is allowing us again to differentiate ourselves as we go out to the market and invest and recruit and retain top talent, as well as serving the best interests of our clients and delivering long-term value for our shareholders.

We thank our shareholders for their investment. We thank our team members for bringing value to our clients each and every day, and we thank all of you for your continued support and interest in our Company. Have a great day, everyone.

**Operator**

The conference call has now concluded. Thank you for attending today's presentation. You may now disconnect.