Dorcel Industries Inc. Second Quarter 2019 Results Conference Call
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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Dorcel Industries Second Quarter 2019 Results Conference Call.

At this time, all participants are in a listen-only mode. Following the presentation we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions.

If anyone has any difficulties hearing the conference, please press star followed by zero for operator assistance at any time.

Before turning the meeting over to management, please be advised that this conference call will contain statements that are forward looking and subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

I would like to remind everyone that this conference call is being recorded today, August 2, 2019.

I will now turn the conference over to Martin Schwartz, President and CEO. Please go ahead.

Martin Schwartz, President & Chief Executive Officer

Thank you. Good morning and thank you all for joining us for Dorcel's Q2 earnings call for the period ended June 30th. With me is Jeffrey Schwartz, CFO. We will take your questions following our comments and, as always, all numbers are in US dollars.

Without exception, all of our businesses have produced top-line growth and we are most pleased with this. The tariffs imposed on China-sourced goods and their impact on retail price points have created uncertainty on customers' buying decisions as well as supply chain and inventory planning processes. These chaotic market conditions have resulted in margin pressure, particularly at Dorcel Home and in the mass channel of Dorcel Sports. Despite this, Dorcel Home has done an exceptional job of growing its top line and is now focused on required inventory and margin improvement. New product launches at Dorcel Sports have also delivered excellent results and we remain encouraged going forward, particularly with the ongoing success at CSG. Dorcel Juvenile was ahead of last year and there has been progress in Europe; however, work is continuing to drive down cost and return the segment to the proper level of profitability.

Organic revenue rose 5.3% with the most significant contribution from Europe. Several divisions contributed to the quarter's improvement with the progress in Chile, the rebound in Europe, and the increased shipments from the China factory to Dorcel customers in the US adding to the improved results. Organic sales also grew in North America and Brazil.

In Chile, same-store retail sales have rallied from a difficult 2018 and are running at a pace higher than last year in the low double digits. There has been extensive work in Chile to get things back on track and it is reassuring to see these efforts are bringing results. Several new products were launched throughout the quarter in multiple categories and across our various geographic markets. The rollout of some products was advanced by several months as Juvenile improvements in the speed-to-market processes are continuing. There are additional key new product launches scheduled for the second half of the year, including some in the growing multi-age car seat category in Europe. These will be previewed at the upcoming major juvenile trade show in Cologne, Germany this September.

Turning to Dorcel Sports, we continue to be pleased with its performance. Sales and earnings were much stronger with excellent results of Cycling Sports Group and Caloi. CSG had its fifth consecutive quarter of growth due to several new launches. Cannondale introduced four major new platforms, including an all-new, digitally-connected Treadwell; the Topstone carbon, which is the next big evolution in road bikes; and a completely redesigned SuperSix EVO, the fastest lightweight road bike. Cannondale also launched its new app featuring a live dashboard to view speed, distance, calories burned, and carbon emission saved. It even notifies riders when it is...
time for a tune-up at the bike shop. Media reaction has been excellent with numerous positive articles, including the cover of Cycling Weekly featuring the SuperSix EVO, BikeRadar naming the SuperSix as the Race Bike of the Year, and the Synapse NEO winning Bicycling’s Editor’s Choice. The newly redesigned GT Grade launched in May is an updated version of the world’s first full carbon gravel bike. It too has generated strong media coverage with dozens of articles. Caloi put in a solid performance of low double-digit organic growth on the back of success in sales to Brazil’s bike-sharing program and a better mix due to Cannondale’s growth.

Dorel Home had strong top-line growth across all divisions, buoyed by continuing advances in e-commerce sales. Overall, Internet sales were up 25.5%, representing 60% in the total segment revenue compared to 55% last year. And even brick-and-mortar sales rose, increasing $5.7 million from the prior year, primarily due to increases at big-box retailers. Gains at two major online retailers were extremely high. CosmoLiving and Novogratz branded products sales also continued to grow. Margins declined as the impact of the new US tariffs that negatively affected gross margins in Q1 continued into the second quarter with higher warehousing costs on higher inventory levels and less profitable pricing and product mix. Inventory was at a record high in anticipation of strong back-to-school sales in the third quarter, but also because of higher valuations directly related to the increased tariffs. As well, promotional costs were elevated in order to grow the segment’s business. Inventory reduction is being aggressively addressed. A new senior executive has joined the Dorel Home team with a specific mandate of reducing inventory levels and eliminating excess warehouse costs. Price increases also went into effect a couple of weeks ago to counter the latest round of tariffs.

Jeffrey will now provide the financial perspectives. Jeffrey?

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Jeffrey Schwartz, Chief Financial Officer

Thank you, Martin.

I just wanted to talk a little bit about our long-term debt, just in case anyone’s missed it in the last little bit. On June 17, 2019 we entered in a five-year $175 million senior unsecured note agreement with several institutional lenders. These senior unsecured notes are divided into two tranches: A $125 million tranche that was fully drawn on, and that was used to repay the $120 million convertible debenture maturing November 30, 2019. There is a $50 million tranche available, which we have not drawn on. The first tranche, as I mentioned, was fully drawn on July 19th of this year.

As our convertible debentures were repaid in July 22nd, the maturity date of our revolving bank loans and term loans have been extended now to June 1st of 2021. Given that our convertible debenture was not repaid before the end of the second quarter, our revolving bank loans and term loans remain classified as current in our statements at the end of the second quarter. Our bank loans and term loans will be classified as non-current at the end of the third quarter given that our debentures were repaid in July. So I want to make sure people are on top of that.

From a restructuring standpoint, no new news. We stay on course to what we announced back in Q1. We are moving forward on executing the plan, but both the costs and the benefits remain as they were in the last quarter.

From a consolidated standpoint now, revenue in the second quarter increased by $46.7 million or 7.5% to $670 million. Organic revenue improved by approximately 9.6% after removing the variations of foreign exchange year over year. And then when we remove the impact of revenue related to the divestment of the performance apparel business, organic revenue improved by 10%, or 10.2% to be exact. This is important. We haven’t had a strong growth quarter like this in a while. It does come from all three sectors, so we know we’re getting the company to grow again. Our focus, obviously, now has to be on profitability, but at least we feel we’ve got the top line moving in the right direction.

Gross profit for the quarter decreased 110 basis points to 20.5% from 21.6% last year. When we exclude restructuring and other costs, the gross profit was 20.7% versus the 21.6% last year.

Financing expenses increased by $4.7 million in our statements to $12.7 million. The increase is made up by about $2 million of interest expense on lease liabilities as a result of the IFRS 16. In addition, there is another $1.8 million of interest, which is basically due to both higher debt balances and higher average interest rates for the quarter. And then we also had a $700,000 payment which was an advancement on the depreciation of the convertible debentures that would’ve been recorded between now and November. We advanced that into Q2.

During the second quarter of 2019 our net income was $2.8 million or $0.09 diluted per share compared to a net loss of $14.8 million or $0.46 per share. Excluding impairment loss on intangibles, restructuring, and other costs, our adjusted net income declined to $6.3 million compared to $12.7 million last year.

For the second quarter our effective tax rate showed 63% compared to 35.9%. When we exclude income tax on impairment of intangible assets, restructuring, and other costs, the number dropped down to 47% compared to
11% last year. Now it’s still a very high number. So, what’s going on there is the significant impairment losses that we recorded in the fourth quarter of 2018, because of those the company is not been able to recognize certain tax benefits related to tax losses and temporary differences, which resulted in an increase in the reported effective tax rate for the quarter compared to last year. The balance of the increase is related to, is reported effective tax rate and in the adjusted effective tax rate is also due to changes in jurisdiction, which is always the case, which is basically the mix. But to really explain it sort of in simpler terms, we made money in areas that we’re paying higher taxes and we’re not able to use the tax losses in certain areas where we’ve basically, ah, can’t use them anymore because of the large losses that we recorded in Q4. Going forward, we expect the adjusted tax rate will be between 30% and 35% this year.

If we move over to the sectors, Home, Home second quarter revenue increased by $26.2 million or 14.4%. Very excited about this because we’ve clearly, it’s been a while since we’ve gotten a good double-digit top-line increase despite all the chaos that’s going on in the marketplace out there. Our gross profit, however, is down to 14.2%, a decrease of 270 basis points from last year. The main cause of that was higher warehousing costs related to our additional footprint, higher inventories, which is causing a lot of that right now. We’ve got a lot of inventory for, ah, we’re expecting a very strong back-to-school period. We’ve brought in a lot of inventory. And of course, as we keep saying throughout this call, the impact of the tariffs have caused just chaos, change in buying patterns from our customers, mix differences. Everybody is trying to sort through the impact that we’re going to have when, you know, many of our products are changing their price points. Our operating profit did decline at the end of the day by $2.8 million to $14.1 million from $16.9 million and, again, that’s due to lower gross profits and higher operating expenses.

Dorel Juvenile second quarter increased by $4.1 million or 1.9% and, as Martin mentioned, organic revenue was up by 5.6%. We detailed where that was coming from in Martin’s speech. Second quarter gross profits, 26.2%, improvement of 40 basis points, and then the adjusted gross profit is actually 26.7% after restructuring and other costs. The principal driver of the improvements in the quarter was our Dorel China factory with some negative offset from Dorel Juvenile in Europe. Overall, the operating profit improved by $24.8 million to $2.4 million during the quarter compared to the loss last year of $22.4 million, mainly as a result of last year’s impairment loss that we recorded of $24.2 million in the quarter last year. But if we look at excluding impairment losses, restructuring, and other costs, the adjusted operating profit actually improved by $3 million to $6.6 million from the $3.6 million last year. So that’s definitely moving the right direction.

When we go to Sports, revenue increased $16.5 million or 7.4% to $241 million. When we exclude the foreign exchange year over year we’ve got an improvement of 9.4%. And then when we exclude the divestments last year of the performance apparel line our sales are actually up by 11.1%. So we’re seeing that in all three of our divisions. We remember last quarter we had a major drop in sales in our mass market business in Q1, which was disappointing. We did make up that sales increase in Q2 and we continue to see fairly robust demand as we go into Q3 as well. In the second quarter our gross profit declined by 70 basis points.

When we exclude restructuring and other costs, we actually declined by more, by 140 basis points to 20.6% from 22%. Again, a lot of that is coming out of our mass business. The tariffs have caused quite a bit of uncertainty on price points, some compression, just the way we’re doing business is in flux and that’s definitely had an impact on our margins in that part of the business. Overall, the segment reported operating profits of $10 million compared to a loss of $3.3 million last year but, again, excluding restructuring and other costs, operating profits improved by $2.1 million this year to $10.1 million from $8 million last year.

If we look at some other areas, cash flow from operating activities was $16.2 million versus $44.8 million and that’s a decrease of $28 million. And the bulk of that is coming from higher inventories that we’re carrying. So, if we address inventories for a second, numerous issues causing that. Some of it is just the cost of the tariffs themselves. We’re estimating somewhere between $20 million to $30 million of extra cost of tariffs in our inventory at the end of the quarter. That’s likely to go up. We also have brought in a lot of product to support the growing sales. I mean we are seeing more sales. We brought in product at the home area ready for the back-to-school season and even in the bike area, particularly in Cannondale, where we’ve advanced the introductions of the model 20.

As Martin pointed out the Treadwell, the Topstone, a lot of these items are coming to market earlier and therefore we’re carrying inventory earlier. Having said that, we are carrying more inventory than we should be. There is a major focus on the company, in all three segments, to bring down inventory. We’ve targeted $50 million we believe that we can pull out of the system without affecting sales. So that’s become sort of our major operational issue. We have had this before. It’s not the first time we’ve had inventory levels too high. We have been successful in bringing them down when that becomes a major focus and right now that is a major
focus. So, I’m confident that all three groups will be able to get to our objectives this year.

With that, I will pass it back to Martin.

Martin Schwartz, President & Chief Executive Officer

Okay. Thank you, Jeffrey.

In terms of our outlook, first half organic revenue growth is expected to continue into the second half with year-over-year increases in all three of our segments. Dorel Home is in the process of improving gross margins. This, coupled with higher sales, is expected to result in higher second half adjusted operating profits. Dorel Juvenile’s steady progress is anticipated to continue through the year and should deliver improved adjusted operating profit versus prior year with all major divisions contributing.

Led by strong revenue and earnings at CSG, Dorel Sports is expected to deliver further sales and adjusted operating profit growth for the segment in the second half. Inventory management will be a key focus through the balance of the year with a target reduction of at least $50 million by year end. The most significant risk going forward remains the impact of US tariffs on Chinese-made goods. This could have an impact on consumer demand on our retail customers’ purchasing behaviour and on the economy overall, as strengthening US dollar remains a risk for Dorel Juvenile and Dorel Sports, but we are confident that our management teams will navigate through these issues.

With that, I will now ask the operator to open the lines for questions and, as always, please keep your opening questions to two. Thank you.

QUESTION AND ANSWER SESSION

Operator

Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press star followed by one on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you’re using a speakerphone before pressing any keys. One moment please for your first question.

Your first question comes from Derek Lessard from TD Securities. Your line is open.

Derek Lessard, TD Securities

Good morning, gentlemen. Maybe if you we just focus on the Juvenile segment to begin with, just wondering if you could talk about some of the things you do have going on with respect to the restructuring program, you know, highlight some of the wins there and things like how are you increasing speed to market.

Jeffrey Schwartz, Chief Financial Officer

Well, those are two different questions. As far as restructuring, again, it’s mostly focused on Europe. We’re looking again at all of our assets. We are going to be exiting some physical locations in Europe. We don’t need to be operating from every place we are. We’re centralizing a number of things. All of that is going well. Obviously, France is one of the places, but we are moving along. I’m going to say at this point what we’re doing is we’re continuing to move forward, both in speed, we’re on time, in like spend and in what we expect to achieve. They’re all the same as we mentioned back at the end of Q1. So I don’t really have an update there other than, you know, the good news is there’s no bad news and we’re three months through the process. So everything stays the same there.

Speed to market is a big thing that we’ve changed. It isn’t necessarily in the last few months, it’s been over a year, but one of our big faults in Juvenile was taking way too long to get to market with our product. That hurt us because maybe it was a great product when it was initially designed but if it took two, three years to get to market, by the time it hits market, it’s not quite having the impact we expected. Today, we’re much faster, getting a lot of product to market in under a year. Some of them we’ve actually advanced. We have a new item that we launched in Europe in June that’s doing very well. We have a number of significant items volume expectation-wise in Europe, mostly in the car seat area, that’s launching in Q3 and Q4 of this year. So that’s when we really sort of expect to see Europe’s both top line and margin starting to improve. The US business is solid. We’re doing well in the US.

Derek Lessard, TD Securities

Okay. And just maybe just a follow-up to that, just the $5 million benefits that you expect this year, did any of that contribute to Q2? And if not, when should we start seeing the first parts of that?
Jeffrey Schwartz, Chief Financial Officer

Some of it’s happening already. Yeah, some of it’s in there. We’re hoping, in Q4, to be able to do a little bit better than that, but it is in the numbers. I mean part of it is, you know, it was in our budget. So it’s what we plan to do. It doesn’t sort of stand out but, yeah, some of that’s already in there.

Derek Lessard, TD Securities

Okay. And maybe just switching gears to Home, in the MD&A and in you’re prepared remarks you did point to a plan to increase margins and inventories. Do you have any specifics on how you plan to achieve that?

Jeffrey Schwartz, Chief Financial Officer

Well, we have, like for instance, we’ve actually implemented price increases in July across the board in Home for the tariffs, so that’s going to help us. The inventory reduction is going to help us on the excess warehouse costs that have been sort of plaguing us now for over six months. So those are two areas we’re after, looking for ways to decrease some of the costs. We are finding a trend to higher-margin products. A lot of it’s what we call the lifestyle brands, CosmoLiving, Novogratz. These businesses are growing at a faster-than-average growth rate and they tend to carry higher margins, all of the branded stuff like that. So it’s sort of a shift. There are a lot of different steps to get there. We’re feeling good. We’re not getting back necessarily to our peak margins, but our goal to get above this 14.7, 14.8 that we did in Q2, there are a lot of steps and we feel pretty comfortable there.

Derek Lessard, TD Securities

Okay. Thank you. I’ll re-queue.

Operator

Your next question comes from Stephen MacLeod from BMO Capital. Your line is open.

Stephen MacLeod, BMO Capital Markets

Thank you. Good afternoon. Just looking at the Juvenile segment, I know you highlighted some of the product introductions that you have coming in the back half of the year in the press release, but I was just wondering if you could provide a little more colour around where else you’re seeing growth in the market in terms of specific product, specific pockets of demand?

Jeffrey Schwartz, Chief Financial Officer

I mean we have so many places around the world. I mean Canada did well in Q2, Brazil’s doing very well, our China factory is solid. We’re doing well. Places like Australia. Chile’s definitely improving. We’re not there yet but, you know, we had a pretty difficult year last year so we’ve had some nice improvements in Chile, including having one of our competitors close down, another retailer in the country, so that’s going to be good for the future. Europe is—I mean one of our big risks here in Juvenile is currency, as we talked about, you know, the US dollar getting stronger.

The other thing that is new is yesterday’s announcement about new tariffs. So, tariffs have not been placed yet on juvenile products or most juvenile products. So that sounds like it’s going to change but, again, nobody really knows any of the details. We do have some protection because we’re one of the few companies that produces car seats in America, while a lot of our competitors import them. So that, obviously, would give us a strategic advantage, should tariffs come on Juvenile products. But that’s only for car seats. We’d all be in the same boat for other strollers and other products. It’s just, we’re full of uncertainty. As sort of a general remark, we have lot of optimism that we’ve turned a lot of our businesses and we’re getting the businesses in a better space, but certainly the tariffs continue to add a lot of risk to our forecasts. And on top of that, like Martin said, the currencies. I mean today’s a pretty tough day. The US dollar shot up significantly today. So there’s a lot of internal good news and a lot of external threats out there.

Stephen MacLeod, BMO Capital Markets

Right. Okay. That’s helpful. And then just turning to tariffs, you mentioned the Juvenile business potentially being affected in the future. Can you just talk a little bit about, like what are you actually seeing in the marketplaces? Is the uncertainly more coming from the supply side or is it more coming from your customers and how they’re placing the orders?

Jeffrey Schwartz, Chief Financial Officer

Yeah, it’s not so much the supply side. The problem is, it’s the uncertainty. So, nobody knows what the impact—we do know now, we have enough history to know that when we raise prices, when the first set of tariffs came in...
at 10%, there was very limited effect on consumer demand, but now those have gone from 10% to 25%. We haven’t really seen the impact of that yet. Nobody knows. My theory would be if someone was going to go buy a piece of furniture or bike for $150, they’re still going to buy a bike for $150, they’re just going to buy less of a product because the price increases have gone up. So that’s going to affect mix.

Do we have the right mix in inventory? Do our retailers have the right mix? Are they raising prices on the right areas? These are all unknowns and this is where we keep coming back to the chaos. In some cases, some of our customers have made buying decisions or changes in decisions because they’re not sure where everything’s going to land, and those things could be delays, they could be getting out of certain models, they can be betting on other models that might or might not sell. So it’s just really difficult. I mean our customers are probably having as much or more difficulty figuring out what their plans are as we are. So we need to sort of let everything settle. It seems like you get a few months of quiet and then there’s another tariff announcement, so it makes it difficult.

**Stephen MacLeod, BMO Capital Markets**

Yeah. Okay. And then maybe just finally, you sort of touched on it in last set of questions, but in terms of the $50 million inventory reduction, presumably, does that come from your positive expectation around demand and then maybe you manage the product manufacturing side of things to manage inventories? Or how do you sort of expect—?

**Jeffrey Schwartz, Chief Financial Officer**

I think it comes more from, no, the demand isn’t really in there. There is some demand expectations, you know, as sort of seasonality shifts you do get a reduction. But a lot of it is actual conscience saying what type of safety stocks do we carry? What is our process for reordering goods? A lot of it is because of the Internet and the SKUs that we have on the Internet in Home, as an example. Do we have too many? When do we make a decision to promote the ones that we want to get out of? It’s a very sort of operational process that we really were light on and I guess it caught up to us as we’ve gotten so many SKUs. We do have qualified people now that have implemented a plan. Not discussing the plan but actually know what they need to do. And we’ve started already and it’s just focus. We’ve got a great operational team in Home. Their main focus now is to get their inventories in line and bring up the gross margins and we’ve got a detailed plan and they’ve already started executing on it. So I have a lot of confidence we should get there.

**Sabahat Khan, RBC Capital Markets**

Thank you.

**Jeffrey Schwartz, Chief Financial Officer**

Well, we, for the most part, not a 100%, for the most part we’ve passed price increases through. Now they’ve got to make a decision, based on their price points, what they want to do. And they’re trying to figure out do we pass the full one on and every item? Many customers are doing sort of a group thing. They’re saying we’re getting, whatever it is, a $100 million price increase in this category, we’re going to pass on $100 million to the final customer but we might not do it on every item. We might do 15% on one item and 3% on another. So that’s really up to them. But we’ve, for the most part, not 100% but for the most part, we’ve passed on all of those costs. But we don’t know what the effect is going to be.
we’re passing on $5 in our price. We’re just passing it through. We don’t want to, you know, we’re trying to keep the product competitive. We want demand to stay as close to original demand as possible. But, at the same time, we’re not ready to subsidize the tariff either. So you end up generally passing on, you know, the first one was 10%, we passed—it wasn’t the 10% price increase, it’s less than that because we’re paying less than 10% of the selling price. So we passed on one set then and then when it went up to 25% we passed on another set. And now we’re waiting to get some clarification on this new round that was announced this week. Because it’s different products, right? The announcement this week is not 10% on products that already have tariffs. It’s products that have no tariffs.

Sabahat Khan, RBC Capital Markets

Okay. And then just one last one for me on your broader go-to-market strategy: Can you maybe give us an update on some of the e-commerce initiatives, particularly like Juvenile and the Sports side, are coming along?

Jeffrey Schwartz, Chief Financial Officer

Yeah, actually quite well. It’s a good question. And we’re finding actually in both Juvenile and Sports that more and more people are going to the online area to shop. We’ve been much more successful. We’re actually surprised somewhat, even in bikes. This is the first year we’re seeing some significant increases to our online customers, mostly in lower-priced bikes. This is not really Cannondale level of bikes. But below the Cannondale level we are seeing double-digit, you know, strong double-digit growth rates to online customers or to the omnichannel customers. The ones that have brick-and-mortar and the ones that also have their own website, they’re seeing more and more of their sales going to online. So, like I said, below the Cannondale level it’s become a big thing. And, again, across the world in Juvenile, it’s gaining traction. None of them are at the furniture level, I think it’ll be a while before they get there, but both of them have advanced significantly.

Sabahat Khan, RBC Capital Markets

And I guess just in terms of your supply chain, are you still getting the product to your customers kind of the same way? Are you having to adjust a little bit? In the Home side, some of your product goes directly to the end consumer. Is there any investment maybe required on the supply chain side to adapt to this new kind of go-to-market?

Jeffrey Schwartz, Chief Financial Officer

No. I think we’ve done those changes. I mean I’m sure we’ll have more, but there’s nothing materially different in the way we’re doing our logistics. We’ve spent a lot and invested a lot in home furnishings. We have multi-warehouses and we’re always looking at how to get everything to people faster, but there’s nothing really, nothing I can think of to talk about.

Sabahat Khan, RBC Capital Markets

Thank you.
Ladies and gentlemen, if there are any additional questions at this time, please press star followed by the number one. As a reminder, if you are using a speakerphone, please lift the handset before pressing any keys. Your next question comes from Derek Lessard from TD Securities. Your line is open.

Derek Lessard, TD Securities

Gentlemen, just a few housekeeping for me. Just wondering what we should be modeling for CapEx for the year.

Jeffrey Schwartz, Chief Financial Officer

Yeah, I mean we are a bit below our plan, which is good. We’ll be under 50.

Derek Lessard, TD Securities

Under 50?

Jeffrey Schwartz, Chief Financial Officer

Yeah.

Derek Lessard, TD Securities

Okay. And maybe just on the leverage, could you just remind me where your leverage stands today? And as well, seems like you’ve been repaying, there looks like there’s a repayment schedule, I think there was two payments of $11 million, one on the long-term debt and one for the payment of the lease liabilities. Is that something we should still continue to model going forward?

Jeffrey Schwartz, Chief Financial Officer

You have to give me a minute to check all of that. What do we have here? You’re asking about required repayments, right? Going forward?

Derek Lessard, TD Securities

Yes. Exactly.
Martin Schwartz, President & Chief Executive Officer

Okay, thank you. Well, this concludes today’s call. I want to thank all of you for being with us and I want to wish everybody a good weekend, and for those of you outside of Québec, a great long holiday weekend. Thank you very much.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your lines.