Company: **Cabot Financial Europe Ltd**

Conference Title: **Cabot Credit Management Q1 2019 Results Release Investor Call**

Moderator: **Craig Buick**

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Operator: Ladies and gentlemen, good day, and welcome to the Cabot Credit Management Q1 2019 Results Release Investor Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr Craig Buick, Chief Executive Officer of Cabot Credit Management. Please go ahead sir.

Craig Buick: Thank you, Gaelle. And thank you for the promotion there. Good afternoon, and welcome everyone to Cabot Credit Management's Investor Presentation for the quarter ended 31st March 2019. Ken and I today are going to take you through the presentation and then we're going to open up the lines for Q&A at the end. In addition to the Q&A session, you can also submit your questions through to us at investorrelations@cabotfinancial.com where we will endeavour to respond to those as soon as we possibly can.

Before we get started, a look at the housekeeping. If I can draw your attention to the disclaimer on page two of the presentation, which highlights that this presentation is produced purely for information purposes only and cautions against any forward-looking statements. And that by attending this call and reviewing the presentations, you are bound by the limitations set out on page two of the presentation.

So Ken is going to take you through a few highlights of the quarter and then I'll go through some of the financials before handing it back to Ken to conclude.

With that, Ken, I'll pass it back to yourself.

Ken Stannard: Great. Thanks Craig. Good afternoon to everybody and thanks for joining the call. I'll kick off with some highlights and hand back to Craig for more financial details. So firstly, before getting into the numbers, I'd like to just recognise that in Q1 of this year we've made some excellent progress on a number of strategic initiatives. I'll give a few highlights here and encourage you to ask questions on these and others during the Q&A.

We've made significant progress in leveraging the new capabilities that we've brought into the group via Encore's Grove and Lucania businesses. We've been driving forward our digital collections capabilities. We've been reinforcing our customer leadership in many markets, especially in the UK where our financial ombudsman and FCA metrics has recently reported, have shown us overachieving industry norms. And we are at record levels of satisfaction levels for our existing customers.

We've been sharing much higher levels than before, best practices across the [inaudible] with Encore. And there are many other activities going on across the group, specifically in the data and analytical world that I'd love to take you through later.

So if we flip to page five and talk about the highlights of our performance in Q1, I think you'll see that we started 2019 with some very positive results. We have seen consistent revenue growth across our debt purchase and services businesses, with debt purchase collections up 8% and our service revenues up 9% respectively. Our adjusted EBITDA has grown faster at 13%, reflecting improved margins and good cost control.

We have deployed £65 million in the quarter at strong and improving returns. And despite increasing our deployment, year on year, we have reduced our total leverage to 3.9 times adjusted EBITDA. Our ERC has grown by 13% and we continue to outperform our historical ERC forecasts, as you will see in subsequent slides.

I am also encouraged to see us further increase our excess cash generation, which Craig will take you through in more detail.

So I'll now hand over to Craig for more financial numbers.

Craig Buick: Thanks Ken. Just thought just to make absolutely sure in terms of clarity, I think Gaelle introduced me there as Chief Executive Officer. Just to confirm there is no change in management structure. I remain the Chief Financial Officer and Ken remains the Chief Executive Officer.

Back to the presentation. If we turn to page seven, you can see how the business has continued to grow over the last 12 months with revenues now in excess of £400 million and up 22% compared to a year ago. Our debt purchase revenue is up 12% on a last 12-months basis compared to this point last year. This growth has been underpinned by the strength of the capital deployment during the past few years, which I'll talk about a little more later. Importantly, this capital deployment has been at consistent money multiples and we continue to collect in line with these expectations.

Our servicing revenue is up 58% on last 12-month basis compared to this point last year. A significant portion of this growth does come from the full year impact of the Wescot acquisition completed at the back end of 2017. If we look at Q1 2019 compared to Q1 2018, as Ken just discussed, you can see our servicing revenues grown by 9% on an organic basis.

Now, given the current low level of UK bank delinquency rates, we're very proud of this growth, which is underpinned by continued demand from our clients for our range of credit management services, particularly our business process outsourcing offering in the UK. These servicing revenues continue to contribute 21% of our overall group revenues on both the last 12-month basis and for the first quarter of this year.

As I've discussed before, growth for growth sake is not the strategy of Cabot. We're focused on growing our cash generation and long-term profitability. This historic current and future focus has enabled us to deliver 17% growth in our adjusted EBITDA on a last 12-month basis compared to this point last year.

Again, these results benefit from the full year impact of the Wescot acquisition. If we look purely at Q1 2019 compared to Q1 2018, our adjusted EBITDA has grown by 13% on an organic basis. This profitability growth reflects our ongoing programme of delivering operational efficiencies and leveraging the benefits of our scale, particularly in our main market, the UK. This focus has enabled us to improve our last 12 months adjusted EBITDA margin back to 64%, what we believe to be one of the strongest in the industry.

Turning to page eight, you can see some information on our capital deployment. In the first quarter of 2019, we deployed £65 million of capital compared to an average quarterly deployment of around £83 million throughout 2018. Given the strength of the capital deployments in 2018, our 120-month ERC is up 13% compared to the same point in time last year. And European assets now reflects 20% of our overall 120-month ERC, up from 14% 12 months ago.

In last calls, we provided a commitment to bring our leverage down to 3-3.5 by the end of 2021 and into the high 3s by the end of this year. There are several levers that will enable us to deliver on this commitment, including earnings growth and lower capital deployments. As we will discuss later, we have successfully brought down our leverage in the first quarter of this year, with this reduction primarily driven by the earnings growth associated with the strength of the last 12-month capital deployments you can see on this page. Going forward, we expect an increasing portion of this delevering to come from the level of capital deployments.

In line with what we saw last year, the vast majority of our capital deployment in the first quarter was in the UK, with the European market relatively quiet for the key asset classes in which we focus. Given the majority of our capital deployment this quarter in the UK, let's look at the returns on the following page, page nine.

This page provides a level of information that you are now familiar with, illustrating the relative money multiples from our paying and non-paying portfolio acquisitions in the UK. If you stand back from these figures and bear in mind that this data reflects one quarter of relatively large capital deployments in each year, I'd characterise these figures as capital deployed at broadly consistent levels to that delivered last year. This reflects our strategy to focus on selectively deploying capital in order to deliver an appropriate long-term risk adjusted return.

In the first quarter, 56% of our capital deployment arose from forward flow agreements entered into previously. These agreements underpin deployments at money multiples consistent with the prior year. Our spot purchases in the first quarter were at marginally better return levels than these historic forward flow agreements. These volumes were relatively small but provide us with an indication that the UK market level of returns may be slowly improving.

I personally view forward flow agreements as a double-edged sword. They provide a pipeline of future purchases at pre-agreed returns. This is advantageous to ensure a consistent level of purchases and protects debt buyers from potential reductions in future returns. However, such commitments also reduce the ability to be flexible in capital deployment going forward, assuming a finite level of capital is available for deployment, and may heed the debt purchasers' ability to take advantage of improving returns.

Given what we're seeing in the market today and our expectation of where the market will go in the future, we are consciously stepping back from our previous level of forward flow commitments. As these forward flow agreements come up for renewal, we are critically reviewing the returns associated with these agreements, and where appropriate, stepping back from future purchasing commitments unless we can achieve our reset level of return expectations.

This has resulted in our future purchasing commitments reducing materially from £116 million a year ago to £16 million at the end of Q1 2019. We believe this will enable us to be better positioned to take advantage of any future improvements in returns.

If you turn to page ten, we can see the classic page illustrating our ERC by the year, out to 180 months. Our collections data continues to underpin our belief and the strength of these cash flows and the length of our cash flow tail. Looking at our actual collections, we've delivered a consistent 101% of our ERC forecast from 12 months ago, again demonstrating the consistency and robustness of these projections.

And then if we turn to cash generation, you can see our business produced positive cash flows over and above our ERC replenishment needs. This is an area we continue to focus upon through the rigour we continue to apply in our capital deployment return expectations; through our ongoing programme of works to deliver our projected cash collections in the most efficient and effective manner; and exploration of potential synergy opportunities with Encore to reduce our funding costs.

Coming back to the performance of ERC, I do want to spend a little time today looking at some data from our back book, which may indicate how our current portfolio may perform during periods of future economic stress.

Page 11 is a page we've shared before but worth quickly refreshing what this data from our back book tells us about performance during periods of economic stress. The blue and green lines on the graphic on the left, illustrates the actual cash collections from portfolios originated in 2005, 2006 and 2007. That is the period leading up to the financial crisis.

You can see that the line flow through the first 12 months of each vintages' new portfolios accquired and non-payers converted into payers. These cash collections then peak around the end of each year and gradually fall over the ensuing years as customers naturally settle or accounts are closed or payers break. We then overlay the UK unemployment rate over the same time series. As you can see, the UK unemployment rate increased from around 5% to 8% over an 18-month period from mid-2008 as the financial crisis really kicked in.

If you look at the actual cash collections over the same time period, you can see that the cash generation is largely unimpacted by this rising unemployment rate. The graph on the right supports this dynamic, as even whilst unemployment was rising, the level of default rates from our back book continues to come down, or in other words actually improve.

This dynamic may at face value appear counterintuitive but if we stand back and think about it, this does make sense. Now, I'm not trying to imply that our business is immune from unemployment shocks, but the impact is relatively small due to a number of factors. Most of our customers have already been through their own personal economic shock event. These are primarily financial services customers who previously had a credit record that enabled them to get credit in the first place.

Something then changed in their personal circumstances that resulted in them ultimately becoming a customer of Cabot and they have made a conscious commitment to achieve their own financial recovery. It is also important to remember that more than half of our UK customer base is over the age of 50 and the data from the financial crisis indicates that unemployment shocks tend to impact on the younger generation much harder than the older generation.

One request we have received from many of you on the phone today in previous discussions was to provide some more information in relation to the poor performance of these vintages, not just as monthly trends but how do these vintages perform against pricing expectations.

On page 12, we've thought to break down the performance of our 2005 vintage with the overall performance split out between payers and settlement cash. And before I go on, it's worth standing back and reminding ourselves what was happening in parallel in the UK financial services industry during this period.

We believe that our collection performance was not purely driven by macroeconomic factors arising during the financial crisis. It's important to remember that the debt consolidation industry was undergoing significant change at that time, with some of the major debt consolidators going out of business in the lead-up to the financial crisis. In parallel, data from the Bank of England shows the general availability of unsecured credit shrank significantly from 2007 to 2010. We believe these factors would have had a material impact on the consumers' ability to obtain cash in order to make the same level of collections that we would have seen prior to this vintage being originated.

If we look at the collection from payers, you'll see that over the lifetime of this vintage, we've collected 111% of the original assumed pricing expectations. Whilst the early performance was below our assumed pricing expectations, the latter part of the curve demonstrates stronger cash performance compared with the original pricing curve, as a result of lower default rates and incremental value beyond the original 120-month window.

The graph also shows the same performance of the cash collections expected from settlement activity, which you can see is currently at 78% of the original assumed pricing expectations. As I've alluded to before, our data indicates that settlements is the aspect that we believe may be impacted during periods of economic stress. The other important aspect to note from this analysis is the strength of the cash flow tail from this portfolio, which today is still liquidating almost 5% of the original investment value annually, 13 years after the portfolio was originated.

Given the performance of this 2005 vintage compared to our pricing expectations, it's worth now considering how our current back book compares and what lessons we might draw from this experience.

On page 13, we've sought to provide some insights into the sources of our collections and why we believe the business is better insulated from the impact of potential macroeconomic shocks today than it was leading up to the financial crisis. The graph on the left seeks to compare the cash collected in the UK during 2006 with that of 2018 on a relative basis. The first distinction relates to the level of cash received from payers compared to settlements.

Our analysis indicates that a greater proportion of the cash collected in 2018 arose from regular payers, which our previous analysis indicates are very resilient during periods of economic stress. The flipside to that is that settlement cash plays a much smaller part in the overall UK collections compared to 2006, down from 40% to 28%. When considering how this part of the portfolio may perform during periods of economic stress, there are several elements we need to take into account.

Firstly, we can see that 56% of the settlement cash collected in 2018 actually came from customers who were payers leading up to that point. As we just discussed on the prior pages, we believe that payers performed very robustly during periods of economic stress. So if this population did not make settlements, we believe we would still ultimately receive this cash, albeit over a longer timeframe by way of continued regular payments. As such, we consider the ultimate recovery of this portion of the collections to be well insulated from economic stress.

The second population relates to settlement cash obtained from customers who have been engaged by our litigation processes. The result of this process includes many potential outcomes, which includes obtaining a charging order over a person's property. Once such a security is obtained, we believe it is a matter of timing as to when this cash flow ultimately be received. As a result, we expect the ultimate recovery of this portion of the collections to also be well insulated from economic stress.

These two factors lead us to believe that around 94% of our overall collections are not likely to be lost as a result of macroeconomic stress. There may well be a delay in the receipt of this cash, which would impact on the ultimate IRR but we believe the cash would ultimately still be received. This leaves around 6% of our UK collections that we believe may be subject to pressure in the event of a period of macroeconomic stress.

We do not believe the impact would be as great as the 22% collections reduction experienced by our 2005 vintage, since the changes going on in the debt consolidation industry at that time do not exist today.

So in summary, I'm not seeking to imply that our back book is completely immune from macroeconomic shocks. But the data from our back book and our experience through the financial crisis lead us to believe that the impact is likely to be minimal. And we believe that any such back book pressure is likely to be more than offset in the longer term by enhanced front book opportunities from our clients that would materialise during such a period of macroeconomic stress.

The final aspect of resilience of the back book that I would like to talk about relates to how our back book performs during periods of rising interest rates. Please turn to page 14. This is the dynamic that was not present during the last financial crisis and it has been a long time since the UK saw a rising rate environment. I tend to consider the impact of rising rates in two contexts, a slow rising rate environment and an interest rate shock.

In relation to a slow rising rate environment, we can look to the most recent experience. In the past 18 months, we've had just two base rate rises in the UK of 25 basis points each. Despite these rate rises, we've not seen any adverse impact on our default rates or any other key customer metrics. We believe that this is the result of working closely with our customers to set repayment plans that are affordable and provide sufficient disposable income for our customers to absorb any increases in cost of living associated with these rising interest rates.

In terms of interest rate shock, we've not experienced one of these in the UK for many years. However, as a result of 20-plus years of experience of operating in the UK and the scale of our back book, we've been able to pull actual data from our historic performance to inform our views as how the portfolio might perform during periods of an interest rate shock.

When we think of an interest rate shock, we believe the most likely immediate impact would be on those customers who have mortgage repayment commitments. If we look at our UK portfolio today, we can see around one-third of our customers have mortgages, roughly half of which are variable rate mortgages.

We then try to predict how these customers with mortgages would perform under an interest rate shock. In order to do this, we've analysed our back book in the UK. We identified 7,300 customers, who, in the third quarter of 2016, rolled from a fixed rate mortgage onto a variable rate mortgage product. As a result of the change in the interest rates applied to those customers' mortgages, we saw the average mortgage payment for that population increased from £910 a month to £1,030. For those customers, that was the equivalent of something like 200 basis points interest rate shock.

We then tracked the payment behaviour of those 7,300 customers, compared to a control group being the other customers who remained on fixed rate mortgages during that period. The graphic on the top right provides an illustration of the actual impact of this interest rate shock on those customers. As you will notice, we did see a slight increase in the default rates, a slight reduction in the level of settlement activity and a slight reduction in our ability to convert non-payers into payers.

In order to estimate the impact of an interest rate shock on our current back book, we've applied the changes in customer behaviour outlined in the top right of this page to every mortgage holding customer, whether that be a fixed or a variable rate mortgage today. Based on our cash flow forecasting models, we believe that in the event of a 200 basis point shock, our 84-month ERC will be lowered by around about 1.4%.

As I mentioned previously, I'm not trying to sit here and say we're immune from macroeconomic shocks, but I expect the impact of these type of shocks to likely be minimal. And again, we believe that any such back book pressure is likely to be more than offset in the longer term by enhanced front book opportunities from our clients that would materialise during such a period of macroeconomic stress.

And after looking back at the 'What if?' scenarios, let me come back to here and now on page 15, where we look at our liquidity and capital structure. As many of you remember, we provided a commitment to bring our leverage down to 3-3.5 by the end of 2021 with our leverage at the end of 2019 in the high 3s. In the first quarter of this year, we've demonstrated that we've started to deliver upon this commitment with our leverage bottom of – at the end of Q1 2019 down to 3.9 times.

As you'll note from the graph at the bottom of this page, this is a major step from where we've been for the past three years, but this is only the start. We remain focused on delivering against this deleveraging commitment previously communicated to you.

At the end of Q1 2019, our balance sheet remains strong with available liquidity of £176 million and LTV steady at 63%, and our fixed cover charge ratio up to 4.4 times. As we discussed previously, we intend to manage our business in order to deliver on our committed leveraging leverage levels, whilst in parallel exploring possible synergies with respect to Encore, including in connection with potential debt financing options.

There's nothing further I can add today in relation to these possible synergy opportunities, other than to acknowledge this is something that we continue to explore.

With that, I'll pass it back to Ken.

Ken Stannard: Thanks very much, Craig. So last slide, so in terms of output – outlook, we face into very constructive market conditions with supply growing faster than demand. We have arguably two tailwinds helping us, both in the UK with record levels of indebtedness, giving us a prospect of increased defaults in the next few years and increased supply; and in our European markets, an ongoing need for banks to both outsource and to sell more of their non-performing loans, helped along by regulatory pressure from the European Central Bank.

We continue to see lots of exciting opportunities for continuous improvement in our business practices across all of our businesses, including seizing the opportunities that being part of Encore is providing. I gave you the example of the integration of our Spanish businesses in Grove, Lucania. We are cross-fertilising ideas between our litigation operations, looking at global best practices in our InfoSec world and there are many more on that list.

We're going to capture the significant UK servicing and BPO opportunities that are available in the market today. We are very well positioned as a stand-out BPO provider through our Wescot business and intent to take advantage of that.

As Craig has mentioned, we're very focused on delivering on the deleveraging commitment, as you can see by the progress we've already made, and intent to meet the commitment of the 3-3.5 times range of total leverage by the end of 2021.

And last but certainly not least, I think, as illustrated by Craig, we spend considerable time on monitoring the potential Brexit consequences on the UK economy and potential impact on our customers.

So with that, I'll stop the presentation of the prepared materials and hand over to you for your questions.

Operator: Ladies and gentlemen, if you would like to ask a question over the phone, please press star one on your telephone keypad. Please make sure that the mute function is not accessed to make sure that your signal reaches our equipment. Once again, please press star one to ask a question. We'll take our first question. Please state your name.

Manu Nair: Hi there. Just a quick question really. I think you mentioned something about the forward flow commitments is being reduced from around £116 million last year to roughly £16 million or so. Could you just state the reasoning behind that? I think you mentioned something but the line wasn't clear. I think you mentioned something about the market specifically.

Craig Buick: So, can I just ask who is the question from? We didn't get your name.

Manu Nair: It's Manu from NatWest. Manu Nair from NatWestMarkets.

Craig Buick: Hi there. Thanks for the question. Yeah, so if you look at the reduction now, I break the reduction in the forward flow piece into probably two elements. Probably half of that reduction comes from forward flow arrangements that we [inaudible] back in 2017. Sorry, Manu, you may want to jump onto mute. There's a bit of background noise coming through at the same time.

In 2017, we made a fairly sizable transaction with a co-investment partner and at that time of the transaction, we entered into a forward flow agreement to acquire a part of the co-investor's interest at the time. Those forward flow commitments have now completed and that's accounted for roughly sort of half of the forward flow commitments you saw at that point. The other half relates to other, ongoing forward flow commitments with several of our clients.

As those forward flow commitments are currently coming up to the point of naturally coming for renewal, we are consciously looking at those forward flow commitments and the returns of those, and [inaudible] the return we are getting meets our return expectations. If we are able to reach an agreement with those clients such that our future return level[?] we will be happy with, we will seek to extend them. If we cannot reach agreement with the clients in terms of that level of return, we'll let the forward flow agreement naturally terminate and seek to deploy our capital elsewhere.

So it's a conscious decision to try and ensure that we are deploying our capital where we think we can get the best long-term, risk adjusted return.

Manu Nair: Sure. And have these conversations actually started or will they only kind of start once you're closer to the expiry of the current agreements?

Ken Stannard: I mean, they've been happening for many months now, effectively. I mean, we have a view that in the year 2019 and 2020 for that matter, that the pricing is quite likely to move in a favourable direction for us. And so we want to keep our powder dry, if you like, for those opportunities. When you think pricing is going to become more competitive, you lock in forward flows. When you think it's going to be potentially become less competitive, you want to get out of those forward flow commitments. It's just simple as that. And I think this is just illustrating how we've responded quickly to make sure that we can avail ourselves of the opportunities that 2019 presents.

Manu Nair: Understood. Thank you very much.

Craig Buick: Thanks Manu.

Operator: We'll now go to our next question. Please go ahead and state your name before posing your question.

Speaker: Hi good afternoon. Thanks for taking my questions.

Craig Buick: [Inaudible].

Speaker: Appreciate the colour you guys provided on the gross money multiples regarding the spot forward flow. What do you guys see as the biggest driver of the return improvement in the spot market? And I know that a lot of the forward flows in the paying accounts were in the quarter. But are you seeing the improvement across both non-paying and paying portfolios regarding the spot market?

Ken Stannard: I think, yes, it's a little difficult to tell at the moment because we're still in relatively early days. But I think the main thing is that general demand/supply movement where you've got most of the competitors committing to some form of deleveraging, a lot of that deleveraging can come from increased adjusted EBITDA, cost control, etc. But some part of it is going to have to come from a moderation in how much gets spent. Therefore, you've got a little bit more prudence on behalf of the debt purchasers to where they spend their money. And I think that's reflecting itself in the competitive versus the pricing environment at the moment. I think it's as simple as that.

Speaker: Okay. I appreciate the insight there. And I guess, I wanted to get your take on kind of relative competition in the UK market versus the mainland. It seems like there is a differing opinion where one of your US-based peers seems to see more rationale debt-buying competition in the UK, whereas one of your larger European peers kind of is taking the opposite view. And wanted to get your sense in terms of what you're seeing for competition in the UK relative to mainland?

Ken Stannard: Yeah, it is an excellent question. I think everybody's view is always coloured by the strength of their operating platform. And so we all put together curves. We volunteer prices based on our IRR thresholds, and we win or lose in those spot transactions. If we do not have strong, competitive collections platforms, then we will look to prices that maybe reasonable for others as being excessive. That is exactly what I think happens, more in the UK than in Continental Europe. So in the UK, Cabot, because of its scale – and remember, we are more than two times the size of anybody in the UK with respect to financial services ERC – we have significant competitive advantage in both non-pay and pay, paying assets. And therefore, the pricing will look to some competitors without that scale, and some of our competitors are very small, it will look like a particularly difficult market to compete in.

And vice versa, some will have very small operations in European markets and find that those prices are difficult to live with. I would say that the main – there is a big difference between the UK and Continental Europe in that there's a lot – more volatility in the performance of portfolios and a lot less data, a lot less consistency in the assets that you buy. So you do need to build an extra margin into what you're buying on the continent relative to in the UK.

Speaker: Thank you. And then, I guess, as you look out over the next year or two in terms of the various collection channels that you have, where are the areas that you see opportunity in order to drive efficiency improvements and take down cost to collect?

Ken Stannard: I think across the board. So whether it'd be in the amicable channels, call centre and digital, there clearly are opportunities to become more and more effective there. I mean, keeping and driving down breakage rates to avoiding the requirement to have repeated conversations, dealing with customers offline – online, sorry, where they prefer those channels, all bring down the cost to collect. And in litigation, making it more and more targeted always reduces the effective amount of money you spend relative to the amount that you collect.

So I mean, it's – and in all of those channels, the more data the better understanding you have of the customer is going to be a key driver going forward. We are at a relatively exciting point in terms of data in many markets across Europe with respect to increasing the profiling capabilities we have for those customers, which will in turn increase our accuracy.

Speaker: Thank you. And then last from me, just we've seen the mix of servicing revenue obviously up on a year-over-year basis but it's been relatively flat in the last couple of quarters. If you can just provide a little insight as to what the driver then is of the adjusted EBITDA margin improvement that we've seen?

Craig Buick: Yeah, so the key driver of that adjusted EBITDA comes back to the point that Ken was just alluding to there. So through the middle of last year, you were seeing the adjusted EBITDA margin slowly come down as a result of the impact of the Wescot acquisition buying and servicing business at a lower margin; means you have a blended margin coming down just through pure mix shift.

What you see from the middle of last year through to now is we've been able to turn that back around again and continue to deliver on those operational efficiencies. So that improvement that we've seen is driven by some of those operational efficiency points that Ken has just alluded to. It's got us back to around about that sort of 64% margin.

It's worth just bearing in mind that one of the things that we are constantly doing is managing this business for the long-term success. So we will continue to seek to generate those operational efficiencies, but in parallel, we will then be making investment decisions as to whether or not we should be reinvesting some of those savings back into the business in areas like data, technology, information, security, etc.

So I think you've seen the benefits of those operational efficiencies flowing through in the last couple of quarters to get us back to that 64% margin.

Speaker: Great. Thank you very much.

Ken Stannard: Thank you.

Craig Buick: Thank you.

Operator: As a reminder, ladies and gentlemen, please press star one to ask a question over the phone. We have currently no question over the phone, gentlemen.

Craig Buick: Okay. Let's just give a couple of moments, I guess, to see if anyone has any last questions; if not, Ken, I'll pass it over to yourself.

Ken Stannard: Yeah, if there's nothing coming on, then in that case, thank you very much for joining the call and we will speak to you again in three months' time. Thank you.

Craig Buick: Thank you.

Operator: Ladies and gentlemen, that will conclude today's conference call. Thank you very much for your participation. You may now disconnect.