

Transcription

Verisure Group Q3 2023 Results

16 November 2023

PRESENTATION

Operator:

Welcome to the Verisure Group Q3 results presentation. Today I am pleased to present CEO, Austin Lally, and CFO, Colin Smith. For the first part of the conference call, participants will be in listen-only mode. During the questions and answer session, participants can ask questions by dialing star five on their telephone keypad. Now I will hand the conference over to the speakers. Please go ahead.

Colin Smith:

Thank you, operator. Good afternoon and welcome to our Q3 results presentation. You are joined today from Geneva by our CEO, Austin Lally, and myself, Colin Smith. As always, you can find our presentation and earnings report on our corporate website.

Before we start, let's have a quick look at the agenda on Slide 4. First, Austin will share an overview of the key developments of the quarter. Then, I will provide a more detailed financial review. And finally, we'll close the session as usual with time for Q&A and closing remarks.

And with that, let me hand over to Austin.

Austin Lally:

Thank you, Colin, and thank you all for participating in this call today. And more importantly, for the continued interest and support in our company. Today we will present the results for Q3 2023 for the Verisure Group.

I am very glad to share that we had another strong quarter, both operationally and financially. We continue to navigate successfully through the challenging external environment, including high inflation which we see abating, high interest rates which again we expect to see reducing. It has been a tough couple of years for consumer confidence. Yet, facing that reality, every day, we demonstrate the resilience of our business model including the high quality of our portfolio and our ability to grow. We are very pleased with this continued strong performance. And proud of our talented, growing team right across the Company.

So, let's start with our Q3 performance highlights on slide #5. Total revenues were up +8%. +10% in constant currency. Adjusted Group EBITDA, which is Group EBITDA excluding SDIs, was up +14%. +15% in constant currency. And our portfolio EBITDA was up +11%, +13% in constant currency, reaching 479 million EUR. Annualized, our portfolio EBITDA is close to 1.9 billion EUR. We continue to grow strongly across key financial metrics. We view this as very strong and robust financial delivery.

In terms of growth, we had 196 thousand new installations in the quarter. We remain disciplined and focused on high-quality customer intake. At the end of Q3, we closed with a portfolio of over 5 million customers. It was just 2 years ago that we celebrated the 4 million customer milestone. In just over 24 months, and in a difficult and volatile external context including the worst consumer confidence in a generation, we have again underscored the unique growth profile of our business.

We added 427k customers to our portfolio in the last twelve months. Our portfolio has grown by over +9% year on year.

LTM attrition remained low relative to other subscription businesses at 7.5%. After a lot of hard work from our teams across our markets, quarterly attrition has decreased for the second consecutive quarter. It is now back to Q3 2022 levels at 7.2%.

We have also further deleveraged the business by 0.2x in the quarter. Our total adjusted net leverage is now 5.4x, 0.8x lower than a year ago and 1.4x lower than in Q1 2022. We have decreased leverage by 0.2x every quarter for the last 7 quarters, like clockwork, despite the challenging external environment. This deleveraging underscores the stable, predictable quality of our business model.

Finally, as of the end of Q3 we had over 515 million EUR of available liquidity.

Let's now move to slide #6. Our customer portfolio has 427 thousand more customers than a year ago. At close of Q3 we had a portfolio above 5.0 million customers. We are very proud to have achieved such a milestone in the same year as we celebrated our 35-year anniversary. This corresponds to a net portfolio annualized growth rate of +9.2%. Looking back across 2 years, we have added around 200 thousand new installations to our portfolio every single quarter. 5 years ago, we were doing half this amount.

The level of new installations across our 17 markets is a conscious choice. We focus on maintaining high quality customer intake; balancing CPA efficiency, entry economics and the quality of the intake. We add new customers with an average customer lifetime of around fifteen years.

You know we never give formal forward-looking guidance. But we remain optimistic about our future growth. We still see good demand for new sales. Penetration in our footprint remains low and levels of latent demand remain high. These are big macro advantages for us.

Let's move to attrition performance on slide #7. Controlling attrition remains a key priority for Verisure. As discussed in previous calls, we saw in 2022 and 2023 that households were reassessing their spending choices more frequently than before. And so, cancellation requests in 2022 did not trend down as much as normal through the year and remained elevated well into 2023 too.

That being said, we see the trend turning. Our total LTM attrition is flat at 7.5% compared to last quarter, it is no longer increasing. And we are very encouraged by the quarterly attrition, so more recent, which is decreasing and is now back to Q3 2022 levels. Attrition in Q3 was lower than in Q2, which in turn was lower than in Q1. So two quarters in a row with quarterly attrition falling, and therefore increased stabilization in our customer base.

Overall, on attrition, we believe this performance still not only leads our industry, but likely subscriber-based consumer services overall. It shows that the professional and innovative security solutions we provide, built on unique technology that delivers against key promises, remains a high priority for our customers even when they must make other tough family budget choices. Our solidity also reflects the high-quality customer intake and the focus on a superior customer experience.

Value creation is not just about the size of the total portfolio. We also focus heavily on keeping excellent unit economics, both in our customer acquisition segment and portfolio segment. So, we are now going to look at unit economics, on slide #8.

In Q3, starting with our customer acquisition segment, our CPA was 1,428 EUR. This is only 1.6% higher than last year, and we're pleased with our control here given the external inflation picture. It shows our focus on efficient marketing spending is having a positive effect alongside strong cost control. Overall, the picture remains broadly consistent with previous calls. We continue to create attractive customers with a very high lifetime value and good paybacks. We believe investing in these valuable new customers is a very good way to deploy our capital.

Moving to our portfolio segment and revenues per customer, ARPU increased to 44.1 EUR per customer per month in Q3. This is up +3.3% in constant currency versus prior year, and +1.8% in actual currency. This increase has come from several sources.

First, a well-executed price increase in Q1 2023 which provides a lot of learning too for our planned Q1 2024 increases. Second, an increased focus on upsell activity into our existing customer portfolio. Third, a focus on optimizing discount levels in all of our markets. And remember this ARPU development has happened alongside controlling attrition and turning that trend around.

Overall, in Q3, we continued to generate excellent Earnings per Customer. We reached 31.7 EUR per customer per month, +3.0% in constant currency versus last year, and our strongest performance ever. We are particularly pleased with this outcome given the macro environment in which we've been operating.

With this, I now would like to hand back to Colin, who will take you through the financial review in more detail. I will come back later for the usual Q&A and some final closing remarks. So, Colin, over to you.

Colin Smith:

Thank you, Austin. Let's turn to slide #9, to discuss our Key Financial Headlines for the third quarter.

Verisure delivered another strong financial performance in Q3. Total Group Revenues were €781m in the quarter, up +10% year over year. Group adjusted EBITDA was €344m in Q3, up +15% year over year. And Portfolio Services EBITDA reached a new record-high of €479m, an increase of +13% year on year. These growth rates are all expressed in constant currency. Annualized Portfolio EBITDA is now around €1.9bn.

Cash Flow from Operating Activities was €389m, which was strongly up +55% year on year. This is the result of very strong underlying cash flow generation in addition to positive cash flow from working capital items. This is consistent with the positive trend we reported in the first 6 months of the year.

Total Capital Expenditures in the third quarter were €210m, up only 1% vs. last year due to strong cost control of both customer acquisition and development capital spend.

Net Debt increased only marginally over the past twelve months, closing the quarter at €7.4bn, an increase of +1% year on year.

And lastly, we have €516m of financial liquidity at hand at the end of the third quarter, from a combination of cash on balance and available funds under our Credit Facilities.

We continue to deliver sustained high profitability levels in our Portfolio. Our Portfolio EBITDA Margin was 72% in the third quarter, in line with prior year despite headwinds from high inflation. Indeed, we have increased our Portfolio Margin by 60 basis points quarter on quarter; margin progression that has been driven entirely by good cost control leading to a reduction in operating costs per customer.

Turning now to slide #10, we unpack a more detailed view of our Income Statement. As discussed, group revenue was €781m, up +10% year over year. Reported Group EBITDA was €333m. This includes €11m of Separately Disclosed Items during the third quarter of the year. These are related to ongoing transformational projects and restructuring costs. Adjusted Group EBITDA, which excludes SDI's, was €344m, representing a growth rate of +15% in constant currency. EBITDA margin progression was again encouraging, increasing from 41.2% in the third quarter of 2022 to 42.6% this year.

Depreciation and Amortization was €146m in the third quarter. This includes €12m of Separately Disclosed Items, related primarily to the amortization of the customer portfolio acquired in 2011 from Securitas Direct Group. This amount is non-cash. Adjusted Depreciation and Amortization was €134m. Retirement of assets in Q3 was €28m. Adjusted Operating Profit, again excluding Separately Disclosed Items, was €182m. This translates to an Operating Profit margin of 23%, up one percentage point vs. the same period last year. Adjusted Operating Profit increased 16% in constant currency year on year.

Net Interest Expenses were €116m in the quarter, which was up from €77m last year, driven by the higher cost of debt. Other Financial Items totalled €15m, of which €12m were SDIs. FX revaluation of debt items and unrealized derivatives was €8m, and €4m related to the amortization of prepaid financing fees.

In total, Adjusted Profit Before Tax was €62m in Q3, representing a decrease of 21% in constant currency year on year. Finally, Income Tax for the quarter was €19m, with Reported Net Income of €8m in the third quarter.

Turning now to slide #11, we show an overview of Cash Flow Generation and Change in Net Debt. And just to note that these numbers represent Q3 YTD, covering the period January to September 2023.

Our cash flow is anchored on 1.4bn EUR of Portfolio EBITDA, for the first nine months of the year. These are recurring cash flows from our customer portfolio, which stands at over 5 million customers at the end of September.

As you know and as we've discussed many times, we deliberately allocate a significant part of the cash generated from our growing portfolio to finance our continued growth cycle. We invest to acquire new high-quality customers that will remain with us for around 15 years on average.

This is what we refer to as Customer Acquisition Investment. Part of that investment goes to replace attrition, and part to fund portfolio growth. In total, we invested €843m in acquiring new customers during the first nine months of the year. We continue to firmly believe that the best use of cash is bringing high quality customers to our portfolio with high lifetime value.

Portfolio and Other Capex made up a €186m outflow during the first nine months of the year. Portfolio Capex of €86m relates to new equipment for existing customers, as we upsell and upgrade our existing customer portfolio. Always innovating for our customers is a core priority, and Other Capex of €100m includes investment in R&D, product innovation and software engineering.

Change in Working Capital has contributed €118m so far this year, primarily driven by improvements in payables and managed inventory reduction.

Paid Taxes in the first nine months of 2023 were €46m, and Paid Interests and Financial Items were €387m.

Finally, SDIs and Other, which includes IFRS adjustments and adjacencies, makes up an additional €64m outflow.

All in all, our free cash flow was broadly neutral during the first nine months of 2023, with a marginal Net Debt increase of €6m, including a small decrease in lease debt of €1m.

Turning next to slide #12 I will now give an update on our net leverage position. As mentioned in Austin's opening remarks, in the third quarter we continued our sustained deleveraging trajectory. Senior Secured Net Leverage and Total Net Leverage closed at 4.3 times and 5.4 times, respectively.

That means that we have reduced net leverage by another 0.2 turns in the third quarter, consistent with the trend we've followed over the past several quarters and meaning that we've reduced our leverage ratio by 0.8 turns over the last 12 months.

Finally, moving to slide #13, and a slide we regularly share to unpack the simple but powerful business model we operate at Verisure. This summarises our track record of delivering strong, high-quality operational and financial growth.

Starting top left with the sales engine, we have delivered good growth in new customer installations over the years. And we have maintained a strong volume of new customer installations through the past 3 years despite everything that's come at

us from COVID-19 and the once in a generation macro pressure on consumers. As we've said many times, we remain disciplined and focused on high-quality customer intake.

In parallel, we continue to focus on improving customer experience and delivering best-in-class attrition levels. Although we've experienced a small increase in the last 12 months, our customer loyalty and base stability remain extremely strong. As discussed, we are encouraged by the fact that quarterly attrition has decreased in Q3 for the second quarter in a row, and is now back in line with prior year.

Strong customer intake and sustained low attrition leads to consistent Portfolio growth. We have driven strong and stable growth rates in our Customer Portfolio for several years. We are now proud to protect over 5 million families and small businesses.

At the same time, and very importantly, this volume growth is complemented by continued improvement in customer profitability. Instead of making trade-offs between volume and unit economics, we focus on delivering high quality growth across both. This flywheel drives significant operating leverage and delivers strong growth in profitability.

We can see this set out on the right-hand chart, with consistent double-digit growth in our key profit and cash flow measure, portfolio EBITDA, which is now approaching €1.9bn on an annualized basis.

With that, I will conclude this section of the presentation, and now hand over to the operator for the Q&A section of the presentation.

Q&A

Operator:

If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial star five again on your telephone keypad. The next question comes from Miquel Lluesma from Bain Capital. Please go ahead.

Miquel Lluesma:

Thank you for the presentation. I wanted to ask about cancellations. You had visibility with the incoming cancellations in the first quarter when cancellations were quite high, and you told us that you were seeing incoming cancellations coming lower, and that we should expect cancellations to trend down, which at the end is exactly what happened. What should we expect in the fourth quarter or the first quarter of 2024?

Austin Lally:

I don't want to get drawn into providing forward guidance on such a key metric like attrition. It's like guiding on installations or other numbers. I would say we feel good about the trend.

Miquel Lluesma:

Should we expect the positive trend to continue, not giving figures, or should we expect something else?

Austin Lally:

I'd also say I'm less focused on a quarter. I just think that after the modest uptick that we saw in 2022 and 2023, the last 12 months have stabilized quarter by quarter. We're making improvements. That's something we're going to just keep working on.

Colin Smith:

I think that's right. Miguel, if I can just add one thing. It's Colin here. If you look at the shape of our attrition over the past number of years, you should expect to see a small uptick, as we've seen in the past, as we put on more for more price rises though around the turn of the year.

Austin is exactly right. I think over the cycle, we feel pretty good about the stability and the engagement that we've got in the customer base.

Austin Lally:

We executed the 2023 price increase very well. I'm confident we're going to execute the 2024 price increase also very well. This is muscle we're actually building in the

company year after year, which is why the attrition uptick that you saw was probably lower than many people outside expected given the external environment.

Miquel Llesma:

Yes. I agree with that. Following up on the price increases, do you have in mind what price increase are you going to pass for 2024?

Colin Smith:

We can't disclose that kind of guidance with a couple of months away from notifying our customers due to confidentiality.

Austin Lally:

I think it's also probably a bit inappropriate from a competition perspective. We're not on the call here signaling to the marketplace, the pricing we are taking.

Pricing is one of the key levers in our value creation armoury. Even if inflation is abating a bit, it's still high. We've always focused here on protecting our unit economics. Probably for investors it's a good illustration of discipline. We could sell more alarms if we didn't take the cost of acquisition into account. We could probably have lower attrition if we didn't defend our unit economics. But we're in this game for the long term.

Miquel Llesma:

It makes sense. Then a question on capital allocation. Your leverage, as you said, has been trending down quite nicely, but you historically have been comfortable with higher levels of leverage. What are your plans regarding capital allocation going forward? Do you have anything in mind, some cash upstream, some acquisitions?

Colin Smith:

Not for the moment. I think we're happy with our financial model and our capital allocation model, certainly for the foreseeable future. We don't expect any kind of dividend recapitalization for the next 12 months.

Miquel Llesma:

Okay. Thank you so much.

Operator:

The next question comes from Vivek Khanna from Deutsche Bank. Please go ahead.

Vivek Khanna:

Thank you for taking my questions. I guess the first one is on working capital. Obviously, there was some inventory build-up last year, which is unwinding this year. I'm just wondering if you can give us the sense on what could happen through year-end, or next year. Is all the unwind largely behind us? That's sort of a medium-term working capital sort of question.

The second question was on capital allocation, which I think has just been specifically answered in the sense that previously there was no dividend recapitalization until year-end. Now we've committed to no dividend recapitalization for another 12 months going from now. Is that fair? I just wanted to confirm that.

Austin Lally:

That's right. That's what Colin said.

Colin Smith:

Vivek, let me take your first question, which is a good one on working capital. I think first things first, the way the company managed through the global pressure on the supply chain over the course of the past 24 months has been very well done and very well executed. The single largest element of that working capital benefit that we're seeing this year is the renormalization of inventory. I would expect in 2024 we perhaps continue to see some benefit there, but certainly nothing to the same extent as what we're seeing this year. I would expect that by the time we get to the end of next year, 2024, our inventory levels will be back in terms of our stock holdings at pre-pandemic levels.

Vivek Khanna:

The last nine months have been pretty strong. Could we just say that, broadly speaking, most of the unwind is behind us?

Colin Smith:

That's right, in 2023, yes. There's still a bit more to go but yes, the majority is done.

Vivek Khanna:

Thank you very much and congratulations. Another good quarter.

Operator:

The next question comes from Michael Hemmings from CVC Credit Partners. Please go ahead.

Michael Hemmings:

Hi there. Thanks for taking my question. A lot of them have been answered. I think one it'd be interested to get some color on would be CPA. You're saying inflation is abating, but we've seen that still slightly tick up. I was wondering if you could provide some color on the latest trends. Thanks.

Austin Lally:

First of all, inflation hasn't turned into deflation. It's just that the rate of inflation has slowed a bit. If you look at the quarter, I said we were up 1.2% in the quarter. If I look at the nine months, it's up 0.5%. We think that's a good result given the inflation rates that we're seeing outside.

Actually, it's taken quite a lot of work to keep CPA at that level. We've had to look at our marketing investments, how we negotiate that. Choice of media, new approaches on some of what we're doing with Google, and a lot of overhead control in our sales organization. We look at things like branch costs, supervisory costs, the ratio of branch managers to the number of sales, the ratio of team leaders to the number of branch managers. Also raising performance expectations for individual security experts, what we call SPP, sales per person. Insisting on a better performance on things like own generated sales, which obviously come without marketing costs. There's a lot of work that goes into delivering a CPA number like that.

Michael Hemmings:

That's really helpful. I think the other question I was going to ask was regarding the customer installation levels. The annualized third quarter level is slightly below what we saw last year. Are you considering being more selective with the customers that you're taking on going forward, and is there going to be a change in that also for the year ahead?

Austin Lally:

I wouldn't say that this is a change in the trend line for the future of the company. My plan looking forward is to continue to grow installations. I don't want to guide you on a specific number or a target.

We certainly believe that there's room to continue to grow the absolute volume of installations. I think what you're seeing in the quarter and in 2023 is certainly an element of us being a bit more selective, not just on the quality of the customer, but actually on the marginal cost of acquisition. We could clearly have sold more if we had been prepared not to absorb the CPA inflation that we faced.

I've said to you a few times before that we are a "power of and" company, which means we want a strong volume of installations, and we want CPA under control. And by the way, we want loyal customers, and we want growing EPC. You need to make some trade-offs to deliver these "ands".

Michael Hemmings:

Okay. Brilliant. Thank you and congrats again on the strong results.

Operator:

The next question comes from Naveed Mukhtar from PGIM. Please go ahead.

Naveed Mukhtar:

Hi, thanks for the presentation. I had a question generally on the market. I'm just curious in terms of the regions that you operate, where are you seeing more pressure and where are you seeing more opportunity to get the new subscribers and lower cancellations? If you're able to just discuss that, that'll be very helpful.

Secondly, just in terms of competition, I'm just wondering if you're seeing anything new or any more intensive competition from some of your peers.

Austin Lally:

On the competition topic, our markets have always been characterized by strong competition. The competitor that's pushing will change from time to time. Some will rise and some will fall. Some new entrants, either from new industries or traditional competitors, maybe from another region, may come in. These things happen. Sector Alarm which competes with us vigorously in Scandinavia, for example, entered the French market and the Spanish market. Movistar Telefonica, in Spain formed a joint venture with Prosegur, our biggest Spanish competitor. They've pushed quite hard over the past two years.

When I look at these competitive battles, our company's position in terms of market share, in terms of value creation, is stronger than before. We're never complacent about the competitive environment, but we always take it as an impetus for us to do better so that we don't rest on our laurels, so that we build muscle on growth, and on retention.

As far as geographic distribution and segmentation, we never really get into that in these calls because I think it's too valuable to our competition. What I will say is that there are some geographies where we are bigger than in others because we've been there longer. We've built higher levels of penetration. There's not a single geography that we are in today, where there isn't a significant upside in terms of penetration.

Overall, as a company, the biggest single macro advantage that we have is that we are the leader in a low penetration set of geographies.

Naveed Mukhtar:

I appreciate that. The question on competition is, have you seen any increase over the last few quarters?

Austin Lally:

Probably over the past two years, it's been consistent. It'll vary from market to market, from time to time. I don't want to comment on specific competitors and when they invest on TV and when they don't.

This isn't an industry where we had an easy ride and we're now facing competition. We've always faced competition. We've had traditional security players coming in and going. We've had independent competitors like local installers and electricians. They have always been there. And by the way, there are more options for them today in terms of systems that are available to them to compete with us.

Against that competitive environment, our company continues to perform very well. There's even an argument, I don't want to model it, but there's even an argument that the more competitive pressure in the marketplace, actually the more demand for alarms. And as the number one brand, we tend to be the first destination for people. In a more competitive environment, all boats can rise, but maybe the leader rises better.

Naveed Mukhtar:

Thank you. I appreciate that. I have one quick accounting question. In terms of any discounts that you may give, is that captured within your ARPU number, or is that captured somewhere else in your accounts?

Colin Smith:

It's primarily in our ARPU number.

Naveed Mukhtar:

Okay. Thank you.

Operator:

The next question comes from Ryan O'Hagan from Blackstone. Please go ahead.

Ryan O'Hagan:

Thanks for taking my question. Congratulations on the very strong quarter. I'm pretty new to the business, so it's probably more higher-level questions that I have here. When you talk about customer churn and acquisitions, and you mentioned it quite a few times in the presentation on penetration rates, is the primary competition here to grow into whitespace and increase that penetration rate, or are your net adds coming from winning against peers in the market for customers who already have an alarm system?

Austin Lally:

It's fundamentally a penetration game. If you took the, let's call it seven percentish, attrition number, probably about one point of that plus or minus is trading with existing alarm competitors.

In general, when people leave us, they're not leaving us to go to another alarm company. They're actually leaving the category. Maybe they're downsizing, for example, an older family, maybe leaving a villa, going to an apartment. It can be a business that closes. In reality, you're never going to save a business customer whose business is closed. That's just genuine attrition.

It's one of the reasons why we actually don't use the churn language. We always talk about attrition. The industries that talk about churn are industries like Telco, Mobile and so on, where people are literally churning.

Ryan O'Hagan:

Got it. That's super helpful and that's a great way to think about it. You talked about pricing and flexing your kind of pricing muscle. Have you guys looked at putting any contracts on CPI Plus terms? It kind of comes back to the Telco point. They've all moved the CPI Plus contracts. Obviously, it's a little bit different there. I was wondering if that's a feature in your space as well.

Colin Smith:

CPI Plus is primarily a UK initiative, and a condition that Ofcom has under review. I think the point from our side is that we like to retain absolute flexibility in terms of being able to price in a way that optimizes our customer portfolio and our customer revenues.

I think what you tend to find with CPI Plus pricing is that in a low-inflation environment, for example, you are limited. And we just don't feel that is right for us at the stage of development that Verisure is at. It's very much about flexibility on our side. As Austin said earlier, we are delivering really strong capability and sophistication in terms of targeting customers and optimizing that level of pricing that we take every year around January and February time. We're very happy with where we're at. There are no plans at this stage to go CPI Plus.

Ryan O'Hagan:

Got it. That is really helpful. This is my last question. The customer acquisition cost and the new customer growth spend that you show in your cash flow line after the EBITDA, how do you think about that allocation of dollars? Is it really just a question of how much cash you have on hand, or do you kind of set a budget at the start of the year? What do you think about that capital allocation decision and sizing it in any given year?

Austin Lally:

If you stand back, it's really about payback and IRR. We take into account the acquisition costs in a particular country. Because not every country is the same. There are low-labour-cost countries and high-labour-cost countries. There are markets where there's a lot of competition for media. There are markets where somehow media is a monopoly. You need to consider things like wages and marketing costs. That influences the pricing that you're going to demand in the market. What we're trying to get to is, even when there is a range of pricing and a range of acquisition costs, we still deliver good paybacks and good IRRs.

Colin Smith:

I think that's right. Obviously, we set a plan out from a capital allocation perspective for the coming months and years. But Austin is exactly right. It's about the high-quality intake and acquiring customers with paybacks that you've seen in the quarterly report at less than four years, as well as strong twenty percent rates of return. That's brilliant business. We will continue to basically do that just as much as we can for as long as we can.

Ryan O'Hagan:

Awesome. That's super helpful. I appreciate the presentation and congratulations again.

Operator:

As a reminder, if you wish to ask a question, please dial star five on your telephone keypad.

There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Austin Lally:

Thanks for the questions. I'm always happy to get the chance to engage, especially on the fundamentally important topics that you raised. Let me just reinforce what I said at the beginning.

We have delivered important milestones, which we have celebrated. But we are never complacent. Although we continue to see certain economic indicators further improving, there remains uncertainty.

Yet, we continue to deliver on our mission of protecting what matters most. And, we have demonstrated once again the resilience of our business model and the quality of our portfolio. We have delivered another quarter of strong operating and financial

performance, and we have once again achieved new highs for portfolio and performance metrics.

All of our team are grateful for the trust that so many families and small businesses have placed in us.

I look ahead to the future with optimism. We continue to provide an important service, valued by our customers. Latent demand remains strong for our proposition, and penetration remains low. We will leverage our expertise and leadership position to protect more families and small businesses. And we will continue to innovate and enrich our proposition.

Finally, again, many thanks for your interest and support and for the questions. We look forward to talking to you again next quarter to share our full year results.