S1 2020 Earnings Call

Company Participants

- Andy Parsons, Group Chief Financial Officer
- David Richardson, Group Chief Executive Officer & Managing Director UK Corporate Business
- Unidentified Speaker

Other Participants

- Andrew Crean
- Ashik Musaddi
- Barrie Cornes
- Gordon Aitken
- Louise Miles
- Nick Johnson
- Oliver Steel

Presentation

David Richardson {BIO 18045016 <GO>}

Good morning, everybody. I'm David Richardson, Chief Executive of Just Group Plc. And I want to welcome you to our Half Year Results Presentation. I'm joined today by Andy Parsons, our Group CFO. It seems like a lot more than that five months ago when we were one of the last companies to do a face-to-face results meeting in what was already by then a rather empty London. A lot has changed since then and I'm sure that you're all pretty used to these virtual results meetings by now. But please bear with us, that it's the first for us.

Now before the summary remarks on our performance, I'd like to briefly acknowledge the appointment of our new Chair, which we announced yesterday morning. I'm delighted to welcome John Hastings-Bass to the Board as Chair and non-Executive Director. John brings over 35 years' experience in the insurance and reinsurance sectors with him, which will broaden and enrich the Board. I'm looking forward to working with John in taking just through the next phase of development.

As we welcome John, we must of course say goodbye to Chris Gibson-Smith, who will retire from the Board today. Working with Chris over the past seven years has been a privilege. He has steered the group through some very challenging times and takes with him our very best wishes for the future.

So, let's move on to our results and I'd like to open with some overarching comments. Our strategy is clear. We are focused on improving the Group's capital position and over the last 15 months, we've been transforming the way we do business in order to deliver a more sustainable and resilient model. We thought we had managed well last year in what was a tough external environment, but that environment has become even tougher this year.

In this context, I'm very pleased with our strong progress during the first half of 2020. Our capital coverage ratio has increased during a period of huge disruption. The solvency balance sheet has been extremely resilient and we have been encouraged by the performance of the credit portfolio, which has been prudently managed throughout. In parallel, we've achieved substantial organic capital generation driven by a number of significant management's actions. But we have no plans to ease up, there is much more we can and want to achieve.

As we look ahead into a period of great uncertainty, is it helpful to have a range of further capital management actions available to us, which we can use to build and preserve a sustainable capital model. Commercially, we are operating in markets that continue to have strong structural growth drivers, our leadership positions in attractive segment of these markets provides us with opportunities to grow selectively when valuable opportunities arise and in areas that fulfill our purpose which is to help people achieve a better later life.

So let's turn to Slide 4, capital continues to be the number one priority of the whole leadership team. So, I'm delighted we've executed our plans and delivered very strong organic capital generation of a GBP145 million, which has improved our capital coverage ratio by 9 percentage points. Before management actions, we broke even on organic capital, which is an important achievement in the development of our business.

On top of this, the number and variety of capital management actions completed in this half year has been very noticeable. As well as the NNEG hedge and the DB partnering transaction that we announced back in March, we have completed another longevity reinsurance deal, this time on the guaranteed income for life book to supplement the DB deal we announced last year. All these actions come at attractive rates of return. We're confident of continuing our trajectory of generating organic capital in the second half and into the future.

I'm proud of the commitments demonstrated by my colleagues in the face of this extraordinary and unprecedented pandemic. Operationally, we have not missed a beat. Our balance sheet has proved to be resilient. It's hardly been affected by either the challenges in the credit market or the 75 basis points reduction in interest rates over the period. Of course, we recognize there are short-term uncertainties in the UK property markets. We are working hard to reduce our exposure there.

Andy will cover the results in more detail later. But a 4% increase in the solvency coverage ratio to a 145% is a strong performance, in particular when you bear in mind that we redeemed GBP67 million of Tier 2 debt during that period, which reduced the coverage ratio by 3%. Sales in the first half were hit a little by COVID and by seasonality, but the DB pipeline is stronger than ever and we can already see DB sales accelerating in the second half.

We are confident future regulatory costs can be met by management actions and should we need to de-risk the balance sheet, we have further capital actions we are working on to strengthen the balance sheet. In parallel, we continue to build shareholder value and this is reflected in a tangible book value of 204p per share and some Solvency II shareholders' funds of 184 pence per share.

Moving on Slide 5, we've changed this slide on management action, so you can see more clearly what we have achieved over the last 12 to 18 months to deliver meaningful outcomes to improve the capital position. We've developed a strong record of execution and are confident of our ability to continue along this path. On the future options, you'll see some of these are continuation of similar themes from the past, such as reinsurance and no NEG hedging.

Others such as the potential sale of LTM portfolios have always been available to us, but may now be more suitable to support the group's capital agenda. So overall while we have achieved a lot already, there's more to do and we are progressing further management actions to bolster the balance sheet.

Turning to Slide 6. The COVID-19 pandemic has been a dominant factor in this period for our colleagues, our customers and our partners as it has been for all of you I'm sure. In responding to the pandemic, the imperatives that guided our actions were protecting the welfare of our colleagues across the group and being there for our customers. We tripled our remote working capacity before lockdown came fully into effect and have provided 99% of our colleagues with the new technology and other equipments to enable them to work at home productively. None of our colleagues have been placed on the government-backed furlough scheme.

We maintained all critical services to customers and made a number of changes to our service design and product features to help customers navigate the impact of the lockdown, in particular, our vulnerable customers.

And then if we look at our markets, we can see plenty of reasons to also feel confident about the future. Our DB pipeline is as high as it has ever been, a testament to our team, but also a reflection of the buoyancy of the market, particularly in small and mid-sized transactions. We anticipate that sales for the year will be similar to last year, but with lower capital strain and higher returns.

On GIfL, there was initially a dip in sales, but the market has adjusted and bounced back with some evidence that the turbulence in financial markets is causing customers to rediscover the benefits of certainty. The LTM market has been more effective, given the difficulties that lockdown presented such as completing property valuations and holding face-to-face meetings with solicitors, but I'm pleased to report the market is now recovering.

Turning to Slide 7. Our balance sheet is indirectly exposed to property risk via the no negative equity guarantees, which are a key feature of lifetime mortgages. The underlying economic benefits of matching our retirement income portfolio with LTMs are clear and the level of policyholder protections against the economic risk of the NNEG is extremely high. However, changes in the regulatory treatment of LTMs over the last few years mean that the sensitivity of our balance sheet, excuse me, of our capital position to property movement is higher than we would like.

We want to reduce this balance sheet sensitivity, and as we announced in March, we concluded our second no NEG risk transfer in this half year period, which help us both improve our regulatory capital position and reduce the level of property sensitivity on our balance sheet. That transaction brought the amount of LTMs we have hedged to GBP900 million out of the total of GBP6.6 billion, but we do have appetite for more. We are pleased with the level of interest that is being shown from a number of highly rated counterparties in further no NEG hedging.

While no NEG hedges are effective, they aren't the only options available. We are considering other management actions to achieve this, including the potential sale of LTM portfolios. Looking at what might happen to house prices in the near future, it is important to acknowledge two realities. The first, of course, is that there is considerable nervousness about the direction of travel over the next 12 to 18 months. And the second is that nothing of note has happened so far.

The forward-looking indicators from Nationwide, Halifax, Zoopla and Rightmove are positive and give no significant indication of a significant drop in the second half O&S numbers that will flow through our capital position. However, I want to assure you that in our forward planning, we consider a range of potential property scenarios, and we are already progressing a range of further management actions to help offset the more adverse potential outcomes.

Turning to Slide 8. The chart shows the results of the fundamental changes we have made to the new business model over the last 18 months are having a real effect. We have maintained a strong pricing discipline and changed the mix of business we write. We have relentlessly targeted business with a lower capital strain and eliminated the most capital intensive business. In addition, we have increased the level of longevity reinsurance, on DB business last year and during the first half of this year on GIfL business.

Looking forward, future DB partnering deals will help to keep the new business strain low and we would expect to maintain strain at or below 4%. Writing low strain new business at attractive returns is fully embedded in the reward structures of our management team and has helped to deliver the progress that we've seen here.

Now, to Slide 9. Our focus on new business strain has helped us to get to breakeven point on organic capital generation of four management actions in the first half. We expect a similar outcome in the second half and are confident that this trajectory will continue and show improving generation next year and beyond. Reaching this point represents a key achievement for the business and paves the way for a sustainable future. Adding in the significant positive management actions delivered in the first half gives a meaningfully positive organic capital generation of a GBP145 million.

Now I'm not promising that we will repeat this level of management actions each and every six months, but we do have a range of further actions available to us, many of which we are already progressing and the whole leadership team are incentivized to deliver organic capital generation.

With that, I'll hand over to Andy.

Andy Parsons {BIO 20726474 <GO>}

Thank you, David. And I also extend the warm welcome to you all today. We very much appreciate your time and continued interest. It's certainly been an eventful first six months as Just Group's CFO. I've been really encouraged by the resilience that the business has demonstrated through the COVID-19 pandemic, both in the continuity of the business model and in our balance sheet stability in the face of some extreme market movements.

I've also been very impressed by the energy and agility displayed in delivering significant management actions despite the challenging COVID-19 backdrop. The clear focus of the group on continued action to transform the business and de-risk the balance sheet to create a lower risk capital generative business models for the group is very much reflected in the progress that we have made over the period.

Turning to the numbers then on Slide 11 and focusing initially on the capital journey as our main priority, where we have very positive progress to report today. The waterfall shows the key steps in the development of our Solvency II surplus over the first half of 2020. Our opening surplus owned funds was GBP748 million, representing a capital coverage ratio of a 141%. This position improved over the period by GBP124 million of surplus owned funds to result in a capital coverage ratio of 145% at the end of the period. The improvement was driven by significant positive contribution from organic capital generation with this adding 9 percentage points to the ratio over the past six months. In addition, I'm very pleased to note that underlying organic capital generation from the business before management actions and model and basic changes was also a small positive over the period.

Given the extraordinary turbulence in the markets over the last six months, in particular regard to interest rates and credit markets, I'm very pleased to note the very limited impact we've seeing from economic movements. This reflects the effectiveness of our hedging and the active risk management of our investment portfolios. And you'll remember that we redeemed the rump of the partnership debt back in March, which reduced capital coverage by 3 percentage points; and despite this, our capital coverage ratio has still increased over the period by 4 points. And I would also note that following the significant regulatory adjustment at the end of 2019, the impact of further regulatory changes over the period has been minimal.

Now, let's go into further detail on organic capital generation and how we see the developing on Slide 12. This slide shows the key components that make up organic capital generations. As a reminder, this is a measure of the capital generation achieved by the business before the impact of regulatory change, market movements and any capital raising. It includes the ability of the business that generate capital surplus internally by a management actions. The GBP145 million of organic capital generated in half of '20 is a significant improvement on the 36 million of generation for the whole of 2019, and the GBP36 million of capital consumed in half of '19 that you see on the slide.

In-force surplus grew strongly reflecting growth in the book and higher investment margin unwind. Going forward, the pace of growth will moderate under the impact of management actions with half two expected to be a little lower than the first half as a result. Looking ahead, I would expect year-on-year to continue to grow at mid-single-digits.

David has already covered the continued focus on reducing new business strain, where we expect to make further progress in the future in particular through DB partnering. The increase you can see in finance costs over the period should I hope have been anticipated, reflecting the full six months run rate for the RT1 coupon, but also including costs from the partnership bond redeemed in March, which will not be repeated going forward.

Continued progress has been made on expenses this year for the level of expense overrun in half one elevated by the lower volumes over the period and expected to reduce in line with our commitment to remove this overrun by the end of 2021.

I expect development and non-recurring costs to be at similar levels in half two '20 as we continue to reshape the business and finalize the impact of regulatory changes. And these four lines that up to a small positive for organic capital generation before management actions and model and bases changes, which compares to GBP22 million of consumption in half one 2019.

The GBP142 million contribution over half one from management actions, model and basis changes, and experience variances includes a combined GBP93 million coming from the no NEG hedge and DB partner deals announced in March, as well as the new guaranteed income for life longevity reinsurance deal announced today.

The impact of the higher excess deaths across the UK due to COVID-19 has sadly being felt across our customer base, which translates into an GBP18 million impact on solvency over half one. At this stage, it's too early to form any clear view on longer term impacts from the virus on ongoing longevity. And the net impact from basis methodology in modeling changes has also been positive over the period of GBP31 million. Going forward, we envisage continued additional generation from future capital management actions, albeit not on this scale every six months.

Turning then to Slide 13, where we provided further details on the guaranteed income for life or GIfL, reinsurance transaction completed in June, and where this positions us economically in terms of our overall in-force longevity reinsurance cover. A GIfL transaction has reduced the amount of capital we have to hold in relation to a proportion of in-force longevity risk and has led to a GBP48 million increase in surplus at an attractive implied cost of capital, although with a small negative one-off IFRS cost. We've also increased the longevity reinsurance on GIfL new business written since 1st of January 2020 to 90% from 75% previously.

In combination with last year's DB reinsurance transaction, our reinsurance treaties helped to constrain new business capital strain, boosting internal rate to of return on shareholder capital invested in new business, but at a small cost to IFRS new business margin. As of 30th of June, 55% of our in-force longevity exposure has been reinsured, which does leave us with options for further de-risking in the future.

Moving on to Slide 14. Costs continue to be a key focus for us as a business. This slide shows the progress since 2018 to realign the cost base with a GBP4 million benefit anticipated in 2020 as part of an overall GBP30 million, 20% reduction in the cost base being targeted by the end of the 2021. These savings are being achieved through a combination of actions including streamlining the organization, business process optimization, including the use of robotics, strengthening our procurement and cost controls and investment to digitize our customer and advisor interactions. The forecast cost base aligns with management's commitment to eliminate the Solvency II new business expense overrun by the end of 2021.

Turning to the next Slide, Solvency II non-operating items. This shows the impact on our solvency position from economic movements over the period. Capital raises or in our case redemption and regulatory changes. Firstly, the property variance of GBP47 million. This represents the solvency impact of largely flat house prices across our portfolio through half one 2020 compared to our long-term 3.8% per annum house price inflation assumption or 1.9% for the half year. For the half year, we've used the last data published by the ONS in May, principally reflecting pre-lockdown transactions, but also considered more recent and forward-looking indicators for the housing market post-lockdown, which are all positive.

On the next slide, we've drawn out the positive contribution of the credit portfolio to the results. Credit migrations over the period have had the negative impact of only GBP24 million from downgrades impacting the Solvency II rating around 4% of the bonds in our matching portfolio. However, this has been more than offset by GBP69 million of positive capital impacts from our portfolio management to improve the credit quality and more closely align duration across our matching portfolio during half one.

The extraordinary moves in credit markets created more impetus to manage the portfolio than a buy-and-hold investor such as Just would normally have. Excess owned funds have benefited by GBP76 million from other economic variances and this includes GBP52 million from the increase in value of hedges as long-term interest rates have declined.

Regulatory costs in the period include the final year of the accelerated TNTP amortization totaling GBP25 million, the GBP12 million in each half. And also included in regulatory adjustments are a negative from the strengthening of the valuation of LTM notes in light of the full and risk-free rates over the period, ensuring sufficient headroom is maintained over the EVT test. This was largely offset by the removal of this assumed reduction in future corporation tax rate, which has been maintained at 19%, which has decreased the SCR due to its effect on deferred tax.

We expect to meet the future cost of moving to full compliance with the new regulations for LTMs through future management actions and we continue to actively engage with the PRA over the changes required to our internal model to fully reflect the LTM changes by the end of 2021.

Moving to Slide 16, which shows our Solvency II sensitivities and picking up some of the more significant sensitivities on this slide. Firstly, property. The sensitivity here remains the same as that disclosed at the full year of 15 percentage points or a 10 percentage point drop in house prices, with this including the impact of the no NEG hedge announced in March.

As David noted earlier, we are continuing to actively progress options to reduce the sensitivity of our balance sheet to potential future property price falls. We've also published our sensitivity to a credit quality step downgrade of 20% of the credit portfolio, which is also unchanged from the 13 percentage points reported at year end.

We would note that this rather crude sensitivity does overstate the real level of risk to the portfolio as it makes no allowance for the positioning of individual names within the portfolio or of actions that would be taken to protect or manage the portfolio during a stress scenario. These can be seen from the experience across our portfolio up over half one where despite the extensive rating action our Solvency II downgrade exposure has been limited and the net solvency impact from our credit portfolio is a GBP45 million positive.

On policyholder mortality, we can see here that a reduction of 5% would affect us by 12 percentage points. And this compares to the circa 1% improvement in our solvency ratio from increased mortality that we have seen during half one. The sensitivity is slightly higher than the full year with the increased level of Gifl reinsurance more than offset by the fall in risk-free rates putting upward pressure on this sensitivity.

On interest rates, we have an active hedging program in place to manage interest rate risk, which has protected the solvency balance sheet through the recent falls in interest rates and continues to provide protection against further downward movement in rates. It's worth noting that the further 50 bps fall illustrated here would take long term rates negative.

On to Slide 17 and switching gears from Solvency II to take you through the IFRS results. Our underlying operating profit over the first six month increased by 2% and a 10% decrease in new business profit half on half was more than offset by a 25% increase in recurring in-force profit. Operating experience and assumption changes over the period were flat with increased mortality affecting our DB, GIfL and LTM books offset by costs from the GIfL longevity reinsurance and DB partner deals. We did not make any long-term assumption changes at the half year.

The group will continue to assess the development of the COVID-19 pandemic during the second half of 2020 when we will carry out a full review of our mortality assumptions as usual for the full-year. Other group companies and development expenditures are broadly in line with last year, with reinsurance and finance cost increasing as expected for the full six months of the RT1 coupon.

Slide 18, looks in more detail at new business volumes and new business and in-force operating profit. I'd like to briefly highlight our sales trends. The chart on the top left-hand side, you can see that our new business is very much weighted towards the wholesale defined-benefit market, with 60% or more of our volumes from this source since 2018. DB volumes, as you know, have been lumpy, with a strong current pipeline of active deals providing an encouraging outlook for the second half of 2020. Since half year, we've already completed our further four transactions bringing the year-to-date total to GBP650 million.

Our retail sales were slightly depressed during half one with advisers taking some time to adjust to more virtual models through lockdown, but with sales steadily increasing and now back to pre-lockdown levels. During the first half, we continued to maintain strong pricing discipline, seeking to optimize the mix and type of new business and the assets backing them. And this combined with increased levels of longevity reinsurance, has led to the low strain we see on new business. Despite the increased level of reinsurance, we have maintained an unchanged new business IFRS margin of 8.9%, in line with the first half of 2019.

Overall, we expect a similar full year outcome for 2020 both in terms of new business volumes and margin as we saw in 2019. And moving to the bottom right importantly, we've also increased our recurring in-force operating profit by 25% to GBP51 million with this improvement in part a result of credit spread widening over the period.

Turning then to Slide 19 to cover the below the line items, contributing to our significant statutory IFRS result. The fall in adjusted operating profit has been offset by a very large gain from investment and economic profit, which has helped profit before tax to increase of GBP125 million in 2019, just GBP305 million for the first half of this year.

As the analysis on the right shows, this GBP243 million gain has been driven predominantly by the positive impact from lower risk-free rates, where our hedging of our Solvency II exposure leads to IFRS gains when rates fall, but losses when rates rise. This gain from interest rates was partially offset by a negative impact from credit spread widening and also flat property prices.

Before I hand back to David, I'd like to take a slightly more in-depth look at our investment portfolio, on Slide 20. This slide covers the additional detail provided to the market at the time of the AGM to better explain our credit market exposures across our bond portfolio, which makes up 52% of our financial investments. The pie chart shows our analysis of our

BB bond and BBB portfolios split between more defensive sectors shaded in coral and the potentially more exposed sectors due to the pandemic in gray.

This slide shows that 80% of our total portfolio including 77% of BBB bonds is in defensive sectors. With the entire portfolio, well diversified across over 500 issuers with an average size of GBP23 million. Geographically, 50% of the bond portfolios from non-UK issuers, 77% is denominated in sterling with all non-sterling cash flows hedge back. We suffered no credit defaults over the period.

As a long-term holder of credit and operating in a Solvency II framework, we actively review and manage the portfolio to minimize the risk of defaults and downgrades. This proactive management help to limit the impact of rating downgrades over the period and generated Solvency II surplus through improved credit quality and duration matching leading to a net GBP45 million of Solvency II surplus over half one.

Up to the end of July, we had sold almost GBP600 million of bonds that were most exposed to downgrades and recycled the proceeds into less pandemically exposed credit, whilst maintaining our limits on sector exposure to remain diversified. We keep the sector allocation and movements within the credit rating buckets under constant review and actively monitor downgrade risk ahead of credit rating agency actions. Also worth noting is that the BBBs have very limited exposure to the more obvious at risk sectors with only 3% in energy and 2% in consumer cyclical being airlines, hotel, leisure and retail.

And with that, I will hand back to David for his concluding remarks.

David Richardson {BIO 18045016 <GO>}

Thanks Andy, and thanks for taking us through the results exit.

Turning to Slide 22, I'd like to start my conclusion by spending a moment to recap on why we do what we do here at Just. Our purpose statement is a good reminder of why Just exists. We help people achieve a better later life. Every colleague across the Group contributes to this purpose whether they are serving the customer or providing support to someone else who is. We're helping retail savers, homeowners, pension trustees and our clients of our corporate customers with advice and solutions that help them to achieve peace of mind in later life. It is times like this that we really bring home the value of locking into certainties.

This last point was the focus of a blog posted by a colleague recently. She told a story of one of our customers, Mrs.Taylor who telephoned to ask whether her pension was safe. She was very distressed having spoken to friends whose pension had dramatically fallen in value. We were able to reassure Mrs.Taylor that her pension income was guaranteed. Out of pure relief, she cried when hearing the news and explained how she had been so frightened and wasn't sure how she was going to cope if she no longer received her pension.

Our colleagues are trained to identify and support vulnerable customers and they do a fantastic job. Mrs.Taylor ended that call with peace of mind. That's our purpose in action. By providing great value and outstanding service to our customers such as Mrs.Taylor, we've been recognized in the awards we have won across all sections of the later life market.

Turning to Slide 23, we want to continue to fulfill that purpose in a changing retirement landscape. That's why we continue to invest in developing new innovative solutions, albeit selectively given our focus on managing costs. As previously announced earlier this year, we completed our first DB partnering deal, a capital-light partnering model for DB derisking transactions, which exceed GBP250 million in size.

In July, we launched the UK's first green lifetime mortgage, which provides incentives to customers whose property has an A or B rated energy performance certificate. We're also piloting two exciting developments this year. The first is a service designed to help close the financial advice gap for people in middle Britain, with more modest pension savings. This pioneering automated advice solution developed by our fintech business within our HUB group has recently been admitted into the FCA Sandbox program.

Our second development is a highly innovative solution to deliver guaranteed income to retail investors who manage their portfolios on modern investment platforms. So, we continue to invest in the future to ensure we can deliver our strategic priorities and fulfill our purpose.

And finally, before we turn it over to questions, I'd like to make a few closing remarks. First, I'm proud of the way colleagues across the group have responded to working from home and their focus on taking care of our customers. Second, we've demonstrated very strong operational, commercial and financial resilience during a period of huge disruption. Third, we have made strong progress on generating organic capital and are confident in continuing to do so as we continue our transformation.

Next, we have a range of management actions available to us to further strengthen the capital base and we are demonstrating our execution credentials in delivering what we say we will. And finally, we are optimistic about the future. We hold leadership positions in valuable segments of economically attractive markets and we will continue to innovate to selectively grow our participation in these markets.

The transformation continues, our resilience is stronger, our thirst for innovation is unabated, and we have lots of energy because there was much more that we want to achieve.

So now we'll invite questions. If you join the conference on your computer, you may click on the hand symbol. That will let us know you'd like to ask a question. (Operator Instructions)

Questions And Answers

A - David Richardson {BIO 18045016 <GO>}

(Question And Answer)

A - Unidentified Speaker

Okay. Thanks David, thanks Andy. We're ready to start the questions now. So I'm going to turn to Gordon Aitken at RBC first. Gordon, you should be a muted and we should be able to hear you. Thank you.

Q - Gordon Aitken {BIO 3846728 <GO>}

Yes, thanks very much. So three questions for me please. First on management actions. On Slide 5, you mentioned one of the options is moving the partnership book to the group's internal model. And just why hasn't this been done so far? And what would it do to the solvency ratio? Second point on the solvency ratio as of now. I guess the key is property. And as you said, the O&S therapies are a wee bit out of date, and you mentioned some of the other indices, which are based on mortgage approvals that have been positive [ph] including the (inaudible) survey, which is today. And what's your best estimate of the current solvency ratio? And if you don't have the number, maybe just indicate if it's higher, flat or lower than the ratio at the end of June, please?

And finally, you talked a lot about reducing risks. I mean you've obviously done a fair bit of this, and you've got a desire to keep going in this direction. And offloading risks is certainly one way. But what are your thoughts on the alternative, of finding a new larger home in a more diverse organization?

A - David Richardson {BIO 18045016 <GO>}

Thanks. Gordon, I'll let Andy handle the internal model question. I'll speak in maybe more general terms in terms of our view on the property outlook and also your final question on inorganic options.

So let me kick off and probably note what we did talk about property, so if you bear with me, I'll just spend maybe a couple of minutes on that, which may also anticipate some other questions. So I guess, first thing, just to maybe take something off the table. As we think about our exposure to property markets, at long term, we've got no significant concerns. As I mentioned in my comments, lifetime mortgages represent a good match to our annuity portfolios and the expected real or economic cost of NNEG claims over the long-term is very, very low. So what that leaves you with is the short-term fluctuations and how that impacts the regulatory or Solvency II capital coverage ratio, which is what was there behind your question, Gordon.

So let's think about the short term. I guess, in the very short term, the rest of 2020, the forward indicators do not suggest a fall versus our starting point. When I say our starting point -- as we touch on in the slide, our capital ratio that we've published today is based on ONS data. That ONS data, which is kind of the gold star amongst kind of property indices, is by its nature a little bit dated, because it is based on completions of sales of properties. So for us, the numbers we're publishing today is based on completions that probably took place in kind of February or March time.

Now what we have is actually wrapped the forward indicators that are pointing to house prices that are, in the very short term, at worst flat and probably slightly ahead of that over the next few months. So it's not really about 2020. It's really looking beyond that into 2021. And realistically -- and we're not in an environment where it makes sense to talk about point estimates. There's just too much uncertainty. So instead, the way we view that as a Board is we consider a very wide range of outcomes for property markets and how those might develop not just in 2021, but over the next five years. And we've identified a range of actions that would help us to manage through all those scenarios.

And for the avoidance of doubt, as I mentioned in my comments, we are already in progress on moving forward some of those capital management actions, i.e., we are not waiting for a property fall and then reacting. We're trying to get ahead of the game. And the final thing to say, of course, is that as well as actions that can improve our capital position, there's also actions we can take that specifically aim to reduce our property exposure. So it gradually brings that down. And we've talked about NNEG hedging, but also there's a possibility of portfolio sales. So that's how we're thinking about property and the outlook at the moment.

And in terms of the inorganic question before I hand over to Andy and -- look, we're focused on, hopefully, what you can see is a very clear strategy of doing everything we can within our control to strengthen the balance sheet and make this business more resilient. And as ever and as we've said before, we're very mindful and we're very conscious of any options that could improve shareholder value. So we remain open to those, but really, our focus on a day-to-day basis is really to drive the business forward and to build resilience in the balance sheet.

A - Andy Parsons {BIO 20726474 <GO>}

Okay and so coming to your first question, which I think was in terms of partnership, why have we not moved that previously onto the internal model? So yes, we have effectively a partial internal model across the group with JRL on the internal model and partnership on standard formula. I think since the merger, it has always been a task on the to-do list to move partnership onto the same internal model as Just Retirement.

And ultimately, also to try to bring those companies together. The sort of real reason why that hasn't happened to date has been the -- I guess the focus from a PRA perspective has been more on the sort of changes to the regulations around lifetime mortgages and hence, the changes required to the Just Retirement internal model to flow those through. So from a PRA perspective -- and the PRA are very supportive of wanting to get partnership onto an internal model, because it's not ideal to have a business like that on a standard formula, but they very much sort of see that coming onto the Just internal model once we have all of those regulatory changes also agreed through that model.

The final point probably to make is that, clearly, we can only move on this as fast as the PRA will let us, and the PRA's wheels move quite slowly in terms of authorizing changes through onto the internal model. You asked about the benefit that we expect. So we're not today predicting a benefit from this, but we do expect there to be benefits, particularly in terms of allowing us to diversify risks better across the group, across one internal model.

Q - Gordon Aitken {BIO 3846728 <GO>}

Thank you.

A - Unidentified Speaker

Thanks, Gordon. Turn to Oliver Steel now. Oliver, we should be able to hear you now.

Q - Oliver Steel {BIO 6068696 <GO>}

Yes, I hope you can. Thanks for taking the questions and well done with this -- with the solvency ratio. So three questions. First is really sort of following up on Gordon's questions on Slide 5, which is, can you talk a bit more about which of the ongoing or future actions are likely to be able to generate the biggest benefit and some sort of scaling around those? I mean, in particular on the reinsurance, it looks to me as if you've now sort of reinsure 90% to 100% of the post-2015 business. Can you, for instance, go to the pre-2015 business or is there no longer any scope on that? Second question, very simple, is if I look at the expenses and not just the cost overruns, but the exceptionals and the one-off costs in the capital generation roll forward, to what extent can we expect those to come down to 0 from 2021? Or are those likely to be continuing?

And then the third question is, you've reinsured something like GBP900 million at the NNEG exposure. Well, then you've taken on another GBP750 million of new lifetime mortgages in the first half, which rather offsets the benefit, it seems to me. And I note that, that GBP750 odd-million is 30% of your sales achieved in the first half, which is actually higher ratio of new business being sent through to lifetime mortgages than has definitely been the target in the past. So if you are trying to reduce your property exposure, why are you writing so much LTM?

A - David Richardson {BIO 18045016 <GO>}

Okay, I'll handle the last one of those, and Andy, I'll let you pick up the management actions and the expense base question. So let me talk in general terms about how we think about this, Oliver, and then we can get into specifics. But essentially, we think lifetime mortgages are a good economic and part of a diversified investment portfolio, for annuities are entirely appropriate both in terms of their cash flow characteristics, but obviously, they deliver an attractive yield for liquid investors, which is what we are. However, economically, whilst they're attractive, we've got too much volatility in our balance sheet, in our Solvency II balance sheet.

So it is essentially, in our view, a back book issue. So we wish to reduce that balance sheet volatility on the back book. If you take something like no net hedging, that's very effective because what it does is it provides protection on the downside, but we continued to participate in the full economic return if property prices even grow modestly over the long term. So the back book issue we're dealing with, which is why we want to do more and larger no net hedge transactions, and why we will consider LTM portfolio sales. However, then going forward, we still think a flow of LTMs makes sense to match against future annuities. It's also a very valuable proposition and helps customers in later life. So we do still see LTMs as part of the future.

And that backing ratio on new business may gradually come down over time, but I think it's highly unlikely that it will be eliminated. So that's the overall picture that I am trying to present here, I'm not sure I recognize the numbers you quoted. We can probably pick those up off-line. We certainly did not write GBP750 million of LTMs in the first 6 months. So there might be some mark-to-market or something that you're picking up there. We can pick it up off-line. I think our backing ratio, I don't, do you have that --

A - Andy Parsons {BIO 20726474 <GO>}

It was 28.

A - David Richardson {BIO 18045016 <GO>}

Was 28% in the first half of the year. So that gives you an indication of what we're writing at the moment. Andy do you want to pick the other two, please?

A - Andy Parsons {BIO 20726474 <GO>}

Yes, happy to. So in terms of management actions, clearly, I think what Slide 5 shows is that we have a number of these under consideration and that are in various different forms of progress at any one time. And some are sort of more within our control, and others are all -- involve regulatory interactions, et cetera.

So I think we wanted to give a clear view of, I guess, the extent of things that we are considering and actively working on. Within that, we very much prioritize, as David has sort of outlined, actions that will both improve our solvency position but also reduce the risk that we would have around house prices and any potential future falls in house prices to reduce that balance sheet sensitivity. So that -- if you want to know the sort of priority in our minds, that would be sort of -- we prioritize the actions that achieve those sort of twin aims from our perspective.

In terms of your question on expenses and the exceptional one-off costs, I guess I would note that we are expecting those costs to be at a similar level in the second half of this year to the first half, but that would be GBP16 million over the full year compared to GBP26 million last year. So that number is coming down. But I think you also note that we have a sort of continuing cost again, and that requires us to continue to invest into the business in activities that will allow us to secure those cost savings going forward. So I wouldn't expect that to be nil in 2021. I'd expect that to be a continued level, probably similar to where we expect to be this year.

Q - Oliver Steel {BIO 6068696 <GO>}

Thank you very much.

A - Unidentified Speaker

Thank you, Oliver. Thanks Andy. We'll turn to Louise Miles now, Morgan Stanley. We should be able to hear you now, Louise. Thank you.

Q - Louise Miles {BIO 20765435 <GO>}

Hi, good morning everyone. There's three questions from me this morning. So the first is on solvency. I know you've discussed before that you want -- you need the solvency to return to a comfortable level before you start taking actions. So I'm just curious as to how you rank those actions in order of priorities. So that's between things like resolving dividend payments, paying down debt, ramping up on writing more new business, or is there something else?

My second question is on development expenditure. So in the release you mention the fact that development expenditure includes developing new less capital-intensive products. And I'm wondering, is there any commentary on the progress of this and what kind of products are being developed? And when should we expect to hear more about these? And then my final question is on sales conduct. So obviously, you've alluded to it today about -- that during COVID that you're unable to meet with customers face-to-face.

I'm wondering how exactly you dealt with being comfortable that the elderly people understand the financial implications of your products, if you're unable to meet with them face to face, particularly on lifetime mortgages, and how you're able to see whether or not these people are in vulnerable situations, for example? Yes. That's it.

A - David Richardson {BIO 18045016 <GO>}

Okay, so in terms of the capital choices that we may be presented with in the future and how we view those, I'll let Andy speak to those. And maybe I'll touch on the latter two. So in terms of development expenses, in particular, that directed into capital-light investments or I'll call it more generally continuing to ensure that the business model can flourish in the future. What type of things are we talking about?

Well I've touched on a couple of those in the presentation and so there is an enormous financial advice gap in the U.K. right now. A huge portion of middle Britain do not get financial support and advice on making what are difficult and complex retirement decisions. So we have been investing in a fully automated online tool that provides regulated financial advice that takes into account all of a person's savings, both pensions and non-savings, their needs, their expenditures and their ambitions in retirement. And we have got that now soft-launched with a small controlled group of customers and that is what I referred to, which is also going through in parallel the FCA Sandbox.

That is something which has required investment and will continue to require investments to really make it truly user-friendly and to improve over time. And that's the type of thing we're investing in, which if you think about it, that ticks the box in terms of meeting a huge customer need and helping people in later life. It is making sure that we are not just keeping up with, but we are staying ahead of emerging trends in the retirement market. And it's also financially a fee-based business, which is completely capital-light in that sense. And it's not going to deliver meaningful numbers in 2021 or it may even take a little bit longer than that. But it is absolutely a worthwhile investment to make.

Another example, as I mentioned, are things like investing in providing guaranteed income to people who do -- who SIP platforms. So we had pension freedom in 2015, and certainly a lot of people did not buy annuities when they got to retirement. What they do instead, their money went on to platforms where they have been lower no level of drawdown. Those customers will ultimately need some support to de-cumulate. You ultimately do save your money and in retirement actually spend it at some stage. And so a guaranteed element of that retirement income is something we want to be able to help them with when they, for example, hit their 70s. And we have launch that on one platform and are moving forward on a couple of others, and are just starting to write our first policies on that. So there are examples of things we're investing in.

And your question on conduct involving our customers during COVID-19 is something that we're very tuned into. And first of all, before I talk about specifics, and we were one of the first, if not in the vanguard, of companies to really focus on vulnerable customers in the retirement space. We have got lots of -- excuse me, our customer service people are trained in dealing with vulnerable customers. That real-life example I gave you, of Mrs.Taylor, was one such example, where the customer service rep who supported her was particularly trained with vulnerable customers.

Now when it comes specifically to the example you gave was lifetime mortgages, we absolutely are aligned through the Council in making sure that there was not a drop-off in standards in terms of how we protect customers during this time. They all still need financial advice. They also need a solicitor to take them through the process. What we did is we tweak the process type side of things to make sure that those products could still be made available to customers. So we use desktop valuations rather than in-the-house valuations. We allowed e-signatures instead of wet signatures on legal contracts, but there was still the same fundamental support and protections around. And Andy, do you want to --

A - Andy Parsons {BIO 20726474 <GO>}

Yes. So in terms of I guess solvency ratio and how we view that going forwards. I think what the first point I would make is that we are aiming to build a consistent sort of track record of capital generation. And that's important that we build that before we don't feel able to, to take choices in terms of what we would look to use that -- our excess capital for. Yes, and I think it's important as part of that, to note that we would -- we do expect, absent market impacts, to see that solvency ratio continue to improve going forwards. In terms of then what choices that then gives us and how we would prioritize those.

So the three that you mentioned were restarting dividends, potential to repay debt and also potential to expand from a new business perspective. On the last of those, I would note that -- I think that clearly, the action that we're taking to bring new business strain down, combined with the action that we're taking on the cost base, which also will enable us to get more efficient in terms of future new business, means that the sort of the capital cost of potentially increasing new business in the future becomes lower, so that's obviously helpful in terms of when we think about that as a future use of capital. The choice then in terms of -- or how we would be thinking about dividend versus debt, I think, will largely depend on conversations that we would have with our investor base to understand where the priorities lie, as well as obviously looking at the sort of potential costs of the debt that we have on the books. So hopefully that's helpful.

A - Unidentified Speaker

Thanks, Andy.

Q - Louise Miles {BIO 20765435 <GO>}

That's great. Thanks.

A - Unidentified Speaker

Thanks Louise. I'm going to take a bit of a hunch now. I think this might be Andrew Crean. I can only see a telephone number, so Andrew, if it is you your line is open and available. Speak.

Q - Andrew Crean {BIO 16513202 <GO>}

Yes, it is me. It's Andrew. Thanks for taking the questions. I just wanted to slightly explore this issue of PWC, including this emphasis of matter note in your accounts, talking about a high level of regulatory activity and intense regulatory scrutiny and intervention by the PRA, which could negatively impact the capital position. I mean, they point us to Note 14, which points out the coverage being 123%, not 145%, which is without the notional recalc of the TMTP. Could you give us some sort of background to this and whether there is a risk that the PRA will not allow the notional recalculation of the TMTP please?

A - David Richardson {BIO 18045016 <GO>}

Thanks, Andrew. Andy, do you want to take that --

A - Andy Parsons {BIO 20726474 <GO>}

Yes, I'd be happy to cover that. So I guess the first point to note is that the -- although PWC are our new auditors, the emphasis of matter isn't a new development. A similar emphasis of matter, slightly longer and more wordy, was there from a KPMG perspective, and was there after the half year last year as well as full year. That does draw the attention -- the note citing it is Note 14 and again, there, Note 14 is largely unchanged from the year end in terms of the position that we find ourselves in. So I don't think that there is anything particularly new to note there. But obviously, there is -- we do work with quite a lot of scrutiny from the PRA. They continue to push us very much in a similar direction to the one that we would, ourselves as a Board, be looking to take, which is continuing to improve the solvency ratio but also continuing to reduce our property risks.

Those priorities are very much also the PRA's priorities. So they are, I guess, scrutinizing us along that process. In terms of the TMTP recalculation, most of that is driven by the fall in interest rates that we've seen over the first half. So we will be applying to PRA for a recalculation of TMTP through Q3. We obviously manage our position on a post-TMTP basis because that makes most logical sense, particularly in terms of managing those marketing risks of our position.

Q - Andrew Crean {BIO 16513202 <GO>}

But is there a risk that the PRA will not give you the notional recalc, because that's what the suggestion from PWC's note is.

A - Andy Parsons {BIO 20726474 <GO>}

Well, that's not intended to be a suggestion from that note. They're drawing attention more to Note 14 around the fact that, clearly, we have -- we've brought into our SCR position and our overall solvency position, our view on the sort of implementation of the new regulations around LTMs.That has to flow into a major model change. So although we've been discussing that all the way through with the PRA, that formally gets included into a sort of a major model change, which is quite a formal process with the PRA, and will happen later on in the year. So that's more what that is intended to draw attention to.

Q - Andrew Crean {BIO 16513202 <GO>}

Thanks very much for taking the question.

A - Unidentified Speaker

Thanks Andrew. So Barrie, you should be unmuted. Just one second. Sarah, could you unmute Barrie's line for us please? Go ahead Barrie. Okay, it looks like Barrie may have dropped off. We'll come back to Barrie in a moment as they say on the news. Can I just check whether Nick is there from Numis, please? We've got Barrie back now. So let's take Barrie. Sarah, can you unmute Barrie's line please?

Q - Barrie Cornes {BIO 2389115 <GO>}

Apologies. Can you hear me now?

A - Unidentified Speaker

Yes. We got you, Barrie. Thank you.

A - David Richardson {BIO 18045016 <GO>}

Thanks Barrie.

Q - Barrie Cornes {BIO 2389115 <GO>}

Sorry about that. So good morning everybody. I've got three questions. The first is in respect to the hedging. You've got GBP900 million of a GBP6.6 billion lifetime mortgage portfolio is hedged. Just wondered how much more you would like to hedge ideally, and whether or not you think there's an economic market for it? That's the first question. Second question, you signaled sales at a similar level in 2020, similar level to 2019. I just wondered how is COVID in the foreign investment markets, what level of demand there is you are seeing for GIfL and lifetime mortgages? And lastly, I just wondered what sort of appetite you have for increasing longevity reinsurance on either the GIfL or the DB book, please?

A - David Richardson {BIO 18045016 <GO>}

Thanks, Barrie. I'll speak to the first two, and maybe, Andy, you can pick up the longevity reinsurance question. In terms of how much more appetite we've got for NNEG hedging, as you said, Barrie, we've done about GBP900 million. We've got appetite to do up to a further GBP2 billion of further NNEG hedging, and that would take -- so it's not quite 50% of the portfolio, but it will be getting close to it. We're seeing a good demand in the market for this. I use the term markets, but I really don't think of that as a deeply liquid market. This is a very much niche and at the kind of leading-edge of transactions. But there are a number of counterparties out there who are interested in taking on this risk.

And because -- going back to my opening comments on properties, what they're taking is a long-term exposure to property, not what happens in the next 12 or 24 months, but actually, what happens over the next 20, 30 years. And they are quiet quite comfortable taking that risk and being paid a fee for doing so. And for us, it's obviously very helpful in both boosting our capital ratio but also reducing the volatility of our balance sheet. So look, these transactions do take a bit of time and they're very long-term transactions. So it is worth being rigorous and going through them diligently. But we definitely want to do more.

In terms of -- yes, I think your question getting at what's -- kind of post COVID, what's the demand like for GIfL and lifetime mortgages? Just take you through the brief journey there. When COVID disruption hit, and obviously everything went remote, we saw activity levels drop by roughly 25%, maybe 30% in the GIfL and LTM markets, which actually, I think at the time was slightly better than most people were expecting. I think a lot of people thought it might just go completely into hibernation for a while. And then what we've seen is just a gradual recovery.

People had to adjust to all the changes going on their lives. But after a while, particularly when they're at home, and they do get back to long-term financial planning. And we've seen activity levels gradually tick up in both. A little bit more quickly in the GifL market, while we anticipate that both of them will revert to pre-COVID levels some time in Q4. Now that's absent a second national lockdown, for example. But the trend we're on is to get us back to that level. And then just round that, the DB market has been really, really strong and pushing forward there. Andy?

A - Andy Parsons {BIO 20726474 <GO>}

And just to answer your question on longevity and apologies a little bit, because I think this was part of your earlier question in terms of management actions. So you're right in saying that we have now hedged a large portion of the post-15 business. So as we look back into the pre-15 business, the benefit then of the risk margin being able to be reinsured is removed.

But there is still a benefit. And I think what we've particularly noted from the recent transactions is the, I guess, the benefit that we have from the medical expertise that we have within the team, and it's very much recognized by the reinsurers, and we are able to negotiate very good rates with the reinsurers. And that's led us to look at pockets of the pre-15 business where we do currently expect to be able to achieve solvency benefit from reinsurance. So we are just working through those now.

Q - Barrie Cornes {BIO 2389115 <GO>}

Great. Thank you. That's very clear. Thank you.

A - Unidentified Speaker

Thanks, Barrie. I think we have got time for just a couple more. Sarah, could you please unmute Ashik's line please from JPMorgan? Go ahead Ashik. So we'll come back to Ashik in a moment. Sarah, could you please unmute Nick Johnson from Numis? Thank you.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hello?

A - Unidentified Speaker

We've got you --

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hello? Can you hear me? Hello?

A - David Richardson {BIO 18045016 <GO>}

I can hear you, Ashik.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. (inaudible) thank you. I mean I have just a couple of questions, if you can help me and sorry, I unmuted it, but it might not have gone through. So just a couple of questions. First of all, you mentioned that you have tools to take management action further, which would include stuff like the sale of equity release portfolio and further non NEG hedging. Now is there any sensitivity you can provide us that, for example, like if you sell GBP1 billion of ERM, this happens to capital if you do GBP1 billion of extra NNEG hedge or no-NEG hedge, then it improves the capital this much. So that would be a bit helpful so that we can understand.

The second question is, I mean, interest rate have declined, and it continues to decline. Although I can see that the sensitivity to capital has reduced materially, but I would still believe that the sensitivity to, say, new business strain on margins could still be high. So with this kind of interest rate, are you confident that you can still maintain a very low new business rate? What you have done over the past, say, yearly, while maintaining the same 8% margin and especially given that you are not focusing on, or you're deemphasizing a bit here? So that could be the second question.

And third one is it's interesting to see that in the past 6 months, the questions have changed from how much capital you need, to when can we think about the dividend. So I mean how much confident you have that we will most likely not get that question back again? And how much capital you need in the business, especially when it comes to equity raising, et cetera? Thank you.

A - David Richardson {BIO 18045016 <GO>}

Ashik, I'm very sorry, we had a small technical failure, and we missed your first question. Could you please repeat your first question? I'm very sorry about that.

Q - Ashik Musaddi {BIO 15847584 <GO>}

No problem. First question was straightforward, like you mentioned that you can do equity release portfolio disposal, and you can take more no-NEG hedging, so any sensitivity you can give on if you sell GBP1 billion of ERM portfolio, how much capital ratio gets better? I mean, what's the benefit on capital ratio? Any sensitivity would be helpful on that.

A - David Richardson {BIO 18045016 <GO>}

Okay. So Andy, I'll let you answer that one and the dividend question. I think we just came in at the tail end of your second question. I think that was around, what's our confidence around maintaining the new business strain and indeed profit margins in a low interest rate environment. It's a great question because, obviously, we have over the past -- it's not just the past six months, but over the past 18 months, been heading into unchartered territory on low interest rates. And however, our capital strain figures have proved remarkably resilient and have actually -- we have improved them consistently over that time. So when we talk about pricing discipline, that's one aspect of it, is that you kind of do adjust for rates as they come down, and that you really are realistic about what yields you can invest at -- the money in.

And I think looking forward, we are still seeing very conducive conditions to keep the capital strain at the type of levels we've seen in the first half of this year. And as a management team, we are all absolutely focused on that and incentivized by that, and the market is supporting us. It obviously helps that we're operating in structurally growing markets, so that you don't have to chase every deal. You can pick the ones that suit your particular capital and risk appetite.

So we feel good about that going forward. In the very short term, we've reiterated our guidance for 2020, that we think overall sales and profit margins on an IFRS basis will be similar to last year, and we expect new business strain to be a bit lower and returns a bit higher.

A - Andy Parsons {BIO 20726474 <GO>}

So just picking up your first question. So in terms of LTM disposals and further no neg hedging, at the moment, we've hedged 15% of the book. I think we would -- we certainly see scope to go further. I could see that ultimately, we would like to get that hedging up to maybe around half of the book. So that would be a useful target to have in mind, although that may take some time to get there. We also have the potential to hedge some of the new business on LTMs as well. So that's something we are also looking at. And then -- and obviously, we've added this time the potential to look at LTM disposals.

Again, I can't really give a sensitivity in terms of what -- how that would impact on the capital ratio, probably the best indication is maybe in terms of -- we are obviously targeting a reduction in our balance sheet sensitivity, and that's currently 15% or 10% fall in property markets. I think we would like to see that traveling down towards 10%, in terms of where we would like to move to.

So hopefully, that's a useful guide for you. And then moving on to sort of confidence in the capital position. I think that it's a very interesting question. Absent, obviously, the major sort of impacts that we're seeing on markets from the COVID-19 pandemic, I think we would have hoped that as we come through this year to be able to be saying, right where we think we are now very much on our way to building sustainable capital story really for the group. That's obviously the uncertainty at the moment, is around what actually happens to the economy, particularly maybe less so through the reminder of this year, but particularly as we go into 2021. So I think anyone that sort of puts forecasts for that together is a brave man.So I think that's a sort of caveat, really, I guess, in terms of what impacts we see from the economy.

A - Unidentified Speaker

Thanks Andy. We'll take our final question now. Sarah, could you unmute Nick Johnson's line, please? Go ahead Nick.

Q - Nick Johnson {BIO 1774629 <GO>}

Hi there, thanks for giving the chance. Actually, my questions were answered in the last question. So I've got no further questions. Thank you.

A - David Richardson {BIO 18045016 <GO>}

Great. Well listen thank you all for your time today, and thank you for your ongoing interest and support. I don't know about you, but I'm looking forward to hopefully seeing you in person next time. I'm not sure how you found this experience. It all seemed a bit surreal. I certainly don't think it's quite as effective. So anyway, I hope you're all keeping safe, and we shall speak to you soon. Thank you. Bye.