

# L&G Half Year Results 2024 – Q&A

7<sup>th</sup> August 2024

## António Simões Legal & General Group PLC - Chief Executive Officer

So, I would like to invite now onto stage Jeff again, Laura, Michelle, Andrew, and Bernie to take your questions.

Take your water, yes. So, please state your name and your company and if you could try to limit yourself to three questions. I'll start right to left if that's okay. Farouk there first.

## Farooq Hanif JP Morgan – Analyst

Thank you very much. Firstly, a question on the... Sorry, Farooq Hanif from JPMorgan. Firstly, a question on the pipeline. It's obviously a large pipeline. Do you expect to win your natural market share? Do you think there are any capital constraints to you writing a lot early on? Second question, you've obviously accelerated write-downs of Salary Finance and non-core assets. Can you give us some idea of what's left to look at so we can get an idea of when that might end? Because obviously there's been a lot of chatter about that today. And the last question, more of a general one. Clearly there's an article today in the FT about Rachel Reeves and the government and the encouraging of growth in private assets. So, just wanted to get your sense of whether upfront now you're seeing the potential before 2028 to get some of that growth coming through.

## António Simões Legal & General Group PLC - Chief Executive Officer

Great, thank you Farooq. So, maybe I'll say a couple of words on pipeline, and I'll ask Andrew to comment on that. I'll ask Jeff to comment on any write-downs, and then I'll come back to the chancellor questions. So, on PRT, so let's step back. So, we talked about being world-class of doing PRT. That's what we said back on the 12th of June. We gave the guidance at that point, as you know, of 50 to 65 billion over the next five years. So, it's lumpy, we said that, but we talked about on average that would be a 10 to 13 billion.

So, everything I see, and I said a bit of that in the 12th of June, if you remember. Actually, if anything, the pipeline is even stronger. And you asked me two months ago, the beginning of the year was reasonably slow. It was slow in the market actually. And you saw that in the slide that I put up that we have the 1.5 billion that we wrote in the first half. And then since then, i.e. in July, we've written another 3.5 billion. So, we're pretty confident about that. And then the ability, obviously we gave you the overall number 24 billion plus. Of course we won't do all of that. But so will we do our fair share? We expect that to be the case. But Andrew, do you want to?

## Andrew Kail Legal & General Group PLC - Chief Executive Officer - Institutional Retirement

Yeah, not too much to add. The pipeline, as we said, it's the strongest we've seen, 14 deals over a billion in '24 in total at various stages. And I just reference what António said it's lumpy. But we would expect, given the nature of that pipeline and where we are in those bid processes to be at or around our market share. I think you asked do we see capital constraints to delivering that? Not at the current time, no.

## António Simões Legal & General Group PLC - Chief Executive Officer, Executive Director

No. And actually we gave the normal strain guidance for on the 12th of June actually. The strain has been reasonably low actually. So, we're very comfortable we have the capacity. What's important is the pricing discipline, of we will continue to maintain that pricing discipline. But everything we've seen so far would indicate a good 2024 in terms of overall numbers. Corporate investments unit?

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yes. So yeah, you mentioned the Salary Finance. As you can imagine with the CFO taking over the unit, we've been through all of the assets in even more detail on the valuation.

**António Simões Legal & General Group PLC - Chief Executive Officer**

That's why you're leading it, Jeff.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

We laid out in the press release; we get third party valuations on a lot of those where they are land and real estate. It's very easy to get third party collaboration on round out, what is it, what do the value do? We haven't seen more coming through in terms of rates, et cetera. So those have all been fairly flat on that side of things. The big asset is Cala, which it's not relevant for. And then you have a couple of other smaller FinTech's. By far, salary finance was the biggest fintech within there. We've really analysed those. We've looked at things like cash runway, we've looked at their expectations given they're not strategic to us, where will funding come from? What will that look like? So everything is marked at what we think is a very sensible number now. We know we're not trailing that this is going to be an ongoing thing. Clearly when we go and sell these, we will see what they're really worth in the market. You never know. But we've tried to put a sensible view on these.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you. And then on Rachel Reeves and the question, so the engagement with the government has been very productive and in the first few weeks, I said this in the slide, but what we outlined in terms of our strategy, if anything, our objectives, which is to put institutional and pension capital to work in terms of the real economy is absolutely aligned with the government's objectives. So that is positive. Particularly we were involved in the creation of the National Wealth Fund and again the same idea of public and private capital coming together. The pension review is particularly important for us. So that was launched a couple of weeks ago. And I think Farouk, your question was linked to the story this morning on the papers, which is the comment from the chancellor that the local government pension scheme is bringing them together. And so, if you link that, what I've just said, we've launched on the 15th of July, our affordable housing fund.

It's exactly to do that. So, you have ACCESS pool of 11 local government pension schemes, the greater Manchester Pension Fund, and they're investing alongside us to create affordable housing. That's exactly what we believe should be done from a societal perspective, but also with good returns for shareholders. And the final point, which I find encouraging is the focus on planning reform. So, in order for all of that institutional capital to come into the real economy, you need actually the practical infrastructure of being able to invest. And as you know, there's quite a lot of delays in terms of the planning system. And so, the focus on that, we've also find

encouraging. So, if I think about from an L&G perspective, if anything, these are additional tailwinds if you think about it that way in terms of delivering our strategy. Thank you.

**Mandeep Jagpal Royal Bank of Canada – Analyst**

Good morning, Mandeep Jagpal, RBC Capital Markets. Thank you for the presentation and taking my questions. Three for me, please. First one on management actions. You did less annuity back book optimisation in the first half. So what's the pipeline here for the second half? And also, what is the pipeline for management actions more broadly for the rest of the year? Second on asset management. Overall net flows for asset management don't appear to be slowing overall. So what's your net flow outlook for the rest of the year? And you mentioned in the release that you've expertise in preparing schemes for run-on, could this be a positive development for the asset management business? And finally, on PRT again, the funded reinsurance consultation concluded last month from the PRA's findings is there any notable implications for your funded reinsurance arrangements in the UK business or in your Bermuda reinsurance function?

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you. So in terms of the, maybe Jeff, I'll ask you to talk about back book management actions and also touch on the funded re and PRT. Just a bit on asset management, I'll ask Michelle also to say a couple of words. So clearly, look, we don't like to see outflows, right? But the industry itself, as the DB pension industry, is in structural outflows. And therefore we have shown you what actually the ANNR would be with and without. A lot of those outflows are obviously very positive for L&G when it is actually a buyout situation where the best example I can think of recently is the Boots that we did just before Christmas where that's a massive outflow for our asset management business. But of course very positive for PRT. And that creates actually then an internal inflow into Asset Management. So we need to differentiate those. So as schemes prepare for buyout, when buyout happens of course, that's more profitable overall from an L&G perspective. But Michelle, do you want to comment on that?

**Michelle Scrimgeour LGIM - Chief Executive Officer**

Yeah, no, and actually if you step back, what's been going on over a period is, in looking at market volatility, what we're seeing from clients is more caution, and that's entirely understandable. What we're also seeing from clients is given where rates are, a lot of them are staying in cash or shorter-dated. And that I think is also leading to some pretty mixed results across the asset management industry as you have seen. As it relates to what's going on here at L&G, Antonio is absolutely right. Two-thirds of those outflows actually are in DB. What you're also seeing coming through and actually of that roughly 50% is derivative. So it's how some of our clients are thinking about repositioning. So this is quite a lot of those underlying is LDI. The rest of those outflows are principally in index, broadly speaking. So it's asset allocation changes. What you're also seeing coming through though is that mixed shift into higher margin areas. And that's the story you're seeing coming through on the revenue line. And that really is about losing lower fee assets and gaining higher fee assets, broadly speaking. You asked about what does that look like for the future? As clients get more confident, then I would expect to see that flow's picture pick up. We have a large one, not funded pipeline. So where we know we've run the business where clients are taking longer to invest, and we're also feeling completely understandably with clients working with them to get to the point at which they want to commit. That will change. Hopefully we'll be able to say that the markets are up by the end of this year. You guys may know better than us, but that

will change as our clients feel more confident. But the really important thing is staying close to them throughout this whole piece.

**António Simões Legal & General Group PLC - Chief Executive Officer**

And thank you Michelle and Mandeep, a great question. When we were here on the 12th of June, we talked about the fact that our average revenue margin is seven basis points, but actually for index and solutions it's around three, four basis points. Whereas in active fixed income we have around 15 and multi-asset we're around 18. So if you think about the combination of that, we are losing flows that are in the three, four basis points and we are gaining flows that are at 15, 18 basis points or more, obviously if it's private markets. But I think as much as I don't like to see outflows, I think the important point is the 6% revenue growth. Jeff, back book-

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Sure.

**António Simões Legal & General Group PLC - Chief Executive Officer**

... optimisation and funded re.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, I mean I wouldn't read too much into the back book optimisation timing. Clearly, we pay a lot of people to optimise when they do that. The spreads on direct investments versus spreads on credit, even versus spreads on gilts these days. And so we've been looking to optimize that. There's no issue in the pipeline of sourcing DI. It's very much a case of when do we think it's optimal to put this to work. So we had a run rate last year, we have a run rate this year. That's the sort of levels we're looking at. And to your other point, we have no issue over the level of management actions that we'd expect. That's still bang in line with what we've been saying and would be in line with our OSG guidance if you like and what's within that.

On the funded re? Yeah, I mean look, it's broadly sensible risk management. And so in that case we're supportive of the regulator and therefore we do most of it. There's always one or two things that we can improve and we already had as a plan to do as and when we scaled the use of funded re. But as I say, it is mostly sensible risk management. Think about your counterparties properly, are they correlated to you? What assets are in there, what does it all look like if it ends up on your book? That's the sort of thing we already do. And what trade-in are you assuming at that point of stress? That sort of thing is sensible risk management. We absolutely do that.

There aren't arbitrary limits imposed, which we think would not necessarily reflect a good risk management. And so, we think it's good to have a good standard in the market if people are using funded re and it doesn't impact our plans and the levels we're using. I mean at the moment it's not a large percentage of our portfolio. Even if we did 10, 20, 30% per annum, which interestingly we didn't do in the first half, then it wouldn't grow to a big percentage over the five years. And so it hasn't changed the way we look at it. A little bit of work to do in some areas as expected, but broadly we're supportive and it makes sense.

**António Simões Legal & General Group PLC - Chief Executive Officer** Yeah, not a concern for us. I'll just come online, I'll come here to the room just because Dom asked a question, a few questions, but they're all similar to what we've just answered. So I think the first point was for those of you in the room, great to see asset management revenue margins improve even before the recent new launches. Could you give a bit more detail on what is driving this? Presumably outflows have been from lower margin strategies. Yes, you asked the question, we've just answered. Anything else to note as a driver for this? No, it's the move to higher revenue strategies to higher margin strategies. And it says LGRI and LGR, is the half-year investment result likely to represent a fair view of the run rate? You should mention that Jeff. And then, or was there more or less back book optimisation than you would normally expect? Just because it links to what you've just said, maybe you want to address that.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, well I think it's reiterating the same thing. I think in terms of run rate, I think you do need to look at average over a slightly longer period for the reason I've said of us optimising when we deploy those against the back book and when it makes sense when we see the opportunities and when we source the assets. But otherwise, I don't think there's anything to add on that. And asset management was exactly what you said.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Exactly. Good, thank you Dom. Hope you're feeling better actually. So, there.

**Rhea Shah Deutsche Bank – Analyst**

Thank you. Rea Shah Deutsche Bank, three questions. So the first one around bulks, I mean the margin was 6.1% and you said that was partly it was because of the ICI fund being lower duration. If we exclude that, what would the margin have been on the rest of the bulks that you did? Second again on bulks, but going abroad now. So what do you think, what is your pipeline for the US? But then you also talked about Canada and the Netherlands as well. So is there more colour you could give on those two markets, especially the Netherlands. Because Dutch peers are diverging and what they're thinking about capital generation coming from that. So how are you thinking about it? And then third, on the non-attributable costs in LGRI and in Retail, are we to assume that that first half run rate is the same now for the full year and going beyond that as well?

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah, thank you. So just on costs, Jeff probably will add, but yes, the costs are in line with the second half and they're what we expect going forward. But Jeff may want to add or disagree with me. On bulks overall so on the first half of the, and Jeff, you should add, but actually the thing is, as you've seen, we've written the 1.5 billion of which 1.1 was the UK. We have that chart. So actually it's quite difficult to say, excluding that very large number. So I think the better answer maybe, and you should answer this Jeff, is how are we seeing the metrics more generally on the other answer this, Jeff, is how are we seeing the metrics more generally on the other 3.5 billion? And then, Andrew, if you could address the pipeline, particularly from how we're seeing the US and then Canada and the Netherlands? And as you may know, Lifetri which is a partner we had in the Netherlands, they've decided to change their strategy. So we're looking at that market where

actually at the moment not much is happening, but Andrew should add. First to you, Jeff, on the margins and then to Andrew.

#### **Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, and just on the non-attributable as you said, that's pretty much the run rate. If you look at the second half last year, if you look at the total for Institutional Retirement over the year and divide by two, you get to the right sorts of numbers. So we're at that run rate now. There was a bit of fight for IFRS 17, tidying up shall we say on some of it. And so we're at a sensible run rate, sensible allocation of those expenses. So it's not an underlying expense growth necessarily that's driving any of that and not what we expect to see going forward.

Yeah, on the PRT margin, as you say, it only left 200 million where a lot of those would've been small schemes, etc. They have quite different dynamics. The other 3.5 billion if you like, and probably how we're looking at the rest of the year, we obviously have the capital management framework. Everything is meeting or exceeding quite nicely the sort of internal rate of return type targets, the 14% that we talked about in particular because we see strain being quite a bit lower on those than that ICI deal.

That was a very much an outlier with strain. Still less than 4% but closer to it, whereas we're seeing strain now much closer to the lower levels that we've been able to achieve. And some of that is because finding gilts more attractive, as I said earlier on the back book optimisation. So we're sort of balancing that to optimise the metrics all around. So yeah, the business is looking healthy with reasonably low capital usage, which I think is a good outcome.

#### **António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah. And it's important to reinforce what Jeff says. We outlined, one of the things we've made quite a big deal out of on the 12th of June is this capital allocation framework that's consistent across all of our businesses. And you should reassure that every single pound of business that we're writing is meeting those hurdles and the strain has been reasonably low on those other 3.5 billion, which I mentioned also when I was answering Farooq earlier. So we'll keep on updating you this one when we write the second half numbers. International PRT.

#### **Andrew Kail Legal & General Group PLC - Chief Executive Officer - Institutional Retirement**

Yeah, just on the international PRT, one of the reasons we don't publish the US pipeline in quite the same way as the UK, let's remember the US is the largest PRT market in the world and therefore the overall market pipeline is very significant. The market's very active there. Our business there is much more focused on business that where we have a smaller balance sheet and we tend to focus on much more targeted deals.

So in that market space, the plan terminations at around \$500 million, that market is active and the pipeline is good. We just don't publish the multi-billion pound pipeline. It's less relevant, but the US market is certainly active for us and looking positive. Canada, remember, is through our Bermuda operation, which is reinsurance. So we have a singular partner in Canada. Again, that's a business that's generally weighted almost at the Q4 of the year, certainly the second half. So we don't see much activity in the first half. But again, deal momentum is building there and we're talking very actively to our partners there.

On the Netherlands, as António said, a little bit of a pause about thinking about the market and a new partner, our existing partner has paused our activity in the market. There is still some

regulatory uncertainty as to how active the PRT market will be in the Netherlands and therefore we're watching that really closely and would like to be involved. But it's about deploying our capital sensibly, our resources sensibly, and being really confident that the market's there and we've got a partner that can access that in a profitable way.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you, Rhea.

**William Hawkins Keefe, Bruyette & Woods – Analyst**

William Hawkins from KBW. Two numbers, questions, please, just to help understand the solvency movement a bit better, please. You've shown the net change in surplus from market movements as a negligible number, but I'm assuming there could have been some big swings between owned funds and SCR. So could you break that out, please? And then secondly, you have guided very clearly that the in-force runoff in the SCR will be much lower than it's been in the past, but I was very surprised to see that effectively it was a zero in the first half. So can you help me understand why it was so low in the first half and do I just extrapolate? Presumably not. So what are we thinking is normal?

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah.

**William Hawkins Keefe, Bruyette & Woods – Analyst**

Thank you.

**António Simões Legal & General Group PLC - Chief Executive Officer**

It's a good assumption. Jeff?

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, two good questions. Yeah, there's quite a bit going on in the market movements as you say. It was quite surprising to people that rates increased 64 basis points over the first half, but actually, it was just a low point at the end of the year. Yeah, there's some offsets in there. Obviously, we saw spreads narrow, but most of it is discount rate, which is both in SCR and owned funds because obviously the reserves, the best estimate liability also reduces at the same time. So it is mostly all to do with discount rates. So the rates went up, which is a positive for us. Spreads came in, which would've been a negative because your discount rate goes down. But also we did benefit which reduces SCR from spread dispersion. So we always love that one, don't we? But especially, the sub-investment grade assets that came in quite a bit over that period, and that benefits us in the SCR because you're holding less for it. So those were really the main movements that were happening in there. There wasn't a lot more that went on, which is why it was negligible.

**William Hawkins Keefe, Bruyette & Woods – Analyst**

Can I clarify own funds versus SCR, please?

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Well, we didn't disclose that, did we?

**William Hawkins Keefe, Bruyette & Woods – Analyst**

That's why I'm asking.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, so we don't disclose that. That's why it's not there. The SCR runoff, yeah, good spot. And there's a couple of things there. Some of that is to do with the rates again, and as we talked about before, if you have a smaller SCR, you have less runoff coming through in the rates. So that's coming through and we had some of that in the second half of last year.

The other bit is then really the influence of management actions on that. And so some management actions improve on funds like back book optimisation where you're really changing the same rated bond for another rated bond with a better spread because it's a direct investment, doesn't do much to your capital, but it improves your own funds because you've improved your discount rate. And then there are other things like back book reinsurance which reduce SCR. And we had some of those last year where we'd warehoused assets and put that through.

And so it's the balance of those management actions on SCR versus own funds that tends to influence that number as opposed to be able to see through. But I recognize that's not that helpful seeing a negative there. So it's something our guys will be able to help you with and we'll be happy to talk through a bit more detail of what's in there and maybe split by what's in the underlying divisions and take out some of the noise. Because I don't think it's particularly sensitive to tell you that. So what's happening as an underlying? You could look back over the previous two half years and you'll see that a better indication of the sort of underlying and the movements in that.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you. Thank you, Will. Andrew?

**Andrew Crean Autonomous Research – Analyst**

It's Andrew Crean of Autonomous. Couple of questions. Pemberton, what are you carrying it at and what's it realistically worth as a private credit manager? Secondly, I just want to go back on the sort of capital slowing the dividend to 2% and the 200 million buyback holds the pay-out to about 1.5 billion out to 2027. My understanding is that's been done because the operating free surplus generation needs to catch up and get into balance. Obviously, you don't fund new businesses a hundred percent. What would be a better ratio for us to look at to assess the balance? And I suppose are you signalling that 2028, all that is done by '27 and '28 is a very different picture. And you'll look again at the capital return policy then.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah. Thank you, Andrew. So Jeff should talk about revaluation. The thing I would say having looked at this fresh is we're pretty conservative when we look at evaluation of most of our assets.

What you've seen with Pemberton is so they've just won an ADIA deal of 1 billion and they've continued to make good progress. And maybe actually Laura may want to add, and therefore we've continued to increase the valuation. But when you think about the increase we've done in the first half versus the increase we did in the first half of last year, that increase is lower. That's why the... But overall, to reassure you, I still believe we're quite conservative the way you do it. You may want to answer that and I'll come back on the capital policy.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, we actually thought about doing a whole piece on Pemberton because it's a reasonably important part there, but we thought that would probably make more sense as part of a broader asset management update that we will do at some point to the market. As Antonio says, we definitely hold a different value to what you could sell it at because there are elements we don't give value to. So we don't give value to new strategies that are in the management plan that you would clearly have in the projection. And we don't give value to the carry. We don't anticipate that that's definitely going to come to us.

And so for any sale in a market, there would clearly be upside on that compared to what we're carrying out. It's very much what's already there, what's funded. And so as Antonio says, when they actively go and get more funds such as the ADIA transaction, we simply put that through. Certainly not mechanically, we again take haircuts on performance and where we think that would be, come out with a range and have a sensible range within that. So, we're definitely at a percentage of what a market sale would be. And so, we will do that when we do what we will tell you when we do a broader asset management update so that we can see that.

**Andrew Crean Autonomous Research – Analyst**

What are you [inaudible 00:26:10]?

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, we'll tell you when we do a broader Asset Management update so that we can see that.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yes. And so then on capital distribution, so to answer the end of your question, which is yes, we will then give an update. So 2024, '25, '26, '27, that's what we've committed to. And then we would do a different update for 2028 and what's the policy going forward? Andrew, in your point, so by the end of 2027, we have more flexibility on what we want to do afterwards. And so we've said that we are going to absolutely distribute more in this four years. That's why we're committing to '24, '25, '26 and '27.

And that when we get there compared to what are the business opportunities in front of us, you see what has just happened, we actually see a pipeline which is bigger than ever, but actually seeing strain that's lower. So that's the type of calculation we'll need to look at that time, which is what's the growth in front of us? What is the capital implied in that? And versus where we are in terms of buffers and our coverage ratio, at that point, we will decide what's the right distribution going forward.

But I think I told you earlier, coming in, I've seen more than 85 investors since the 12th of June, and I've kept on reinforcing that I believe this gives us more flexibility and we distribute more over the four years and gets us to a point that the absolute dividends we're paying at that point gives

us flexibility to grow. Do you want to make the point about we're not assuming a hundred percent how much do we [inaudible 00:27:43].

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

No, that's right. Well, you can pick a number. It's clearly not 220 either. And so you can pick a number based on anything that people do, whether it's 160, 190, 200, you can pick it. It doesn't make much difference when the strains stand below 2% as it was last year, even at 2%, it doesn't actually make that much difference in there and you just quickly get that capital back. And so at the levels we're at, as we said earlier, there's no capital constraints on right in the pipeline, no capital constraints on considering the buybacks. And so at this stage, it's not really relevant.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you. Thank you, Andrew.

**Fahad Changazi Mediobanca – Analyst**

Hello. Good morning. It's Fahad Changazi, Mediobanca. Could I ask a question regarding shareholder distributions, IFRS profit after tax as you said, took a hit mark to market. Bond yields are lower now, that will help and stable markets, you will have strong growth in IFRS retained reserves. But is there something you can do to buffer markets impact on your distributive reserves or will disposal of course help in that regards. And that's what you're sort of looking to do as well? Could I just ask a question on just trying to get to the capital-gen target? US protection, could you give some colour insight how that works for Somerset to OSG regarding the US capital regime? I just can't get my head around that. And just to follow up on the DB outflows, given that we're still looking for UK PRT business to peak 2026, 2027, will the DB outflows probably accelerate following that trend, or is a lag or how will that work? Thank you.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Good. Jeff, do you want to take the first two, and then maybe I'll ask Michelle actually. Well, Michelle and Andrew to think about that, but I think Michelle answered that earlier. But Jeff, you first.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, naturally, so we've seen a dip in IFRS earnings as a result of the move to IFRS 17 as anticipated. Clearly, as we see growth in the CSM, those earnings will increase. That then takes us above. We have done what we thought was sensible in terms of trying to neutralize rate sensitivity, market sensitivity in that result as much as possible by using some designation as we've talked about under IFRS 9. So we have moved assets that we use to match the solvency position are carried at amortized cost. And so we do that to try and reduce that sensitivity in the balance sheet, which has got us to where we are. We always look into try and do more than that.

As you say, rates down, rates down across the yield curve. We've already got half of that investment variance back since the end of June. And so that's a positive that we're seeing. We could see rates lower, that would also lead to land valuations and everything else. So we would be positive around that.

US OSG, it is a very good question, way too complicated to go into now. Some others have asked about that, especially post the capital markets event. We've got some spreadsheets and cheat sheets, everything else that we can talk you through, I think that's easier. But there's a lot of impact there because we obviously optimise the impact. Everyone knows it used to be called XXX financing and now we do other financing even under the principle-based reserving regime. And so it's easier to talk through the impacts and how we reflect that between new business strain and OSG. It has two different impacts.

#### **António Simões Legal & General Group PLC - Chief Executive Officer**

And then on DB, maybe actually both of you can comment. So we still continue to see a very, very good pipeline. So from that perspective, we'll continue to see outflows, those, I call it the good cholesterol and bad cholesterol. So those are the good outflows outflows so that come into PRT. But Michelle, do you want to say a word on that, and maybe Andrew, you want to?

#### **Michelle Scrimgeour LGIM - Chief Executive Officer**

Yeah, the first thing to say is we are extraordinarily well-positioned at L&G with the clients that we have in DB. So think about it from that position of strength, what we are really seeing is clients with the rates environment being very supportive for them, thinking more quickly about how they may go to buy out. And that's a natural extension of what we've been doing them for many, many years. So a lot of these transactions, they don't happen overnight. **Michelle Scrimgeour LGIM - Chief Executive Officer** them for many, many years. So a lot of these transactions, they don't happen overnight. This is how we work with our clients to get them to a position that they want to go to buy out. But there are also conversations with those clients, I talked about in terms of the rebalancing, about how they get themselves into those positions. So we will work with them, whether that be putting hedges on or taking them off, and you'll see that coming through in the flows number. There are also clients, and we will continue to work with them for many, many years, thinking about how they might run on is another conversation with clients. And we have schemes who are very large and schemes who are also mid to smaller range. So it has to start with the position of strengths that we're in and working extraordinarily collaboratively with our clients across L&G.

#### **Jeff Davies Legal & General Group PLC - Chief Financial Officer**

I think it's important that those derivative, quite often those hedges are sort of offset in derivatives at very low fee rates. And going back to the questions early on, that therefore is much less than winning even 30, 50% of those and moving them to direct investments and fixed income managed as part of the PRT portfolio. And that's what you see in the revenue numbers and see what's happening.

#### **Andrew Kail Legal & General Group PLC - Chief Executive Officer - Institutional Retirement**

Yeah, and just to say on the PRT volumes peaking in '26, '27, I think from the chart we put up earlier, shows an illustrative market profile, that that's about 70 or 80 billion of market volumes in the UK in those years, it's still showing market volumes of 50 billion out to 2033. So if we take our strategy that we've published out to '28, which shows the 11 to 13, we still got the capacity after

'28 for many years in all likelihood to write volumes at or around that level and in sustaining market as the DB runs off.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah, no, I agree actually that what we showed back on the 12th of June shows around 500 billion or so over 10 years. That's why we said the new normal between 45 and 50 billion. So it will continue. Thank you. Farhad Naseeb?

**Nasib Ahmed UBS – Analyst**

First question on capital allocation. So you mentioned the 14% hurdle rate on the 12th of June. What does it look like today given your equities come down a little bit. And then again the quadrants that you presented Antonio, how do your businesses compare to that 14% or whatever it is now? The way I'm thinking about it is that PRT was the highest in terms of financial return and you say mid to high teens, so you're kind of getting closer to writing PRT or maybe doing a buyback. So that's kind of the underlying question there.

Second question on the sensitivity of interest rates to OSG. Jeff, can you give an indication of let's say maybe minus 50 basis points or 100 basis points, what it does to OSG? And then thirdly on corporate investments, if you can give an update on Carla and there was an article about Salary Finance merger as well. What's your thinking around those and any update you can give on those? Thank you.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Let me start on the overall strategic, how we're thinking about this and how do the businesses look like. And then Jeff, can you cover the other points including OSG and the corporate investments unit? So I think, look, I was saying to a few of you over a coffee before, literally it was kind of yesterday that we did the capital markets event. It was eight weeks ago. So fundamentally this is the strategy for the future and we feel very confident about that chart that we put up in terms of those two accesses, which is strategically what are the businesses where we want to invest in? And in terms of returns, where they are? Interestingly, actually we did say this for asset management, which was, if you remember the chart was like this and asset management was very strategic, but part of it, the returns were lower, actually lower interest rates for us actually are better because we're more on the fixed income side and actually equities were not as impacted as others. So in relative terms, the more recent moves in the market should make our returns better.

But fundamentally from where we are investing, all of those businesses have returns that are above the 14% hurdle. And in many cases, including PRT, many of those businesses particularly now where Jeff and I were talking about the strain being lower, the internal rate of return is even higher than that. We're talking about high teens rather than the 14%. So if you think about the strategy we've announced, nothing that has happened over this eight weeks actually changes the fundamental areas where we want to grow. And then on the left side of that chart that we talked about, the businesses that are not strategic continue to be not strategic, which is exactly a nice link to the corporate investments unit. So do you want to talk about that impact on OSG and administration?

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Sure. Yeah, so just on the sensitivity rates to OSG, I won't give a number now just in case I get it wrong, but I think the easiest way to think about it, if you look at the period where it was over one year, it was even a half, the movement in rates and the SCR went down by 2 billion. If you put any sort of sensible release duration over that, that gives you the impact on what comes out. There's a little bit of offset. If rates are higher you're in a little bit more, which offsets it a bit, but it doesn't offset all of it. But we can point you to the right numbers on that, but that's the best way to think about it. I won't give the answer, cause I might give the wrong number off the top of my head. Yeah, there's been articles, Cala, Salary Finance, I could take them individually.

They're both very strong businesses. Cala has been very successful, Antonio showed under our ownership in June. That's a good strong business. We are actively looking at the options around that business, but there is no update. Now we look at the options and we weigh that up against keeping it for call it two years and selling at that point. And what's the difference, what are the options, what's available today? And so as soon as there's an update on that, we will give it, but we are actively looking at it. But we wouldn't expect to be owning it at the end of the plan period. That's the whole point of them being in that corporate investments.

Similarly, Salary Finance, it's not strategic now. It will have funding needs. It's the type of business, but it's a very good business with millions of potential customers with very, very large reputable companies as clients. And so we're looking at who's going to be providing that funding, what's that look like? That's why we took that view on the valuation, given that it's not strategic to us, we won't be providing that funding going forward. So again, we'll look at options around that, some have been talked about. And so we weigh those up and soon as there are anything, we'll announce those. But we can't update until things are more concrete either way.

#### **António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you, Naseeb. I'm going to take one here and I'll come to you Andy in a second. I'm just going to take the one online. "You concluded your presentation by saying that the 223% solvency margin gives strategic optionality to grow. What are the areas of non-organic growth might you be considering?"

So first to restate that the strategy is an organic growth strategy. The optionality we're talking about in terms of continuing to grow is primarily growing organically. We have been very clear on the 12th of June, but it's worth saying here now that we would look at bolt-on acquisitions and we would look at those particularly in the asset management space. And maybe Laura, I'll ask you to comment particularly in private markets. So we have our ambition to reach 85 billion in private markets and we've been very clear in terms of the asset classes where we are growing and we've looked at the growth there is also organic, but how could bolt-ons be a sort of a way to accelerate our growth? And I'm conscious earlier I asked you to comment on Pemberton and then I didn't give you the space. So could you also say something on Pemberton, to Andrew's question.

#### **Laura Mason Legal & General Group PLC - Chief Executive Officer, Private Markets**

Well starting with the non-organic growth. As you're all probably very aware, we have done most of our private market activity in the UK in terms of asset manufacturing. So very proactively looking for strategic bolt-ons that will allow us to do that outside the UK, very much keeping in line with the asset classes that we set out we would be focusing on in June. So looking at both Europe and the US.

And then just in terms of Pemberton, I think the only thing I would add to what has already been said, Pemberton has very proactively expanded their product set. They started, they were very

much focused on direct lending in mid-market. We talked about the valuation increase we saw over the last half year, half year '23. That was in part due to that sort of expansive product offering. And they have actually, I think the sort of AUM has actually increased slightly more over the last half year compared with how it did in 2023. But it really is expanding the product offering. And as Antonio alluded, Adya has come in to help us launch a £1 billion pound NAV fund as part of that product.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah, great. Thank you Laura. And so, organic strategy, primarily private markets, real estates, infrastructure, and private credit. And so if there are any bolt-ons, it'll be roughly in that space, as Laura mentions. Andy?

**Andy Sinclair Bank of America – Analyst**

Thank you. It's Andy Sinclair from Bank of America. First of my three was I suppose the evolution of my previous questions on LGC's cash generation, cash generation from H1, just from the balance sheet components of asset management and from the Corporate Investments Unit. If you can just give us some colour on cash generation from those portions of the business. Second was just on Thames Water and broader water-related utilities companies. Can you give us some colour on your exposure there today? Thank you very much. And third question was just on, I suppose we've talked about PRT being the outflow source for Asset Management, but I suppose we've also got the prospect of lower rates coming in the near term. That seems something that LDI immunisation type strategies, which you've been quite good at in the lower rates world would be quite powerful solutions really. What are you doing and what's the engagement with clients today for those sorts of solutions with the prospect of lower rates? And is that something that's getting buy-in or does, shall we say the scar tissue of what happened around the noise around the mini-budget still lingering with clients? Thanks.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Great. Thank you. So I'll come back maybe Michelle to you on what we're doing with clients on lower interest rates, particularly pension clients. Jeff, the cash generation on asset management is quite straightforward because actually it's easier bit of it.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, that's right. Yeah, we thought about this and we thought of you Andy, and given the way we've moved things around the balance sheet, it wasn't straightforward. So we added the extra disclosure, here's the cash at group, this is what we're holding because we'd lost some of the disclosure with what we used to show as the old LGC. I think it's complicated because they're now spread out across the divisions. We will think about this for the full year because I think it's a valid question and we saw it as something that wasn't there, but we need to think what makes sense across the divisions.

I think because, and I was thinking about the numbers around it, there hasn't been any material disposals across the portfolio compared to previously. So the cash generation has very much been in line with the average [inaudible 00:43:35] given you previously, good cash generation from things like Carla et cetera, which are the main businesses underlying that. So I think that's what we'll do. We're conscious of it and we'll look at that for the full year.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thames Water.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Oh, sorry, it's me.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yes.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, well we looked at that. I mean many years ago there was a guy called Jeremy Corbyn and we were looking at utilities at that point and we talked about we've only very much been in the operating businesses, but even on Thames Water, we did take a view that the risk was non-zero to our debt and we didn't like that. And so we have materially reduced that now. So we have a very small exposure at that level. We clearly have looked into all of the utilities and the structures of those and we haven't fundamentally shifted anything, but there was already a list of names that we thought were more or less attractive depending on their features, especially in water. Some of those are actually very well run and are good businesses, others less so. And so we manage our exposure to those carefully as a result of it.

**António Simões Legal & General Group PLC - Chief Executive Officer**

And I think it's been a good, the way we've reduced the exposure to Thames Water I think shows how conservative and prudent we are. Michelle, how are we helping clients in a lower interest rate environment?

**Michelle Scrimgeour LGIM - Chief Executive Officer**

I think it's a really important question. So the engagement levels with the clients have not changed at all. And actually you think about where they are, depending on where they are in terms of the funding journey, I think there is a real need for working with clients to figure out what are the right assets for them to have in their portfolio today and what are the right assets for them to have as they think about the next stage? The rate environment has given them an opportunity, many of them an opportunity to think about that more structurally. And this is the fantastic benefit that we have of really great investment folk who really understand this book of business and it's technical. And those conversations are ongoing. I would continue and I expect them to be ongoing.

What's really interesting for us is in a lower rate environment, we talked about this at CME, is where we have massive strength in fixed income, particularly around credit management. We managed our own book, but managing that book for clients, we see a really big opportunity and that is one of the areas for us as we look to diversify and internationalize is where we can use more of our fixed income capability with a broader client base. And we're seeing the fruits of that coming through already. And so that I think is a broader benefit in a lower rates environment.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you and thank you Andy. And by the way, I was looking at, we have in the back some more detail on all the very well diversified UK exposure, so we can give you some more if you want some more on utilities as well. Larissa?

#### **Larissa Deventer Barclays Capital – Analyst**

Larissa [inaudible 00:46:41] from Barclays. Two questions please. Bolting on Andy's question on rates, could you help us understand what the benefit of lower rates would be on your Asset Management business conceptually? And also the extent to which those rates are baked into your guidance, your 2028 profit expectation of 500 to 600 million, please? The second on Consumer Duty, the second wave being effective as of last week. If you can give some colour on the impact on L&G's business, please.

#### **António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you. Thank you, Larissa. I'll ask Bernie to talk about Consumer Duty.

In terms of Asset Management, so we were pretty conservative. I said, I'm not sure if you noticed the words I said earlier. We want to beat our targets. I think I said earlier. So we've been pretty conservative in terms of the market assumptions, in terms of our Asset Management numbers. But I'm also conscious, and I said this on the 12th of June, that there's a lot that we need to deliver to improve those numbers. So I wouldn't start changing your numbers just because of what I said with lower interest rates, but we need to achieve the 100 to 150 million of ANNR. That's a really important target that starts from next year. That implies both public and private markets and kind of continuing the momentum, which I think is great momentum in a very short period of time since the 12th of June. But particularly that operating profit Asset Management- but particularly that operating profit asset as a management number has reasonably conservative market assumptions, and that, of course, will depend on how the market evolves. Do you want to say another word on that, Michelle?

#### **Michelle Scrimgeour LGIM - Chief Executive Officer**

Yeah. No, only to say that if you think about the overall mix of our business, we are relatively more exposed to rates than we would be than other houses might be, and then we have relatively lower exposure to global equities, and that's the mix. What we've also, though, painted a picture of in terms of our strategy is how we think about building out existing capabilities. Our private markets will be a big part of that. Fixed income will be a big part of that. And then the international component helps to bring that all together so that blending of public and private, we think this is a supportive environment for us. But António is absolutely right. We haven't over-egged it in terms of the way we think about the future.

#### **António Simões Legal & General Group PLC - Chief Executive Officer**

And even if you think of the turmoil over the last few days, if you think about it versus... So equities had been going up for quite a long time and the adjustment in equities is less relevant for us, as Michelle says. And actually, slightly lower rates. We were discussing this for our business

overall. If we even just think from a UK reference rates perspective, actually coming down from 5% eventually to something like a 3% is actually quite a nice rate, so we have a very well diversified business that actually does well in high rates and low rates. I think that's a good message.

But actually, with rates slightly lower, actually you can reach this quite nice balance where it's better for our asset-management business. We continue to have very well-funded schemes that can come into PRT, and actually, from a retail perspective, as the rates come down, also mortgage activity increases, and therefore, protection business. We haven't talked about lifetime mortgages that have actually suffered because of high interest rates. So interest rates coming down actually quite overall, as long as they don't come too further down, is a pretty good thing for our business. Bernie Consumer Duty and the implementation of that?

### **Bernie Hickman Legal & General Group PLC - Chief Executive Officer, Retail**

Sure. Yeah. So obviously we put considerable effort into delivering good customer outcomes well before consumer duty came along, but there's no doubt it has raised the bar for everyone, and we've had to, like everyone else, put a huge amount of effort into making sure we can evidence that more now to ourselves and to regulators and to external parties. The positives, we're more focusing... The program is coming to an end. We've got the board approvals that we needed. So we've gone from regulatory compliance and switching into how do we use this to improve our business and deliver better outcomes for shareholders as well as customers. And so it's given us lots more really important data that we can talk to, say, trustees and employers who are really interested in how well you're going to treat their members, how well we treat vulnerable customers. So there's a lot more evidence points then.

And then the real step-up is how do we ensure we avoid foreseeable harm? How do we help customers achieve better outcomes? And that plays straight into our strategy for helping our workplace members achieve better outcomes in retirement, and so we're placed under a regulatory obligation to help our customers. So it's very aligned to our strategy and we're working hard on improving how we're engaging with customers to help them save more and then make more of their savings in retirement. So we're very much more into the, how do we use this to really help improve our business going forward? So filling in a really good place. We've sold so many back books. That wasn't a big lift for us. So yeah, it's all well under control.

### **António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah, and I think just to stress what Bernie said in terms of what does this mean strategically, I think for us, being able to have either simplified advice or different form targeted guidance and advice that we can help the very large number of customers that we have, the 5.3 million that we have in the workplace as they come to the at-retirement moment and decumulation is a big part of our strategy. And so there's a consumer-duty aspect to this. There's us continuing to work with the FCA on making sure that this is a societal issue where people need to have that sort of guidance and help. And we can see at the moment that some of the outcomes are not the right ones for customers, but we can't quite advise them to not do that, so take too much cash, etc. So there's a big opportunity for us to support customers through their lifetime and their life cycle. And that's a big part of the strategy, as you know, that we announced on the 12th of June. So thank you for that. Stephen?

### **Steven Haywood HSBC – Analyst**

Thank you. Steven Haywood from HSBC. Two questions, one on the IFRS 17 modelling refinements. Can you give us an indication of what they were for and should we expect any more going forwards? And the second question is on the retail annuities business, which has obviously seen some very strong growth because of the change in the interest rates, but actually, what is the underlying growth here going forwards considering that? Do you have a lot more DC business coming? There are larger pots coming through. People have been obviously building up these DC pots much, much more over time. So if you could ignore the interest rate moves going forwards, can you give us an underlying retail annuities growth rate? Thank you.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Thank you. I think that's squarely for Bernie. You got two questions. So, Jeff, IFRS 17 and the refinements.

**Jeff Davies Legal & General Group PLC - Chief Financial Officer**

Yeah, absolutely, definitely shouldn't expect them going forward. They were very much non-recurring. We are very much looking at IFRS 17 as BAU now. You can never rule it out. There's lots of models, but absolutely, these are things that we effectively found either finalised in the full year or as we've gone through and actually looked to improve the process a lot. So the types of examples, and if you apply our sensitivities to the annuity book, what's left over you'll see is the model and you can remove that, if you like, as an assumption going forward.

There's been lots of debate over allocation of expenses, especially for when we go on risk or on the PRT business. What does it cost after that? Which ones go in CSM? A lot of this is movement between what should be in apparel, what should be in a CSM, where does that sit? And then there was quite a bit of refinement around different elements of the discount rate. That's why a lot of this stuff then ends up in investment variance. And so is it moving between CSM in the prior period? Is it in the best estimate liability? But it was really refinement of the discount rate modelling as we went through. And they don't take much. A few tens million here or there on an 80-billion book quickly adds up, unfortunately. But that should be it.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Retail annuities going forward. Bernie?

**Bernie Hickman Legal & General Group PLC - Chief Executive Officer, Retail**

Yeah, thank you for the question. Obviously, you'll have seen volumes more than doubled in the first half, and part of that was the market growth. The market was up 60% Q1 to Q1, and so we're massively outcompeting the market. All our competitive advantages in pricing, underwriting, product, especially investments, is enabling us to outcompete the market there. As we look ahead, there are a lot of structural drivers for more annuities going forward. So yeah, more savings going into DC, less DB incomes. Both have an impact. Bigger pot sizes, as you point out, have a massive impact and there's going to be more pot consolidation leading to the bigger pot sizes.

And so just to bring that to life, the FCA helpfully published some data on pot size and the link with annuitisation. And so it's quite stark. If you've got pots below 10K, and a lot in the market are below 10K right now, just 2% of that annuitizes, whereas if you've got a pot that's 50 to a 100K, it's 19%, so almost 10 times as much annuitization in that 50 to a 100K pot. So as we look ahead, it's

inevitable. Pot sizes are increasing and that's going to be an underlying growth driver for annuities.

Obviously, you can't untangle that from interest rates, but obviously, it is long-term interest rates. It's not the base rate that matters at all. It's long-term interest rates that matters. So that's what we're going to do about it. As António has said, we've got offsetting impacts there. Lower rates helps protection, lifetime mortgages, and so yeah, there's a mixture of factors there. I can't really predict the market for you, but I can certainly see the trends in there, and the long-term ones are positive for the retail annuity market.

### **António Simões Legal & General Group PLC - Chief Executive Officer**

Agree, and just to build on that... Thank you for the question, because I was saying that it's good to have more questions on retail. The performance has been great in the first half, but also structurally on the 12th of June, we talked about this fact that workplace will be around a trillion in five years' time and we are 26% of that market. So the part that we do through workplace particularly, given that we are also the largest individual annuities player that there is... At the moment, I was looking at the numbers yesterday with Bernie, there aren't that many people that are choosing to take from that pot that are choosing to take an individual annuity product.

And actually, back to my point about advice, a lot of those people for the slightly bigger pots, as Bernie says, should do that. And for us to connect what is a great product in terms of decumulation with our workplace offering where we want to grow by 40 to 50 billion in terms of flows is really powerful, so we need to do more work there. But even with interest rates not being at this level, we are very bullish about the opportunity to link the two. And for a lot of people, given how long all of us are living, taking part of your pot as an individual annuity that safeguards your basic expenses throughout your life, that's a really good choice for most savers, and so we really want to have those two things connected. Thank you, Stephen.

### **Michael Huttner Berenberg – Analyst**

A very general question. Michael Huttner from Berenberg. At what level of interest rates do corporate funds stop thinking about PRT?

### **António Simões Legal & General Group PLC - Chief Executive Officer**

At what level do they start to think about buyout, you mean? Stop thinking. At what level do they stop thinking? It's very interesting, actually. Andrew, you should answer this. The debate we've been having right now is that most of the pension funds have locked in that surplus. So we're slightly less concerned, let's put it that way, as interest rates come down, and so we still feel very bullish even as interest rates come down because that's what a lot of the pension funds have done.

### **Andrew Kail Legal & General Group PLC - Chief Executive Officer - Institutional Retirement**

I wouldn't add more than that, António. I think because of the schemes taking the actions they did 18 months, two years ago, locking in the position, they're pretty much desensitized to rate movements. Not exclusively, and of course some of their asset portfolios have got investments which are rate-sensitive, but for the most part, they're locked in. So we're not seeing changes in volumes as a result of people thinking about interest-rate outlooks.

**António Simões Legal & General Group PLC - Chief Executive Officer**

Yeah, and there's another question which you didn't ask, but we got asked in our 85+ meetings, which is are more schemes thinking of running on, and also the idea of with an extraction of surplus, is there less of an incentive? I think I said that I'm still to meet a CFO that likes to have a pension scheme. From a sponsor perspective, absolutely, the drive is the same, and from a trustee perspective, we see as much appetite as we saw before. So I don't think either the changes on the interest-rate environment or even legislation in terms of surplus extraction is changing any of the appetite. And I go back to what I said when we started. We're seeing the largest ever pipeline we have seen. I was pretty bullish about it on the 12th of June. I'm even more positive today than I was eight weeks ago.

Thank you. Any other questions? Give you a chance of doing a second round. Any of those? If not, just, well, thank you. Thank you for your questions. Thank you for coming. As I said earlier, we've had a really good start of the year. I feel good about it. We're making good progress on the execution of our strategy these early days, but encouraging. I look forward to updating you on our progress as we continue and next time we meet. I hope you have a good rest of summer and that you enjoy the rest of the Olympics. Thank you.