

4finance 3M 2023 unaudited results conference call

Friday, 19th May 2023

Participants:

Kieran Donnelly – CEO

James Etherington – CFO

Kieran Donnelly: Thank you very much. Good morning, everyone. Thank you for taking time. Everyone has busy schedules. So thank you for taking the time to dial in to this call.

We're going to start off with a little bit of an overview. Usually in these quarterly meetings, we just go straight into the quarterly results, but we thought it would be a good idea just to take a step back to remind everyone of 4finance on a more global basis.

You know, the company was founded in 2008, so this is our 15th year of operation. I think that's really important. It speaks about the resilience of the company. We've gone through many difficult and challenging times and managed to be successful through them all. Through different economic environments, COVID, war, and we've been able to find a way through those things, including many regulatory changes. Our business has evolved a lot over those 15 years. It's grown, it's gotten more focused, and where we are now is we have two parts of our business: our online lending business, which right now operates in seven markets, it's rebounded well after COVID, it has a very healthy cash flow and it's focused on serving the sub-prime, underbanked markets where we operate. On the other side, we have TBI Bank which is EU-licensed operating in Bulgaria, Romania and Greece. It has €192 million book value, it has been growing very well, 22% compounded growth since we acquired it in 2016, it's well capitalised, we've received dividends, it is becoming more and more digital. I think it has a very attractive niche that is a growing segment of the market there, and we'll talk a little bit more about that.

Overall, we have €1.5 billion in assets. We generate €115 million in annualised EBITDA. We cover our debt by 2.2 times. We've issued over €9 billion in loans on the online segment alone, not with TBI, just on the online side, over €9 billion in loans. We've been in the bond market since 2013, we're rated by Moody's and S&P. Of course, we think those ratings are too low and I'm sure our colleagues from the rating agencies are on the call, so I don't mind telling them. And I think it's important to notice and we'll speak more about this, TBI bank is funded with a truly retail deposit base. We can go to the next slide.

So now focusing in on the quarter. We like to compare, it's important to compare year on year results and the reason for that is there is seasonality in the business. So interest income is up 39% year on year. And if you look at the lower right hand chart, you'll see that we show the number 25%. That's because it's a pro-forma taking out for the sale of the Polish business and the acquisition of the Philippines business. So that swap is reflected in the 25% growth.

The EBITDA for the first quarter was €28 million, which is up 8% from the pro-forma number in 2022, with a healthy margin of 31%. We've had good growth this quarter and it's driven a lot in Czech Republic, Latvia, Sweden and of course in the Philippines. Our cost to income ratio is something we've been working very diligently on and have a great focus, is down to 46%, which is a vast improvement from where we were a year ago. And if we do look quarter on quarter, it's an interesting comparison because the fourth quarter is usually a seasonally very strong year and we're up 2% on our gross income quarter on quarter, fourth quarter to first quarter, that bodes well for our future profitability generation.

In TBI, we have another quarter of record origination portfolio growth and I think this is a reflection somewhat the environment as other people have pulled back. So people that were being served by other banks in a, say, a prime segment are now coming down to a near prime. So it actually gives us an opportunity for client acquisition, and across the board both on the online side of the business and in TBI Bank, you'll see that provisions are higher. They're higher for a couple of reasons, though the growth in the portfolio in and of itself, but also the mix of that portfolio, more new to bank customers, Philippines. A new and growing market with a predominantly new to bank clientele versus Poland, which was stable, incredibly high percentage of returning customers. So this change in portfolio mix and this new growth opportunity that we have because we are acquiring new customers, this gives us a higher level of provisions. There's also been if we look at the tail end of the fourth quarter and in the early bits of the first quarter, there was some hesitation, I would say, in the debt sale market both for forward flows and for spot transactions. They looked at the uncertainty in the macroeconomic situation. They also, I think, had some challenges on funding themselves and backed off a bit, and pricing. So that is also reflected in our provision calculations. We see that improving actually already in the second quarter, more interest from more buyers in debt sale market, but we've also taken an opportunity of that cause to look at our collection strategies, on our own and looking for ways to improve. So I think in a longer term basis, this has been a very positive development that will play out over the rest of the year.

So I said we'd speak about TBI bank itself. Again, issuance is up 39% year on year, that's issuance not to be confused earlier we talked about income being up by 39% overall in the group. This is just issuance within TBI Bank being up 39%. Its book value has now grown to €192 million, and just for reference, when we purchased it back in 2016, the book value was more or less around €75 million. The deposit base is very granular and as we say it's retail funded, well, of the term deposits which make up more than 75% of the total funding of the bank, the average ticket size is €12.5 thousand. So 75% is term funding and it's incredibly granular, we're not dependent on any large depositors and it's incredibly well diversified. The launch in Greece, which we've talked about before, continues to go at pace. We now have over 2000 merchant partners. This is very important as this is our strategy for entering the market, is through merchants, through our merchant strategy to then acquire customers. So we start with a point of sale transaction and then we're cross-selling and up-selling. And the volume that we're doing month on month is exceeding our expectations. We have an increasing portion of the customers that we are onboarding in Bulgaria and in Romania, happening on our app, this is, you know, the digitalisation of the bank which we originally bought, which was not digital, but now 41% of our new onboarded customers are coming through our banking app. We launched the Neon Card, that was in January, that we discussed, as you know, as it was coming, well, it did come. It was out in the market and so the direct-to-consumer neon card is out there and it's being well received. We continue to digitalise not just the front end, but you know improve our systems internally, much more efficiency and digitalisation end-to-end within the business. And as we go forward, while we did receive a dividend last year, as we go forward, I think we're

looking and we get this question often you know, is TBI source of dividends? I think we look at the opportunity of growing TBI and the growth potential of TBI bank versus dividing out to the online side of the business. So I think we look at it very practical way. We don't have a set policy that dividends must be paid. We have a practical 'what's the best economic decision at the time' approach to dividends.

Talking about the online side of the business. If we look at our, what I like to call our 'old' markets on a like-for-like basis, we're up 12% year on year. I think that's quite important that we're able to grow in markets where we've been present for many years. There's an underlying momentum to the business that gives us a strong base to grow from, a strong foundation. We mentioned that we were starting a joint venture in the UK. And we also, if you recall, if you participated in earlier calls, we said that we would start slowly, and here you see our issuance in February, March, April, we've prorated out to May what it would look like for the whole month. It probably would be slightly higher than that. But not much. So you see, we're taking small steps into the market, all the early indication - first payment, default numbers, cost numbers, statistics on operational efficiency are all coming in above our original expectations. So we're quite happy with the launch of our business there, and look forward to growing it again in a very sensible, stable manner. In the Philippines, you know, we're very happy with this growth and here the growth rate is 60% year on year. As you see we have the green and the pink, the pink is the new brand that we launched. So we have two brands, Online Loans Filipinas and Peso Redee which we have operating in the marketplace and the new brand is being well received and giving us extra reach within the market. And we think there's an incredible amount of additional growth opportunity in the Philippines as we continue to press ahead there. James, do you want to take on from here, please?

James Etherington: Yeah, thanks, Kieran, and good afternoon, everyone. So on Slide 7 here, we can see that overall issuance and the income generation, and usually, yeah, you see some seasonal dip in Q1 that those growth areas that Kieran's highlighted have kind of balanced that out overall. So the total income is pretty stable in online and you've seen some further growth in TBI. It is a bit tricky this quarter to compare year over year given the exit of the Polish business, you know, formally that's a discontinued operation in our prior year numbers in the income statement now which is one line in P&L. But we've tried to be clear in this presentation and how we show all the impact of that. And I think you probably see best on this slide overall for the income generation, we've really absorbed that change and grown in the business despite that.

Clearly, just sales and income aren't enough and we're very focused internally on reviewing the unit economics across our products and particularly on the risk side we are making adjustments in some areas. But yeah, I think it's good to have this basis of issuance and income to work from.

So on slide 8, we have good diversification still of that interest income by country. It's about a 50/50 split now as well between the online side and the bank. And you could see good contribution from the Philippines there. You know, seen properly for the full period and they have a non-interest income like a fee contribution as well that we don't see here. And we have Greece in there for the first time. For the UK joint venture, we don't consolidate those operations, so it won't show here, but overtime we will have a net result from there also and I would say we are also reviewing the opportunities in other markets as well for the future.

So on Slide 9 here with the costs, I think things are broadly stable. We're up marginally on the quarter in both sides of the business, but that cost income ratio, 46% is pretty stable on recent quarters. And as we've said, that's improved a lot from Q1 last year when it was 54% on a continuing operations basis or

50% if you include Polish business as we show in the graph here. TBI continues their investment, their new initiatives that's in Greece and in digital particularly, but we're seeing that bring an increase in top line and we think that's money well spent. In online, we invested a bit more. For example, in Philippines on the acquisition side to drive that volume growth Kieran showed earlier, but we expect that acquisition cost to moderate in the coming months and we're looking very closely at marketing spend across the rest of online as well. Beyond that, I think costs have been pretty stable, but we have to work pretty hard behind the scenes to achieve that given the inflationary environments across our markets, where things are still pretty high.

So slide 10, we've delivered another quarter of steady overall profitability. So net profit €5.6 million, the Adjusted EBITDA €28 million for Q1, and that builds on the strong profitability for the last couple of years for 21 and 22. Again, given all the kind of macro challenges, the difficult operating environment in that time, I think that just reinforces the resilience of the business, and the margins both have reduced compared to last year partly that's that different business mix Kieran spoke about. While its dynamics on the impairment charge, given that volume growth. And on the PBT side as well, the interest rate environment and the bank has been increased in the funding costs there. But again, I think we are very focused on optimising our unit economics everywhere, which obviously feeds directly into that margin. And we want to improve that. On the balance sheet ratios, the equity to assets ratio is stable from the year end at 14% despite the strong loan and deposit growth that we've seen at TBI. The bank's obviously a big proportion of the balance sheet, but they've got their own cash reserve and capital requirements obviously that are relevant ones, and if you look at the balance sheet there, TBI cash and liquid government bonds is more than €250 million now on their balance sheet. So it's not risk assets in there and our equity base overall continues to build, so the consolidated book value for the business is now just over €205 million to Q1 and that's a pretty strong number.

Slide 11 we see that loan growth at TBI here, in particular, we're up 7% overall in Q1 for net receivables, again for a Q1 of the year that's strong performance. In online, we've also sold €6 million of near prime loans from Lithuania to TBI in the quarter. So that real online portfolio growth is more than the €2 million you see there, and that's something we've done consistently over the last few quarters. So that brokerage model is working to support the growth in the Bank's portfolio. And that's the purchase loans part you can see on the on the left hand side in the graph. But I think more importantly on the asset quality, I'll ask Kieran to cover that section.

Kieran Donnelly: Thanks James. So here we have our vintage analysis, which I think is the key driver of power managing the risk side of our portfolio, and you see here 90 days and 30 days plus. On the 90 day plus we don't have first quarter data yet, but you see that in the third quarter we had that kind of bump out there, that yellow line that comes back, but you also see that it is correcting back towards reverting to the mean back of the previous thing. So I think we saw a bit in the beginning part of those, you know, some difficulties people had, perhaps just adjusting. But they have been coming back in and collections have been improving and as I said, reverting to the mean, and if we look at, it's very hard to see on the graph, but the fourth quarter number is improved over the third quarter number and the early indications we have, first payment, defaults, et cetera, on the first quarter numbers are better yet again, so I think the third quarter of 22 is probably the outside number. But again, we do see that moving back towards the mean. Go to the next.

On the impairment side, so that's risk vintage analysis, what's happening from risk side, how you account for it on the impairment charges. You see the impairment charges aren't growing quarter and quarter, that's in line with the growth of the portfolio, particularly growth in the TBI bank side of things where we have significant growth. But it's also reflecting the change and mix of the portfolio. As I mentioned before, due to bank customers versus returning customers. You know the Polish business versus the Philippine business. These changes that come in and also the changes that I refer to in the debt sale marketplace both for forward flows and spot transactions. And if you notice and I know in previous calls I've emphasised that number underneath the dark blue line – the over provisioning on debt sales – and you can see that in the first quarter we don't have overprovision debt sales because we haven't done it. If you compare to the first quarter, say of 2022, we had some large sales, Poland had a large sale, sales in Denmark as well. And now as we go forward, the pause that we saw in the debt market has improved and I think when we go into the second quarter, we're going to see that number return and we'll have some sales there. So overall, as we say, risk did bump out a bit, but we see it returning both just because of the market situation and also you know we continuously work on improving our scorecards and our risk decisioning. But a lot of it is the return, I think, is also market, as things have stabilised for people, as far as the cost of living, as was the cost of petrol, and these things have come in. And so the risk in the market has also come in well in line with that.

James Etherington: Yeah, thanks, Kieran. So the slide 14, we can see again that steady overall quarterly EBITDA performance and other solid amount of €28 million there, very consistent with the last few quarters. TBI has been obviously a very important part of that. Within online, I would say we had a particularly strong performance in Czech Republic, but it was a bit of a lighter quarter overall. So certainly some things that we're working on. I know that whilst it was great to reduce the related party loan at the end of the year and the reduction in debt that we had from that in December, that did take away some 3/4 of a million of interest income per quarter. So that's one driver of the quarterly change, but that's you know, we think is a positive change.

The leverage metrics that we've maintained at good levels with the EBITDA to the bond debt there just over 2 times, again following that reduction in leverage in December, and that is a big improvement and a better position than we had say two to three years ago. So I think some work for us to do operationally for sure this quarter and rest of the year, but a solid result overall. With that, I'll pass back to Kieran.

Kieran Donnelly: Thank you, James. So I will sum up. Actually much more interesting to get to your questions. But in summary, we think we had solid results in the quarter, you know, again demonstrating the resilience of the business in challenging markets. They were challenging, but they also presented a lot of opportunities and I think we see that in our portfolio growth and our issuance growth. So there are, you know, good opportunities for us in this challenging market to acquire customers, which we will be able to monetise at a higher margin as they return to us and come through. So I think it bodes well, you know what we'll see in the second-half of the year. So that growth and the focus on the efficiency continues, TBI Bank is performing well, and the Greece launch has gone very well. The consumer app is, you know, just growing and growing, the new card, the Neon card, or the Orange Card is also out there in the market growing. So we're not just sitting back, we are moving forward. Our new initiatives, the Philippines is growing, start to the UK joint venture is encouraging. Again, we're being cautious there we're taking it slowly, but the early indications are all positive, so things are on track.

So overall I'd say we think we, you know, had a quarter that very much sets us up for the coming months ahead and we'll be looking to make sure we take advantage of that and monetise it. With that, James and I'd be very happy to answer whatever questions you may have.

Investor: So I got a couple of questions. I just want to take a step back on impairments. And I, you know, just give me a little bit of comfort that this is more due, what I'm hearing is, this is really more due to growth and you know the markets you've entered and less to do with any issues tied to the consumer or the, let's call it the borrower. So is that right?

Kieran Donnelly: I would say that what we've seen is a combination. So it's growth, definitely the major factor. The second factor is yes, there was some deterioration, but not anything alarming, not anything outside of our expectations, but there was some increase in risk that we think is also driven not just by the increase in risk, but an increase in the type of customers, the new to bank customers, customers in the Philippines which have a higher risk profile than what we used to have in Poland. So the mix of customers, now that also gave us more income. Right. And thirdly, the third factor were some what seemed to have been temporary because they've recovered, situation in the forward flow and debt sale market. So, you know, I can't say there was no impact from some customers having a more difficult time during this, but it wasn't significant, and it wasn't outside of our expectations.

Investor: That's fair enough and one other question I had was on the bank deposits. OK, so you keep, you know by my calculation you have about 17% of those deposits covered by cash. But what I'm not sure about is how do you invest that cash? Is it sovereign debt or is it just cash sitting, you know, in your account?

Kieran Donnelly: So within TBI Bank, which has a liquidity ratio of around 32/33%, and as I mentioned, the deposit base is highly granular, yeah, the excess liquidity is, you know, it is a regulated bank. The excess liquidity is in a combination of deposits with the central bank, sovereign securities, you know, in normal treasury, other bank deposits, but it's not long term, it's all you know short term money, so cash equivalents. We're not playing an interest rate game or playing a, you know, a trading treasury game at TBI Bank.

Investor: OK. Yeah, I get it. The point being, that I mean, just based on kind of your internal stress testing, you know, the worst you'd probably see is what like a 8 or 9% kind of, you know, deposit drawdown or something. I'm just trying to gauge that, you know, the 17% sounds like a good number, OK.

Kieran Donnelly: Yeah. As I said, the liquidity ratio is 32/33%. I'm not sure how you're calculating that 17.

Investor: I'm just taking the 150 and dividing it by the 862. Because the problem what would happen is these people would come they draw the bank deposits and you would have to come up with the cash. And the cash, so I'd look at it as OK, how much cash do you have if they come and take their deposits? And so that's really how, yeah, that's how I'm looking at it.

Kieran Donnelly: Sure. And again, so that the other portion of that, you know, funds that we have that's not just cash but it's in cash equivalents you know readily available for liquidity. So these are illiquid long term investments, right. So you know we run a very conservative treasury. They're very clear that their job isn't to generate profits. It's to fund the bank and have a conservative strategy. So, we don't have, you know, there aren't large corporate deposits. So if there were rundown on deposits that would be, and

again, we have that buffer on, you know, you're talking about in the average tickets is €12.5 thousand on our term deposits.

Investor: Yeah, I got you. OK. Yeah. No, I mean no, that all, like I said it first of all, you know, it looks pretty decent that amount of cash covering that amount of deposits and, you know, like you said it sounds like, I guess I'm just trying to you know it's a 2/3 cash and equivalents 1/3 sovereign, is it? All the sovereign, it sounds like matures within a year, right?

Kieran Donnelly: I think there might be some 3 year.

James Etherington: If I might, John, just come in on that. So yeah, the €150 million there TBI that is all the cash, cash equivalents, you know some just over €60 million of that is cash reserve with central banks. And then the financial investments, the government bonds we have like €120 million or so is in addition to that. Definitely it's a bigger number even than that 17%.

Investor: OK, that's fine. I got it, I got it, I guess. You know, I'm not going to pound you here too much. The only other one I have is just, you know, in terms of looking ahead. What do you kind of see for this year? Guidance-wise. In terms of EBITDA, you know, interest income, free cash flow, you know those types of metrics, the leverage.

Kieran Donnelly: We don't see any major shocks. We see the environment is actually improving and stabilising and so, you know, we kind of think it's stable and steady as she goes. And you know the first quarter traditionally isn't our, you know, most lucrative quarter. So hopefully we'll be able to maintain that trend.

Investor: OK. And buybacks historically, you've got a lot of buybacks, is that, you know, just looking at kind of the cash outside of the bank? I would imagine this year is more of a liquidity, sort of maintain liquidity year rather than as a bond buyback year, but I could be wrong, you know.

Kieran Donnelly: Accessing those opportunities as they come, you know, we're looking to do want to grow our business, right. So. If we have the opportunity to put cash we're generating to work intelligently, that would be our preference, and you know buying back bonds is something that we do when we have excess cash there. So you know we look at it on a regular basis and tend to be quite opportunistic about it.

Investor: Oh yeah, no you guys have done a great job with that. You know, a really good job deleveraging or let's just say in terms of bond debt reduction, devote historically you've done a great job with that. OK. So I'll go back in the queue and I appreciate it.

Kieran Donnelly: Alright, thank you.

Operator: Thanks for your questions. I suggest we continue with one question in the chat also regarding the bond purchases as there were no bond purchases this quarter, what is your latest thinking about the appropriate capital structure or refinancing options giving the maturity of the 2025 bonds?

Kieran Donnelly: I like the thinking that 20 months it's only 20 months. I think 20 months is still quite a bit of time. You know, our business has been growing since we issued our last bond, the business continues to grow. We continue to generate cash. We have strong, you know, the value of the asset coverage continues to grow for the bonds. So I think you know as we get closer, certainly we will be thinking you know in advance to make sure that by the time we get to 2025, we will be, you know, addressing that

issue well in advance of the maturity and see. It's a little bit early at this point to say what exactly is the right strategy or structure on that. But you know we want to stay appropriately leveraged, appropriate to our ability to generate cash, appropriate to the risk profile that we have, appropriate to a rating that gives us access to the markets. So you know that's the approach we will have. And we do think we have, you know, at least another six to nine months to see how things develop before we have to focus on that in earnest.

Operator: Thank you very much, Kieran. And would you say that you are at the limit of your cost of risk and how are you trying to fine tune growth with consumer quality?

Kieran Donnelly: What we're trying to do is optimise the profits. So, you know, we're not measuring cost of risk in isolation. Cost of risk is 1 input. In the risk experience that we have, it is 1 input in the equation. Our cost of acquisition is also a very important input in that. So, you know at what cost to acquire a customer, what is the behaviour of that customer, its propensity to return to us? So there is the acquiring a new customer, what's the risk on a new customer base versus the risk on a returning customer? What's the propensity of that customer return? Therefore, what's the lifetime value of that customer? I think a lot of the customers that we have acquired during these last two quarters where perhaps we saw our risk experience grow, we'll pay dividends in the future because those customers will return to us, and therefore part of that increase in risk was I would consider a cost of acquisition. So we know we have to look at things in the whole, but we are everyday analysing and looking at the numbers, trying to optimise, to look at how we improve the predictability of our scorecards. Whether or not our scorecards are fresh enough. If the data we're using on them is still applicable, has the population going through our funnels changed in any way and therefore make the scorecards that were built on an earlier population less valuable, and so we're updating. So we're at a constant process of analysing and assessing the risk performance that we see. We're not looking at our risk once a quarter, nor are we looking at it once a month. We're looking at it on a daily basis, weekly basis. What's the acceptance rates, have the acceptance rates changed, is that an indication of a change in population? Are our scorecards still functioning properly and so, and then as an entire executive committee, we were reviewing all of these statistic on a weekly basis, as we go through. So, yes, you know. Are we at the limit of our cost of risk. I think the question we're trying to look at is have we optimised our profit? Not just for a specific quarter, but over a longer period of time to take into account that returning customer base.

Operator: Alright, thank you very much for elaborating on that. For now, we have one more question left in the chat, so a kind reminder if you still have topics you would like to address, kindly let us know. The next question is again regarding the bonds giving your expected growth. Would you consider a bigger bond issuance when refinancing the 25s, or consolidating both bonds into something that is more than the sum of the two bonds that are outstanding?

Kieran Donnelly: James, would you like to answer that one?

James Etherington: I think as Kieran said we want to maintain to be appropriately leveraged and we want to make sure we can fund the growth. Again, I think it is a little bit early to be talking about the refinancing, but you know as we did last time when it comes to the refinancing, we'll look at the market conditions and what's available and if we think somehow it's a better terms and more appropriate for the business to have different issuance structure and put it together, we'll do that. I think we found last time that it was appropriate and sensible to split into two instruments and have two maturities, and I think the

investor base responded well to that. So right now I wouldn't see a reason to, you know, to change that structure. It's nice to have a balance of the of the maturity profile.

And then in terms of growth in issuance, then as we said in the past, sort of few years we have been buying back the bonds and reducing the leverage. But I think whether we do that where we go from there will be a function on the growth that we see and the opportunity to deploy that capital that you know the money is expensive obviously. So we have to make sure we can deploy it in a profitable manner.

Operator: Thank you, James. With regards to the unit economics, could you please walk us through how you see profitability in the online businesses and in the Philippines in particular, please?

Kieran Donnelly: Well, I'll start off and let James finish on this one. When you're talking about the unit economics, we're really talking about the profitability of an individual loan. So we start off with what's our cost of acquiring that loan. You know, so we've issued say €100. How much did it cost us to acquire that loan? What is our cost of funding? What is our cost of risk? What is our cost of operations down to you know the customer service cost involved, the cost of inquiry to credit Bureau, other outside data sources that we use and have to pay to get data. All of those costs are attributed. And then we come down to the what's the cash that comes back in, you know, from the interest. So you have all your cash in from the loan under the assumptions your cash out of your cost. And then you get your unit economics. That doesn't include you know, you want to be on a variable cost basis, profitable. Then you look to the ability to scale that to cover your overhead costs. And then you know, at what point at what volumes you issue to get to a profitable business overall, so your unit economics can be positive on the individual loan basis, but not yet profitable on overall business basis due to the volume. So as you start up a new business or a new product line you have to go through that growth cycle.

You also have to consider, as I said, the life cycle, the new business. So new to bank customers or new to the online business customers and the repeat customers. So that part. And as you may know, some of our loans, the first loan is for free. So there is no interest charge that is totally done as a client acquisition tool to get someone to try our online business. And then we go from there. We're moving away from that a bit in some of our markets, as we've acquired, you know the new client basis is a smaller opportunity in those markets and we're well known. So we're moving away from that in some of the markets, but it's still a feature. But in all cases, you know we want to do that calculation not just on the first loan, but also to understand, you know, the propensity of the customer to return to us and how often they will return to us over you know a two to three-year period and calculate that. James, you have something maybe to add?

James Etherington: Yeah, I think that lifetime value part you talked about that's important, and there's maybe a couple of other things, one in the Philippines, you know we've had a lower P&L contribution in the first quarter than we had in fourth quarter for instance, but that was, you know that's our own decision to want to invest and grow that book, and particularly within the second brand, and you saw the issuance numbers and things there, but that's very much a conscious decision from our side and we think that that will increase the profitability later on for this year as that portfolio matures.

Then I think the other thing that we look at particularly in the Nordics and the Baltics is the return on capital as well. The return on the portfolio that we are deploying, the cash resources that we're deploying in that market, particularly where we've got bigger ticket sizes of loans, making sure that we're getting

what we feel is the right level of return on our cash there versus for example, investing in another market or another opportunity. So the lifetime value and return on capital.

Kieran Donnelly: Have we answered your question?

Operator: We do not see any follow-up question coming in on that topic. So I assume that everything is answered for the moment and we also did not receive further questions from the chat, which means that we are now coming to the end of this earnings call. To all participants, thank you very much for joining and your interest in 4finance and of course to you, Kieran and James, thank you very much for your presentation and taking the time. From my end, a great weekend ahead and Kieran, James, I hand over to you for some final remarks before closing.

Kieran Donnelly: Just to add, my thanks and also just like to thank the whole team at 4finance. You know you tend to meet James and I at these quarterly calls, but there's a very strong team and depth from you know our country managers, our risk team, our data team, our accountants, you know, all the way through the entire team, our call centre people who do a great job of serving our customers, our marketing people, everyone throughout the organisation. So there's a lot behind this. And you know as I mentioned the beginning, we've been doing this for 15 years. There's a lot of institutional knowledge, a lot of value in that that doesn't show up on our balance sheet. But it really is there, and it certainly helps us have that resilience that has let us be in the market for 15 years. And thanks for your support and in supporting our bonds and funding our business and hopefully you know we can do that going forward.

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