PureGym FY20 Results

Conference call Wednesday 21st April 2021

Humphrey Cobbold (CEO):

So, good morning, everybody. Welcome to the presentation of our annual results for the year that was 2020. Of course, this has been a year like none other, a bit of a annus horribilis in many ways. But nevertheless, we're going to be maintaining our discipline in presenting and explaining the relevant numbers to you. We're not going to look to gild the lily.

Our quite deliberate approach throughout the pandemic has been to be very open with you as our investors. We'll continue that today. But we'll also give you a fair amount of background into the aspects, the environment that we're operating in, the market, and how that impacts PureGym and what we've been up to. We hope that will be helpful to you. And though we'll be formally presenting our Q1 numbers in around four weeks' time, we will give you an initial flash view, and you'll see that in the presentation, on where we stand as of the end of March in a few key areas, such as cash and liquidity. And today we will be running through the presentation that was posted on our website this morning, dated 21 April 2021. So, our assumption is that you will have this in front of you. And as usual, we'll be tagging you to the various page numbers as we go through that.

Let me start by reiterating my thanks to all of you, as bond-holders, for your support over the past year and for sticking with us. We know that it has been a very challenging year. I'm pleased that, as we look this morning, the bonds -- both sterling and Euro -- were trading around 1.01. And so, I hope that none of you are feeling too let down at the current time.

Let's turn to Slide 4 for a summary of where we are at present and performance over the last year. We're very pleased to have been able to reopen our sites in England last week and things here are going well. Members have been keen to get back into the gym, which is very encouraging. The gyms all have industry-leading protocols in place to ensure that members and staff are safe, and that seems to be working very well.

We expect to be able to reopen all of our sites by mid-May. As of the end of March, we had 1.4 million members. All our sites were closed at that point and we'll update on member numbers next month, with our Q1 results. It's a little early in trading performance to do that now, but the signs, in terms of new joiners, have been very encouraging so far. There were positive trends over the late summer and early autumn period last year, as we emerged from the first lockdown. And this time around, after Lockdown 3, we are similar. We are seeing similar member behaviour replicated again.

At the end of March, total member numbers were only down 87,000 from the end of December 2020. And given that all our gyms have been closed in this period, I think that is a strong point to note.

From a cash and liquidity perspective, we had £236 million of available liquidity at the end of December. And during Q1, we raised an additional 45 million Euro bond placement, to finish the first quarter with £231 million of available liquidity.

Our financial results for 2020 have, of course, been very materially impacted by the closures and the fact that the estate was only open for 63 percent of trading days, versus 2019. But management has navigated the crisis very well, I think, and we've had great investor support. For example, in September, we received £100 million of equity injection from Leonard Green & Partners. We also agreed to a £50 million RCF extension and a three-year-plus covenant waiver with our banks. I'm not actually aware of anybody else who secured a three-year-plus covenant waiver, so we're very grateful for that.

We're also pleased to announce today that we have just received a clean audit opinion with no material uncertainty of a going concern. This is a clear testament to the decisive actions taken by management throughout the pandemic and to the future outlook of our business. I think it's fair to say it also distinguishes us from the position that some, in fact many other, operators face. And we note that some operators, such as Virgin Active and Total Fitness in the U.K. and Repeat in Denmark, have had to enter into major restructuring processes recently. These restructurings follow last year, when Exercise 4 Less, D.W. Fitness, and Energy Fitness, all significant U.K. market players, were restructured or sold.

Overall, we believe that you, as bond investors, should take considerable confidence from the fact that the strength of PureGym's underlying business model, financial position, auditor's opinion, and outlook differentiates it clearly from many other businesses in our sector.

Looking forward, our immediate focus is very much on the reopening of the rest of the estate. We remain positive about the post-COVID-19 outlook for the business, I'll discuss that a bit later in more detail, with a high-quality site pipeline for the future and with 11 new sites already opened in April.

Turning, then, onto Page 6. Currently, considering the latest government guidance across our geographies, we expect the whole estate to be open by the middle of May. The only market for which we don't have a firm date is Denmark, that's looking like May the 6th at the current time, but is still subject to confirmation.

This table shows that the whole estate has been closed for the duration of the entire first quarter, which has clearly been a challenge for us. Five gyms in England are not open due to ongoing refurbishments, one being used a vaccine centre. And one site, our site at Bank in London city, will reopen when a few more people head back to work in the city.

Turning to Slide 7. As we know, the U.K. is doing particularly well with its vaccination program. And that's great news for us. 60 percent of adults have already received their first vaccination and all over 45s have now been offered the vaccine. The European Union is also picking up the pace and it's good to see that Denmark and Switzerland are at, or ahead of, the E.U. average with regard to vaccination.

We're very happy to be supporting this effort in our Nuneaton site, which, as I mentioned, has been turned into a vaccination centre. And overall, our members have been very understanding. Our Nuneaton members have free access to all our other gyms. The Nuneaton gym will stay closed as a gym for now, probably until mid-June, as we complete our commitments to the pharmacy partner with whom we're working.

On Page 8, we highlight that, across the group, our sites have proven their ability to operate within COVID-19 restrictions. These images demonstrate some of the steps we're taking to keep people safe: workout areas that are set out very carefully to maintain social distancing, cleaning stations that are easily accessible for members, a requirement to wipe down before and after use, contact-less entry, and extensive and frequent staff cleaning programs throughout the day.

In the main, members have been really supportive of the measures that we've taken and I think everyone appreciates the sensitivity of the situation and is committed to keeping gyms open. And as you can see from the chart in the bottom right-hand corner, the capacity constraints we have in place typically only have an effect at the peak post-work period, in the early evening. This doesn't affect all gyms or every day of the week, but we communicate carefully with members in those gyms that it does affect and operate a booking system where necessary. This is all done through our industry-leading technology platform, which enables this and allows a tailored approach, to use these tools when and where they're necessary. We want to maximize the ease of opportunity for our members to come back and get themselves fit and active and moving again.

On Slide 9, we remind you that PureGym is still, in essence, a people-based business. And it's important to remember it's been a very, very tough year for our colleagues. And to be clear, every single person at PureGym has made personal and financial sacrifices over the last 12 months, to contribute to the business, continuing into the future. But we've doubled down on working hard to do the right thing with and for our people, who are absolutely central to our strong values, our culture and to our business performance. It really is the people that make this business tick. We've invested carefully in creating a COVID-19-safe working environment and have tailored this throughout the year for a best-in-class approach. We've ensured we keep in regular communication with all our colleagues during lockdown, which is actually as some of you may know, is a bit harder than it sounds given there are a series of legal restrictions for staff on furlough. For example, we have to take everybody off their business and work emails if they're on furlough.

We ran a virtual awards ceremony to recognize achievements and we launched an innovative exercise-based Race to the Moon and Back, which was very well-supported across the entire estate. This was part of a whole range of activities to maintain colleague engagement during the dark days of the extended lockdown early this year.

We've also provided extensive, and indeed extended, support to our self-employed personal trainers and we've established a hardship fund, the PureGym Trust. Here, I should call out that this is entirely thanks to personal support from the Partners of Leonard Green, our financial sponsor, who provided extra funding to help those PureGym group colleagues who perhaps found themselves in a difficult financial position or clear financial need as a result of the pandemic.

The key point I'm making is that it is not an accident that we have reopened in the England with 99 percent plus retention of our full-time colleagues and 90 percent plus retention of our PTFC colleagues who work with us part-time. Overall good performance in this area is engineered through an obsessive focus on every aspect of our business model, business processes, and operational management. And I really commend my senior colleagues who've worked so hard to maintain that focus through what has been, not just last year but in the early part of this year, an exceptionally difficult time.

Turning to slide 10, we have not just been internally focused during lockdowns over the last 12 months. We made the explicit decision last year that we have to be very proactive in speaking out for the industry, for the PureGym group business and for our members who wanted to get back into the gym. This was not just a choice, it was a matter of business necessity to reset the agenda and the narrative about gyms and how they are perceived in the eyes of the authorities. I think it's fair to say that we've achieved a lot through this. People in this country, from the Prime Minister to the man on the Clapham omnibus, are much more aware now of the role that gyms play in our society and this repositioning will be of long-term value to our business and the sector as a whole.

We focused both on general PR awareness and on the simple facts that gyms are essential services to millions of people, that the protocols that we put in place and the factual information demonstrate the low virus incidence rates in gyms both in the U.K. and in Europe. As we've tried to illustrate on this page, I think it's fair to say we covered all the bases in terms of channels and awareness-building, from appearances on Question Time twice through Insta live appearances with the Chancellor, literally countless T.V. and radio interviews and also appearances in front of the Parliamentary select committees for both base and DCMS.

Of course, it was not just us at PureGym. Indeed, the whole industry has pulled together very effectively on the PR front and credit to our colleagues across the industry for that. But I do think it's fair to say that we at PureGym were instrumental in driving, leading, and delivering on this agenda. I always think that you should focus more on outcomes for this sort of effort and, in this regard, it is noteworthy that while last year gyms were late in reopening after lockdown one, after lockdown three gyms are on a relative basis two months earlier than might otherwise have been the case in the U.K. As well as being the right thing for the health of the nation, you won't need me to remind you

that being open a month or two earlier than might otherwise have been the case is worth a great deal of money to us.

So that's our sort of overall summary of where we stand today. Let me hand it over to Alex, who will take you through the financial details.

Alex Wood (CFO):

Thank you, Humphrey. And good morning, everyone.

I'm going to take you through the next two sections. The first on cash and liquidity, both at the year-end, but also as Humphrey said, up to the end of March 2021. It's not typical for us to extend out to the end of March at our year-end update, but we did want to make every effort to give you the visibility of the very latest position. And the second section is an update on our full-year results. So let's go to the first of those sections please, cash flow and liquidity, on page 12.

I'll begin with the headlines, which are on the right-hand side of this page. We closed quarter 1 2021, with £231 million of available liquidity. This comprised £86 million on the balance sheet and £145 million of undrawn, revolving credit facility. And this is clearly a very healthy position, being only £5 million lower than December 2020's position of £236 million, despite lockdown three.

Let me walk you through how we've achieved that, starting on the left-hand side of the bridge. Our operational cash burn was £31 million in the quarter. That's £2.4 million per week over the 13-week period, which is better than expectations, 20 percent better than our previously communicated targets in fact, and 40 percent better than in lockdown one. And if I could ask you to just hold that thought, I shall come back to that in a moment.

We also paid £16 million of interest as it fell due, the vast majority of that relates to bond interest, and £8 million of other cash outgoings, the vast majority of which relates to capital expenditure. And then we raised some funds in the quarter. On the one hand, £11 million from a landlord who wanted to redevelop a property we were occupying and, on the other hand, £39 million net income from the issue of some new Euro bonds.

And to complete the picture, I also want to cover off the status of deferred payments. These increased by £4 million from £37 million to £41 million on a net basis over the quarter, primarily due to another U.K. rent quarter being deferred. And to pre-empt the question on how the U.K. rent negotiations are going, we still find ourselves in a Kafkaesque situation where the law requires us to be closed and receive zero revenue, but at the same time, the law has required us to pay rent. And this seems deeply wrong to us.

We are in discussions with our landlords at the moment, and there are a full spectrum of outcomes from those who've been hugely supportive to us right the way through to those who won't return our phone calls. We are heartened by the fact that the government has extended the moratorium to the end of June and we're also heartened by the fact that the government is opening up a consultation on this subject. In our view, there is clearly a requirement for sharing of the pain for businesses in our situation, who've been required to close for eight months out of the last twelve.

So look, all in all, even factoring in the deferred payments outstanding, I think we are in a very, very solid position as we look forward to reopening in Q2.

Okay, so let me break down the weekly cash burn in a little more detail now over onto page 13. This chart compares lockdown one cash flows at the top with lockdown three at the bottom. And you can see that we delivered a reduction from £8 million per week unmitigated down to £2.4 million per week actual. That's over 75 percent cost compression.

Many of you will note that in February, when we did an extra interim update, we set a target of underlying operational burn of £3 million, so we're pleased to have delivered actual results 20 percent better than that. We achieved this primarily because we've over-delivered on operational cost savings reaching £3.1 million of savings per week versus £1.8 million achieved in lockdown one. And finally, we also benefited from a couple of small additional government support initiatives, which were new to lockdown three. And further detail of those has been provided in the appendix.

Okay, so having covered off the latest cash flow and liquidity position, let's move on to the results for the full year-end at 31 December 2020, which are over on page 15. As Humphrey mentioned, we were only allowed to operate for 63 percent of trading days throughout the year and so the full-year results have been materially impacted as expected. The key 2020 statistics are shown here for completeness, but they actually provide very limited insight into the true underlying performance of the business when trading. By contrast the 2019 comparators, stated on a pro forma basis for the acquisition of Fitness World, are much more useful because they do give a benchmark in relation to the underlying scale of the group when it's allowed to trade.

In relation to 2020, there are a few points that I'd like to highlight and then elaborate on over the subsequent pages. Firstly, revenue was £270 million in the year and that's down 40 percent due to loss of trading days. Secondly, despite this, we closed the year with 1.5 million members across the group and that's 94 percent of the prior year in total, which shows resilience amongst the members despite the closure periods. We closed the year with 492 gyms in total and you'll note that this is slightly less than at December 2019 because we sold the Polish business during the year. This was non-core, made no contribution to EBITDA and discontinuation of activities in this market was absolutely the right decision, allowing us to focus on our core activities.

Capital expenditure in the year was £64 million, which was 30 percent lower than 2019 in an effort to preserve liquidity, and includes investments in 17 new gyms. And finally, we closed the year with £734 million of senior secured net debt, which was £11 million lower than 2019 in absolute terms.

So, with those headlines let's go into some more detail and start with 2020's monthly trading profile, which is provided over on page 16. The business lost 37 percent of its trading days in 2020 due to COVID-enforced closures. The grey areas at the top of this page show when the gyms were closed across each geography and there were also partial lockdowns regionally across some of our geographies, which we've also highlighted here.

As you can see when the business was able to open, September is actually the cleanest month, EBITDA bounced back very strongly. And as you'll remember, memberships are frozen during lockdown with no payments being taken therefore revenues turned back on as and when gyms reopen and memberships unfreeze. You'll also note again here the benefits of our geographical diversification, with the Danish and Swiss geographies having more trading days than the U.K. in isolation. And now to provide some more colour on member levels, over onto page 17 please.

On the right-hand side of this page, we've set out total member numbers across the group as of the end of December 2019 and then compared that to the position as at December 2020. We have also included the March 2021 position, and beyond, illustratively. As Humphrey mentioned at the beginning, we only lost 87,000 members during the whole of the quarter one 2021 lockdown and as of the end of Q1 2021 our membership stood at 1.4 million. That's 82 percent of the number of members at December 2019. And on a like for like paying member basis, which excludes frozen members and new gyms, our English gyms reopened with 66 percent of April 2019 member levels. This is a very solid base from which to rebuild back to 2019 levels. Fundamentally we are expecting to rebuild back to where we were before and the rate of that recovery will become clear as we go through the rest of this year. We will of course continue to provide more colour on that trajectory over the next month at our quarter one results announcement.

Now over to comment on CapEx, on page 18. Capital expenditure on a reported basis was reduced by 30 percent versus the prior year and the reduction was even more than that on a cash-flow basis, nearer to 50 percent reduction. And this was, of course, intentional to preserve liquidity. The majority of gross capital expenditure relates to spend on new sites, 17 of which were launched in 2020 and construction was also started on several others, mostly in the U.K. The 2020 new sites have performed well, giving us great confidence that latent demand in the COVID world, is at least as strong as pre-COVID – and importantly, accessible. And we've included some extra details of new site performance versus pre-COVID feasibilities in the appendix for you. And as flagged previously, we've also continued to invest in our technology team, systems, and infrastructure for the long term, and Humphrey's going to touch on this important point a little later on.

So, now let's cover our net debt position please, over on slide 19, to close out the full year financial update. On the right-hand side of the page, I've set out our net debt position as at the end of December, together with its constituent parts. And in the middle of the page, you can see that senior secured net debt at the end of December was £734 million, £11 million better than pre-COVID. And similarly, liquidity was £236 million, and that's £76 million better than pre-COVID, thanks to the funding deals we completed in the year and the support from our shareholders Leonard Green & Partners. I would like to highlight the obvious point though, that beyond the year end we've had further lockdowns to contend with and whilst cash is largely unchanged, we've raised another € 45 million of bond debt to achieve this. And we have the deferred payments to wash through as well. So, I wanted to point out that you should expect net debt to rise in the near term while the cash generation engine winds back up to full throttle again. Clearly a successful reopening is the first step in achieving that and that's why that is our immediate and first priority. A modest increase in net debt over the coming months and quarters is entirely what you would expect as our business bounces back and we continue to deploy capital in a measured and a considered way into new site openings, refurbishments and technology. And we clearly have the reserves to more than deal with this.

Of course, we'll be updating you further next month and then again in August on the Q1 and Q2 positions respectively. But just to be clear, none of this should be the slightest cause for concern for bond investors, I just wanted to be very transparent with you.

That concludes the financial update, so I shall now pass back to Humphrey, who will provide you with comments on our outlook. Over to you, Humphrey.

Humphrey Cobbold (CEO)

Thank you very much, Alex and thank you very much to you and the entire finance team, who have been absolute stalwarts over the last 12 months. I think all of you who are listening, who are predominantly financially minded people will know just how challenging an environment like the last 12 months have been, particularly for those responsible for managing the finances, so I think we should all be hugely grateful to Alex and his team for the work that they've done.

Let me pause just briefly on slide 20 and give some context to outlook. We're in a position where yes, we've reopened in England and actually in Switzerland, but we've only got two days of reopening in Switzerland and about eight or nine days now in England, so I can't reasonably talk with any certainty about the sort of outlook that this gives us, although I'm sure those questions are on your mind, it's just that it's too early to tell. I think suffice to say that we're pretty positive about what we've seen, as Alex has said, we reopened at a slightly lower level of like-to-like members in England, but candidly the momentum in the first week, a slightly lower level of like to like members versus, post-lockdown one in England last year, because we've been closed for longer. But, the momentum that's built up in the first week is quite a bit stronger than the first week last time we reopened after lockdown one. So, I think the indicators are positive, but clearly, we'll be in a much better position to give you an update in just over four weeks' time.

What I would like to do, turning to page 21, is just set a bit more context for the outlook in a strategic sense. And here I think we have to recognize that health and fitness has never been more important to people. It was already a global megatrend, but a health crisis in which, to put it bluntly, after accounting for age, your survival rate correlates closely with physical activity and condition. I think we can say with confidence, this has focused the minds of the consumer on the importance of physical activity, health, and wellbeing. Of course, lockdowns have driven a surge of interest in all forms of exercise as people have become more health conscious than before on the basis of that realization.

The home fitness phenomenon, that you can see on the graph on the right-hand side here, has been great, there's been a big uptick in interest. Online searches have grown strongly through the lockdown periods, but are actually now only a few percentage points above pre-COVID levels, down from plus 400 percent at their peak. And as we've said before, "when will gyms reopen?" was one of the most popular searches on Google during periods of lockdowns, so I think we remain pretty confident that while home fitness is very much a part of the landscape, it's not taking over from gyms and fitness facilities.

And I'd like to draw your attention to the bottom left-hand side of page 21 and reiterate perhaps a "recast in the millennials and younger mindset" of what our business model is really about. In this regard, lots is being made out there of the sharing economy, whether it's car sharing, rental, like Zipcar or whether it's clothes rental sites like Onloan or The Devout, or even books being bought and then resold on Amazon or clothing on the Depop. That's the sharing economy. Well, it turns out that gyms were ahead of the game when it comes to the sharing economy. Gyms allow people to rent and use what kit they want, when they want it and use it for the period they want it. The average visitor to one of our gyms can quite easily use £25,000 worth of equipment on a visit and they might use that equipment range 5 or 10 times a month.

Given an average fee paid of £20 pounds per month, I think you'll agree this represents a pretty stunning deal and is highly cost-efficient rental or sharing deal for our average member.

Now, while the Chancellor may be able to afford £2,000 for a Peloton bike, and by the way I've got nothing against the Chancellor or against Peloton bikes, our model offers the man or woman on the street, a far more economic route to getting a massively more varied range of exercise and activity to support their health and well-being. That's fundamentally why our business model works. Putting it simply, low monthly fees, 24/7 access to thousands of pounds worth of equipment, in a safe environment spread across a rapidly growing estate across the country, makes using a gym much more accessible to a much wider audience than large outlays for expensive gym equipment. For many people who wouldn't have the space, let alone the money to dedicate to an exercise area at home.

The budget fitness model which PureGym has and will continue to champion, has revolutionized democratic, progressive access to activity and exercise because it works so well for consumers and for members. And I think it's really important to keep that at the top of our minds and yours.

But moving on to page 22, I wouldn't for a moment want to give you the impression that we're ignoring home fitness and out-of-gym activity. On the contrary, we've integrated club and home fitness services with live and on-demand classes, along with nutritional advice, progress tracking, and all those elements, to maintain engagement with our members. And we're going to continue to do that and accelerate and increase our investment, in doing that over the coming years.

More broadly, we've invested in, and have capabilities in, response to COVID-19 with new innovations that enable members to book visits and see how many members are in the gym at any given time, so that they can choose a quieter time to go, if they want to. We've given them contactless entry and we'll continue to serve, the business of our members through investment in technology to make our gyms safe and accessible to people as we, hopefully, progress our way out of the COVID pandemic.

Finally, optimised data and analytics give us the information we need to enhance both, the customer experience and support smarter business decision-making. This remains a key focus. And this sort of rigorous, data-driven approach to revenue and member experience management is, if you like, the secret sauce that helps us achieve industry-leading margins and EBITDA performance when we're fully up and running. That's really what the essence of the business is about.

Moving on to page 23, I'm building on some of the points. And I'm not going to run through all the bullets on this page. You know, we remain very optimistic about our future, despite the considerable challenges of the present that still remain with us.

Along with other operators, we've managed ourselves well in all areas of cost-management, member retention and in terms of safety. I think that's broadly recognized. The medium-term to longer-term outlook, as we've said before, is positive with a combination of modest supply rationalization. In time, we believe increased demand, alongside helpful trends and new site availability as the retail sector has weakened, will result in more properties becoming available at better rates than before.

And we're at the forefront of using digital trends, which have transformed engagement with members inside and outside the gym. Advantage in digital will clearly accrue to larger operators who can afford the necessary investments in the infrastructure that's required. And on that topic of the larger operators, I'll turn you to page 24, where I make no apologies for sharing a map and a picture that we've shown before. We continue to see the emergence of a premiere league, or should I perhaps say, a new super league of budget fitness plans who will be advantaged in terms of scale, and consistency of investments that we can make.

Furthermore, the tightening economic outlook will naturally favour low-cost operators. Especially those, such as ourselves, that provide an exceptional degree of flexibility to our members in terms of offering a low-contracted option as the core product that we offer. And we'd expect such players across the world to be in the forefront of taking market share following the pandemic. We certainly expect that to be the case for ourselves.

And to give a little reassurance and cover a bit of history on page 25, we highlight our track record over the recent years, pre the pandemic. We've included the 2019 position on a proforma basis, as Alex did in his numbers, taking into account the Fitness World acquisition. Overall, we've grown our business from 175 to just over 500 sites in three years. Revenue increased, on average, at 16.8 percent in the U.K. in that time. That's the underlying organic growth rate with site rollout.

We're fundamentally a large version of the same company that we were before the pandemic and we fully expect to bounce back, to continue the journey that we have pursued successfully in the past.

So to conclude with a final few points on page 27. Our 2020 results were materially impacted by COVID-19, with only 63 percent of trading days open, versus 2019. And as you would all understand, we're a fairly strongly operationally-geared business, and clearly, that's flowed straight through into the bottom line figures. But, it's important that despite the challenges, we've received a clean audit opinion for 2020, with no material uncertainty over going concern. And that bodes very well for our future outlook and our ongoing credit rating in our discussions with landlords in the future.

We have an excellent liquidity position with £231,000,000 available as of the end of March, after our successful bond tap largely compensated for lockdown three. At the end of March we had 1.4 million members on the books in total, with revenues turning back on as sites reopen, memberships unfreeze and we get the business kicking over again.

Our immediate focus now is on that successful reopening of the business across all our geographies and building up the business over time. We are, as I've said, encouraged by the reopening in England and indeed in Switzerland, although it's only been a couple of days there. And we do expect the rest of the estate to be open by the middle of May. We hope you agree that there are many reasons to be positive about the post COVID-19 outlook for PureGym Group, both in the U.K. and across our other geographies.

So thank you very much, once again, for your continued patience and support. We do know that it's been an extremely trying year for everybody. It's been a real roller coaster for you as much as it has been for us. We're working very hard to ensure that we deliver and surpass your expectations of us. Our next update will be in May for the Q1 results. And with those comments, I'll conclude and say, I think that we're happy to take a few questions.

[end of transcript]