HomeServe plc - Preliminary Results

24th May 2022

Transcript

Richard Harpin:

Good morning everyone and welcome to our full year results presentation. I'm Richard Harpin, Founder and Chief Executive of HomeServe. Welcome to those of you who are with us in the room, and also to those who have joined us online.

Richard Harpin:

This is the first time we've been able to talk to you since the big announcement last week of a cash offer from Brookfield of 12 pounds per share, implying an enterprise value of 4.7 billion pounds.

Richard Harpin:

The Board gave the proposal a lot of thought and concluded that this was an attractive valuation and one that should be recommended to shareholders. It allows shareholders to capture the value of future growth today, and of course is at a very material premium to the share price pre approach.

Richard Harpin:

The Board believes that Brookfield will be great owners of HomeServe because they have real expertise in domestic infrastructure services - for example through investments in Enercare in North America, Boxt in the UK and Thermondo in Germany. They invest in growth and take a long-term view. This is the start of a new chapter for HomeServe and positions us well to continue to deliver for our customers, our partners and our people.

Richard Harpin:

The acquisition is currently expected to complete during the fourth quarter of 2022. Our main focus today, though, is on our performance in our last financial year.

Richard Harpin:

FY22 was another year of strong growth. It's great to report that there's real momentum across all three of our business divisions. Tom Rusin is here to take you through the 15% operating profit growth we've delivered in North America, as well as innovative new product and partnership initiatives which will make a really strong contribution to the green homes revolution. Ross Clemmow will talk about our good early progress in broadening and transforming our UK business, and innovation and geographic expansion across EMEA. I'll then come back to demonstrate the strong progress in Home Experts as we reached profitability in total for the first time, updating you on the latest developments at Checkatrade, eLocal and Habitissimo.

First though, let me hand you over to David, to take you through the numbers.

David Bower:

Thanks Richard, and good morning everyone. Let me begin with our group financial summary.

David Bower:

It was great to see 10% growth in group revenue, to over £1.4bn, and continued delivery of improved operating leverage driving a 15% increase in both of our key adjusted profit measures. It is also really pleasing that the financial performance in all three of our divisions contributed to this result.

Year-over-year, sterling again strengthened against both the dollar and the euro – and thus, in constant currency terms, growth was 13% and 18% in revenue and adjusted operating profit respectively. Though the dollar effect moderated somewhat during our second half, this still drove a £6m headwind on adjusted operating profit for the year.

The interest charge rose by 14% year-over-year, reflecting the higher average net debt balance through the year.

Year-end net debt of £643m was 2x adjusted EBITDA – at the top of our target range – principally reflecting continued investment in the group's HVAC buy and build strategy, as well as the strategic acquisition of CET in the UK, which more than offset the strong cash generation of the business.

15% growth in adjusted profit before tax was mirrored at the adjusted EPS level.

In light of the recommended cash offer for the Group received from Brookfield last week, the Board is not proposing the payment of a final dividend.

Now let's turn to look at financial performance across our three divisions.

David Bower:

North American Membership & HVAC again delivered strong double-digit growth in revenue and adjusted operating profit. Tom will take you through the key operational drivers shortly, but it was pleasing to see continued progression in policy income as well as strong organic revenue growth at our locally branded HVAC businesses underlining the gathering momentum of our buy and build strategy.

EMEA Membership & HVAC saw good stable growth in revenue and adjusted operating profit, with each of the three established businesses delivering higher profit year-over-year.

Spain was the stand-out performer, with adjusted operating profit increasing 24% in constant currency terms, driven by operating leverage in the HomeServe branded Claims Assistance business, as well as a full-year contribution from FY21 acquisitions.

In the UK, adjusted operating profit was somewhat higher than previously guided, largely due to the strong performance on retention, and therefore higher renewal income. The UK result also included an in-year contribution to adjusted operating profit of around £1m from CET, as previously guided.

In France, there was good adjusted operating profit growth of 8% in constant currency terms, with investment in partner relationships and higher direct costs in HVAC slightly offsetting the higher revenue growth.

As Richard has already mentioned, the Home Experts division has now moved into profitability. The substantially lower adjusted operating loss at Checkatrade was the key driver here, reflecting both underlying growth as well as the non-recurrence of Covid-19 related subscription discounts. We also saw a lower operating loss at Habitissimo. The reduction in profits at eLocal reflects a tough comparator period, particularly where in the second half of FY21 we saw a tailwind from the relaxation of the first set of protective measures enacted right at the beginning of the pandemic.

Let’s now look at the mix of growth, split between organic and acquired.

David Bower:

Of the 10% group revenue growth, 7 percentage points was delivered organically – being businesses owned throughout FY21 as well as FY22 – with a further 6 percentage points from M&A. There was then a slightly offsetting impact of 3 points from foreign exchange movements.

Looking at the adjusted operating profit growth of 15%, the composition of growth was slightly more weighted towards organic growth, due principally to the continued development of the HVAC business in North America and the performance of the Claims business in Spain.

Net cash outflow on new acquisitions in the year was £112m, with a broadly even split between HVAC and Claims Assistance, as you can see on the chart on the bottom right. There was then a further net £34m spent, again broadly evenly, on deferred and contingent consideration on historic transactions, and also increasing the group's stake in eLocal to 90%.

We were able to continue executing a good pipeline of HVAC candidates in each of North America, the UK, France and Spain, as well as Belgium and Germany, and the key elements of our investment criteria – as first shared at the half year – are included on the slide as a reminder.

We have again included all the detail on our organic revenue growth calculation as an appendix in the slide deck.

Looking now at cash flow more generally…

David Bower:

All three divisions continue to be highly cash generative, with cash generated by operations in excess of £270m across the group. This was marginally down on the prior year as working capital absorption, given the strong growth, returned to more historical levels, at around 3% of revenue.

Total expenditure on capital items of £62m was down on the prior year – driven both by slightly lower spend on core technology and partner payments, and also the proceeds on the disposal of the first tranche of the Piedmont policy book in North America.

With the £146m spent on M&A as explained a moment ago, dividend payments of nearly £90m and a foreign exchange impact on net debt of around £20m, the resulting year end leverage ratio was 2.0x EBITDA. However, with trading continuing to be strong, which can result in a consistent and predictable de-leveraging, and the substantial headroom on our debt facilities, the group continues to prioritise the allocation of capital to both organic and inorganic growth opportunities. With the Home Experts division moving into profitability, and continued strong growth in North America, this saw a Group return on invested capital of 15% for the year.

And with that, I'll hand you over to Tom.

Tom Rusin:

Thanks David, and good morning everyone.

Tom Rusin:

North America delivered its seventh consecutive year of double-digit profit growth, but I have to tell you, we could have done better. Omicron had a material effect on our business in Q4. I think Omicron was more impactful than any part of the pandemic. Just to give you an idea of the scale of it, at one point in Chattanooga, where our call center is, almost half the Covid tests taken in the city were positive. Omicron meant that some of our partners struggled to staff their call centers, which resulted in lower call center sales, as partners prioritized call handling over selling. All together we lost a full percentage point of annual customer growth in Q4, plus an additional point for Tranche One of the Piedmont sale, which we told you about in December. Virtually none of our newly signed partners launched marketing in FY22, as Omicron delayed our efforts there.

Against this difficult backdrop, core policy customers grew 3% to 4.8m, all of that growth organic and with existing partners. Our water loss product, Servline, where we're showing you the customer count for the first time, grew customers by 27% to eight hundred thousand, so collectively we saw 5% overall customer growth. We optimized about 9% more marketing into cross-sell, which delivered core policy growth of 6% to 8.7m, and increased policies per customer by 4% to 1.8. As a result, we saw net income per core customer increase 5% to $113. Our core policy retention remained strong at 85%, reflecting our customer satisfaction rating of 4.8 stars out of 5. At the Interims I told you that the two things I cared most about were policy growth and customer satisfaction, so it's great to be able to report that despite Omicron, we did well on both.

The good news is that the Omicron effect is behind us now, and things are starting to return to normal.

Tom Rusin:

Our HVAC business continues to thrive, the business is making great progress in its own right. Total HVAC revenue – that's service and repair revenue as well as installations - grew 54% to $232m and profit on the same basis grew 79% to $18m. The main driver of these increases was a 60% increase in the number of HVAC installations we did, to 19,000 – every one of them reducing carbon emissions and saving energy for our customers. We continued our buy-and build program with another five acquisitions, taking the total to 21, and are on track to deliver double digit return on investment, well in excess of the cost of capital. But we also made great progress organically, with same store installations sales growth of 19%.

We're continuing to see cost synergies with Membership come through, with a 30% increase in the number of jobs our acquired HVAC companies did for Membership customers, to 19,000. These helped us avoid $1.8m of cost.

Lastly, HVAC is a key component of our new solutions for utilities: I'll come back to this in a couple of minutes.

Tom Rusin:

Another aspect of the business which went really well last year was new partner signings. We added 134 new partners and now have access to 73m households, an increase of 10%. The 73m is only around half of all North American households – a reminder of just how under penetrated our market still is.

We exited FY22 with a very strong pipeline of new partnerships which has continued to deliver well, with close to a million households signed since year end.

One of the things I'm most excited about is the range of new solutions we have to offer utilities, to help them meet the needs of their customers and their regulators. These are bringing us new utility relationships at a faster pace than historically. Specifically, we have three exciting new products, our Servline Water Loss Coverage, Electric Vehicle Charging Installation and Protection, and HVAC as a service. I will spend a little time on each.

Tom Rusin:

Servline is our Water Loss Cover program we acquired in 2019. This program is offered to utilities to enable them to add insurance coverage for all their customers in the event a customer has an unexpectedly high water bill, because of a leak. Today most water utilities and municipalities do some form of leak adjustment when a consumer complains about a high bill. Typically, this results in the utility covering some of the water cost, as well as the consumer, and a bad experience for both. Our Servline cover is a fully underwritten insurance program that the utility offers to all customers, for just one dollar twenty five a month on average. The premium is added to the utility bill and collected monthly. Consumers can opt out, but if they do, they are 100% responsible for a high bill due to a leak. On average 98% choose to keep the policy. Because leak adjustments today are both a cost and a bad experience for utilities, there is very strong interest among water utilities in adding the Servline program, which has developed into a pipeline 5.5m households strong. And again, during FY22 we grew Servline customers to eight hundred thousand which is a 27% increase over FY21.

Tom Rusin:

Almost every energy utility in North America wants to offer electrification and resiliency solutions to their customers that make them lower carbon producers, and electric vehicles are just one way to do that. Our electric vehicle program leverages our nationwide network of electricians to enable utilities to offer their customers simple, utility-endorsed installation of home charging stations, that come with an interior electrics policy. Three partners are currently trialing this program.

Tom Rusin:

But the product I am most excited about is our HVAC as a service program. For one monthly payment, typically around 160 dollars, consumers will receive installation of a highly efficient HVAC system for their home, combined with a smart thermostat that proactively monitors their equipment, ongoing tune-ups, repairs, and filter changes. Additionally, on average these systems will save consumers 9% on their monthly energy bills and significantly reduce their carbon output. And leasing the system is about 11% less expensive for consumers than financing. For HomeServe these customers generate a significantly higher lifetime value as compared with a typical policy customer with a financed install. And the policy retention rate will be in the high 90s.

In our pre-launch research, we learned that 80% of homeowners would be interested in a subscription-based HVAC solution for their homes. That interest has clearly been confirmed in our beta launch with a large utility in NY state. We are seeing a lift in close rates, and an increase in average order size. After this beta launch we brought this solution to just one new utility prospect and we are going to contract now. Utility interest in this solution has been very strong. We see this as a significant opportunity to leverage the assets of our acquired HVAC companies, and our core competence of working with utilities to drive HVAC installations and policy sales along with a very strong ESG agenda all at the same time. As a reminder the leases sit on our financial partner's balance sheet, not ours.

Tom Rusin:

In conclusion, thinking about the whole of the North American business, what I've shown you is that it's resilient, and able to keep delivering double digit profit growth even when market conditions are tough. We are developing innovative new solutions to household pain points which are broadening our relationships with utilities, and giving them new ways to meet the needs of their customers. Our growth prospects remain strong in the under-penetrated North American market, and now more than ever, we are motivated to keep delivering.

And with that, I'll hand you over to Ross.

Ross Clemmow:

You will remember that our strategy in EMEA Membership & HVAC is to grow broad-based businesses with three complementary capabilities – Membership, HVAC and Claims Assistance. It's good to be able to report strong progress in each country. Our UK transformation is starting to deliver results, and we have expanded beyond Membership into HVAC and Claims Assistance. In France, we're building for a greener, more digital future, developing the next generation of partners and products while continuing to provide excellent service to our loyal customer base. In Spain, the service customer model, developed thanks to our expertise in Claims Assistance, looks set to re-invigorate our relationship with large utilities. And we're making good progress with geographical expansion – from Spain into Portugal and France into Belgium. Our joint venture with Mitsubishi Corporation in Japan now has access to 25% of households through four electric utility partnerships. We have also made a new entry into Germany with the acquisition of our first HVAC business. We have a strong pipeline of other HVAC opportunities in Germany and active discussions with utilities about how to use our HVAC capabilities to drive their decarbonisation agenda, as Tom described in North America. Let's look at the UK in more detail ….

Ross Clemmow:

The financials and KPIs are starting to show evidence of stabilisation, and we're making good progress with our transformation plan. You'll remember that it has four key elements.

First, we've made good progress renewing and deepening our relationships water partners. All of our established water partnerships are now secured until 2026 or beyond, and all partners now participate in the call centre sales channel.

The second initiative is to grow the energy vertical, which proved to be the trickiest element over the last year. Not surprisingly, our energy partners, Shell and E.On, have been focused on helping their customers through the current energy crisis, with little opportunity to market additional services. This said, we remain confident in the medium term prospects for these relationships, and are pleased to see our partners build the number of households they serve during the recent market turmoil – from 5.7m in May 21 to 6.2m in March 22.

Third, we've made progress in broadening the UK business by growing both HVAC and Claims Assistance. The HVAC buy and build programme is now well under way, with two acquisitions this year and three in total, and our in-house business is performing better, with installation volumes picking up. CET has bedded in well, with continued high service levels and a profitable contribution as it became part of HomeServe.

Last but not least, we've made good progress this year with technology transformation. Our CRM activities are now stable and more efficient, with all policies now rolled back onto our policy system Ensura. And it's good to be able to report that 25% of claims notifications are now automated, either digitally or via intelligent voice solutions with positive reviews from customers.

After a good few years under the cosh, it's great to be able to report good progress in the UK, and I'd like to take the opportunity to congratulate John Kitzie and his team, and thank them for all their hard work.

Moving on to France …

Ross Clemmow:

The French team are doing an excellent job of providing best in class service to our current customers and partners, while at the same time positioning for the future. This year, they delivered another record number of gross new customers. And also grew digital sales through new economy partners like home moving aggregators and price comparison websites by an impressive 28%. You'll notice from the slide that the French operating margin has declined. This is due to the initial impact of HVAC acquisitions, where we tend to see margins improve over time, and the implementation of our new agreement with Veolia. You'll remember that our new deal with Veolia brings the commission we pay them more in line with other partners. Additionally, the French P&L also includes our activities in Belgium – where we're still strongly investing in growth.

All of this said, the French business is still delivering a very strong margin, whilst continuing to grow.

Our French HVAC business has the highest engagement in the Group with low carbon equipment like heat pumps and pellet stoves, with 60% of installations this year using a sustainable power source. HVAC installations revenue doubled, with a good mix of successful acquisitions and strong organic momentum.

There has been good early progress on developing a new sales channel called on demand to policy, which converts ad hoc repair jobs into policy sales, and the team has also made good progress in Belgium, both through the Eneco partnership and with their first HVAC acquisition. The French business has also continued to deliver exemplary systems upgrades, with Salesforce now providing a single view of the customer from a flexible, cloud-based platform.

Turning to Spain …

Ross Clemmow:

Spain is leading the way when it comes to developing a broad-based business to stimulate continued growth. Claims Assistance and HVAC both delivered excellent growth this year, with repair income and installations revenue both up 16%. The decline in policy retention was driven by the Endesa back book.

Even more importantly, our expertise in Claims Assistance stimulated the development of a new proposition – the service customer model. This model offers large scale utilities an à la carte menu of services from HomeServe – such as marketing, campaign execution and network management - while they retain ownership of the end customer. We have secured our first service customer partners in Spain and Portugal, and the pipeline for further signings is very strong.

To conclude, it's great to be able to report progress across the board in EMEA after my first full year as CEO. I've really enjoyed getting to know my colleagues around the business, and I really appreciate their expertise, their entrepreneurship and their enthusiasm. I am confident about the potential for our businesses across EMEA. With that, I'll hand you over to Richard.

Richard Harpin:

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Over the last two years, the changes driven by Covid-19 have brought both challenges and opportunities for the Home Experts division. This has served to strengthen our belief that we're well advanced in being THE platform that truly solves the matching of consumers with quality tradespeople that is superior to word of mouth.

It was great to reach the milestone of a first full-year adjusted operating profit in Home Experts – as we said we would. This is a sign of the building momentum, with much more still to come.

All our Home Experts businesses are obsessive about helping consumers get every household job done easily.

We're excited at the growing evidence we've seen in each of our businesses, of getting all the ingredients right to deliver this consistently.

At Habitissimo, focussing on the European markets of Spain, Portugal and Italy, has made the business more efficient – as seen in the lower operating loss. And switching to a Directory Extra model in the largest market of Spain has seen a sustained improvement in consumer net promoter score – an essential first step for getting homeowners to return for all their subsequent jobs and thereby driving repeat usage….

Richard Harpin:

At eLocal, consumer demand did moderate, particularly in the second half, against very high prior year levels that were driven in FY21 by pent up demand coming out of the first Covid period. However, eLocal continues to deliver strong monetisation of its consumer demand – and is the most sophisticated of our Home Experts businesses at doing this. There was 5% growth in revenue per monetised call year-on-year.

You'll be aware that we regard Checkatrade as being closest to the finished Directory Extra model. Not least because the ingredients for consistent delivery are now in place. Consumer contacts were up twenty six per cent year-on-year. Paying trades growth returned in the second half – finishing the year at 47 thousand. Monetisation progressed really well – with average revenue per trade of one thousand two hundred and twenty-nine pounds: Exceeding the twelve hundred pound target set at the 2019 investor day. It is though, in marketing, data and product development that I'm most excited about what the Checkatrade team are working on. So let me tell you a bit about it.

Richard Harpin:

Checkatrade continues to be the leading UK online platform to find a tradeperson. As you can see on the right of the slide, Checkatrade remains well ahead of all other UK platforms in terms of market share by usage. And it's also significantly ahead on spontaneous awareness.

Checkatrade is focused on delivering such a great experience to consumers that they then don't need to go anywhere else.

At our interim results in November, we talked about the £1,000 free 12-month consumer guarantee which we had just rolled out nationally. As a reminder, to get the guarantee, consumers just need to contact a trade via Checkatrade and leave a review. Since the guarantee launched, almost half a million consumers have been covered by it. And we have had a negligible number of claims. Research demonstrates that the guarantee makes consumers even more likely to choose a tradesperson found on Checkatrade. This is helping to build consumer loyalty. We can already see that, with the proportion of consumers finding a trade through Checkatrade in April this year who were repeat users increasing by a tenth versus the same point last year.

We also made real progress during the year developing our consumer portal. The portal delivers a hyper-local, personalised experience to homeowners that intelligently anticipates their next job and drives recurring usage. Usage of the new portal, as shown through page views, has increased rapidly over the last few months.

Let's turn now to what we're doing to make Checkatrade the place to be for quality trades.

Richard Harpin:

During the year we introduced Lite, Standard and Pro packages for trades, to recognise that they have different work volume requirements and make us essential, whatever the state of their order books. They can flex their membership up or down through the tiers to suit the amount of work they want to receive at any given point in time.

Along with the pain point of losing all your review history if you leave the platform, these packages are helping improve our retention rate.

We launched a new package called Approved just after the year end. That's our answer for trades who are always busy. Though they may not need any job leads from us, they DO need the endorsement of the UK's most trusted network of quality tradespeople and the £1,000 consumer guarantee. As we're not providing them with any contacts, trades are able to join for just £30 a month. And if they find they DO need more work to fill their diary, they can quickly and easily flex up to one of our other packages.

Around half of the 31% growth we saw in average revenue per trade on the prior year, came through cross-sell, pricing initiatives and the increasing number of national accounts who look to us to drive consistent lead flow to them on a “pay per lead” basis. As we’ve seen, the monetisation opportunity has already exceeded the expectation we had at the 2019 investor day. We’re sure there’s more to come and we look forward to Checkatrade’s continued progress.

Richard Harpin:

In conclusion, this has been another great financial year for HomeServe, with all three of our divisions performing really well.

As a result of last week’s announcement, this could be our last full year results presentation as a listed company, and that marks the end of an era. I’d like to take the opportunity to thank all of you for your interest in HomeServe, and your support of the company. I particularly want to thank our long-serving analysts, some of whom I’ve known since we floated in 2004.

When Jeremy Middleton and I demerged from South Staffs Water, I never thought that nearly 30 years later, HomeServe would serve 8.4 million customers in 10 countries, with a workforce of 9,000, and a Checkatrade ad campaign fronted by Julius Caesar. I’m incredibly proud of the business we have built, the people who work here and of all the great colleagues who have helped and guided me along the way. I‘m really excited about the potential for HomeServe to move to the next step of its development under the ownership of Brookfield. I’m sure that the businesses will continue to deliver great service to our customers and partners, provide fulfilling careers for our people and accelerate our progress towards making home repairs and improvements easy.

Given that we’re operating under the Takeover Code, we can’t comment on the near-term outlook as fully as we normally do, and you’ll be aware that there are many questions about the acquisition we simply can’t answer at the moment. Also, we’re going to take all of your questions now, rather than informally in small groups after the meeting.

So – any questions?

Richard Harpin:

Any questions from the floor?

Speaker 2:

Hi, this is Anvesh Agrawal from Morgan Stanley. First, Richard and the team, many congratulations and all the best for the next step of the journey of Homeserve. I've got three questions if I may. First, just on the UK, the retention rate has improved after a good six, seven years. Are you confident that you reached the bottom as far as the retention rate is concerned? Then on the HVAC as a service, what does the monthly cost cover? Does it cover just the cost of equipment, installation and ongoing surveys? Or it also covers the energy cost for the customer? Then finally, on Checkatrade, as you launch a new model approved, why would tradesmen choose to pay the higher subscription? I mean, they can still be on the platform, pay £30 a month and then customers can contact them directly.

Richard Harpin:

Thank you. So, I'll ask Ross to answer the first two of those. UK retention rate and HVAC as a service, what it covers.

Ross Clemmow:

Sure. So, on the UK retention rate, what we saw over the last 12 to 18 months, is that customers were using their policies more, valued their policies more, and therefore renewed more. That trend was across all customer cohorts, all the way through the year, and continued after things started to open up after the initial lockdown period. We haven't seen any slowdown in that trend, and so it's pleasing to see that the 79% was the result at the end of the financial year. We expect that to continue. On HVAC as a service, I think as Tom commented in his speech, the product is there to help the consumer access new greener technology in an affordable way, by spreading the cost over a lease, over a 15 year period. Within that we include maintenance, and then tune up and repair, so effectively it's like a combination of the ability to get hold of the new equipment in an affordable way, and the benefit of an ongoing maintenance policy.

Richard Harpin:

On Checkatrade, most of the 47,000 trades are on the platform, are there because they want contacts. That's either a telephone call on a tracked telephone number from their listing, or it's a request a quote, and they would pay a light, standard or pro subscription to get between eight and 32 contacts a month. So, what we did recognize is that there are a group of trades out there that say, I'm really busy. I don't need any contacts, but I would like to build my reputation, and my customers able to search me out on Checkatrade, see my profile, even though it would be at the bottom of the rankings, and to be able to log customer feedback and reviews. So, to be able to have that without contacts for £30 a month is going well, and is really good value.

Andrew?

Andrew Nussey:

Andrew Nussey from Peel Hunt. I'd also just like to add my congratulations. It's been quite an interesting journey and I wish Homeserve all the best moving forward. Couple of questions. First of all, in terms of the HVAC and the aspiration to build to 15, 20% operating margins. Now the M&A strategy's been going for a few years, do you have a better line of sight of how long it takes to get a typical acquisition to that level of profitability? Secondly, notable by its absence, maybe for obvious reasons, no real reference to the milestones and particularly the $230 million in North America, really just to hear the confidence behind getting to that milestone, please.

Richard Harpin:

Yeah. Perhaps ask Tom to answer both of those, because HVAC did start principally in nNorth America. So, getting to the 15 to 20% margin and then milestones.

Tom Rusin:

Yeah. It depends on where the business is when we buy them. We tend to buy these businesses around a 10% margin, sometimes a little bit more, sometimes a little bit less. It also depends on how many policies they have in the business, because policies help improve the margin more rapidly. But it takes a few years. We have a very disciplined acquisition model though, where we need to be above ROCI in year one. Then we target a 15% return over time. We're seeing very solid margin progression across all the businesses, both in North America and the other countries. With respect to milestone two, obviously with the Brookfield... The thing I can't comment on that. But I would say that, the fair price that they paid represents the growth potential that we see in the nNorth American business.

Richard Harpin:

Ross, did you want to just say anything on the margin on HVAC?

Ross Clemmow:

Yeah. I think we're pleased with the progress in the businesses that we've owned for two or three years, and that's what's given us the confidence that we can expand the margins by adding value in marketing, through operational improvements. That's probably best progressed in the US business.

Richard Harpin:

Any other questions from the floor before I ask Miriam whether there are any questions from the webcast? She's shaking her head, which I think suggests there aren't. So, thank you all very much for all your support, for coming this morning, for all of those that you're online. This may be our last presentation, but appreciate everybody's support. Thank you very much.