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The J.G. Wentworth Company

Fourth Quarter and Full Year 2015 Earnings Conference Call

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Moshe Orenbuch, *Credit Suisse*

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PRESENTATION

Operator:

Ladies and gentlemen, thank you for standing by. Welcome to The J.G. Wentworth Company Fourth Quarter and Full Year 2015 Earnings Call. During the call, all participants will be in a listen-only mode. After the presentation, we will conduct a question and answer session. At that time, those with questions should lift their phone receiver and press star, followed by the number one on their telephone keypad. To cancel a question, please press the number sign. If at any time during the conference you need to reach an Operator, please press the star, followed by zero. Please note that this call is being recorded today, March 8, at 10:00 a.m. Eastern Time.

I would now like to turn the meeting over to your host for today's call, Erik Hartwell. Please go ahead.

Erik Hartwell:

Thank you, Operator. Good morning everyone, and thank you for joining The J.G. Wentworth Company's Fourth Quarter and Full Year 2015 Earnings Conference Call. This morning, you will be hearing from Stewart Stockdale, our Chief Executive Officer, and Scott Stevens, our Chief Financial Officer. After their prepared remarks, we will open the call for questions.

We have included a brief presentation to accompany our remarks and you can find a link to this webcast included the earnings press release. The slides for today's presentation have been posted to the Investors section of jgw.com, along with our earnings press release.

Statements in this conference call and in our earnings press release, other than historical fact, are forward-looking statements. Actual results may differ materially from those projected in forward-looking statements. Factors that might cause the actual results to differ materially are discussed in our earnings press release. The Company disclaims any intent or obligation to publicly update or revise any forward-looking statements, regardless of whether new information becomes available, future developments occur, or otherwise.

Two of the items we will speak about today are adjusted net income and Adjusted EBITDA, which are non-GAAP measures. We use adjusted income as a measure of our overall financial performance, because we believe it represents a better measure than GAAP of our operating results, as the impact of the variable interest entities and other excluded items do not influence our ongoing operations. We define adjusted net income as our net income under US GAAP before the amounts related to the consolidation of securitization and permanent financing trusts we use to finance our business, non-cash compensation expenses, provision for or benefit from income taxes and certain other expenses. GAAP accounting requires us to consolidate the results of our variable interest entities, or VIEs, in determining our financial results. ANI takes out the financial impact of securitized assets and liabilities, but includes the impact of changing interest rates on assets that remain on the balance sheet. Certain other one-time and non-reoccurring items are also excluded from ANI. In addition, the add-backs described above are consistent with adjustments permitted under our term loan agreement. Please refer to our earnings press release for a reconciliation of the GAAP net income to adjusted net income.

Adjusted EBITDA is a new measure of profitability that we will be disclosing. Adjusted EBITDA is calculated by adding depreciation and amortization expense, debit issuance cost and term loan interest expense to adjusted net income. This is consistent with our term loan agreement. It provides investors with what we believe to be another view of our profitability on our operating basis.

Now, I will turn the call over to our Chief Executive Officer, Stewart A. Stockdale.

Stewart A. Stockdale:

Thank you, Erik. Good morning everyone, and thank you for joining our call today. I would like to start off the call by stating that after months of very hard work, I am very pleased with the passion demonstrated every day by employees, who remain focused on providing outstanding service to our customers who come to J.G. Wentworth to meet their needs, whether it be cash from their structured settlement or a mortgage product to purchase or refinance a home.

The fourth quarter of 2015 represents an inflection point in a year when we experienced a very challenging structured settlement payments business, which turned our attention to implementing a turnaround in that business, while also executing our diversification strategy that included integrating our newly acquired mortgage company and launching our prepaid and personal lending initiatives.

On a consolidated basis, we generated $3 million of Adjusted EBITDA and an ANI loss of $10.5 million. Profitability was at its lowest level of the year in the fourth quarter. The structured settlement payments business continued to suffer from lower volume and from higher cost of funds in the quarter, but our turnaround strategy is yielding improved performance so far this year. In the fourth quarter, the Home Lending business suffered from the operational impact of implementing new TRID requirements, and that, too, is behind us. Several key business indicators are showing improvement at the start of this year.

Scott will take you through the financials later in the call. For the moment, I want to continue to talk about our structured settlement turnaround. The turnaround has two major elements, cost reduction and marketing and operational efficiency. As to cost reduction, we eliminated activities that provided low to no returns, by exiting the pre-settlement business and by paring down the wholesale part of the structured settlement payments business. With the help of a leading consulting firm, we right-sized our marketing media spend, yielding $10 million of annual savings and improvement in marketing efficiency. Additionally, we have removed over $10 million from the organization, coming from fewer employees, but also from lower financing costs and decreasing general and administrative expenses. Over $20 million of annual cost savings have already been achieved. We expect to achieve additional savings throughout the remainder of the year. In total, we are targeting between $25 million to $30 million of savings in 2016, compared to our original target of between $12 million and $15 million, which we shared with you last quarter. Most of the cost savings will be achieved with limited cash expense, the largest being severance, which should be around $1 million to $1.5 million for the year.

From a marketing and operational aspect, our enhancements to become a more digitally-focused, multi-product spend entity is yielding lower cost per qualified lead metrics. In December, we changed media buying partners and believe we have teamed up with a best-in-class company, MediaCom. Media use is changing dramatically and we must adapt faster than we have in the past. We conduct mass marketing to find a handful of customers; in essence, a needle in a haystack. We are looking to become more precise on finding the needles, not just more hay. We will leverage MediaCom's digital expertise, where the marketing battle is now being fought.

To implement the new marketing approach, we brought in a new Chief Marketing Officer. John Owens was previously Head of Marketing for ING Direct and then for Capital One Bank. John is a great addition to the team and has already jumped into the action.

Reaching customers through the web, mobile, email and direct mail are critical. We are focused on a more targeted value proposition to ensure customer loyalty through every aspect of the funnel.

On the operations front, what I call the factory, we made transformational changes. The historic approach, our operating model approach, drove customers to the brand in search of cash now. From there, we had account executives handle all the calls, the purchasing, the processing of the transactions and the ongoing customer interactions as they guided customers through the underwriting and court approval process. The payment purchasing process contains many steps and it is difficult to expect one individual to excel at all of these various processes on a consistent basis, so we've reorganized the floor to support the customer-related processes.

We created specialized units to focus on three key disciplines: a contact center for the initial customer inquiry; a purchasing function with dedicated account executives who price and originate the transaction; and a customer transaction management team for the processing and ongoing customer relationship management. The increased focus on these functional disciplines complements our well-established underwriting and funding strengths. We fully implemented these changes in December. We now have employees dedicated to each individual step of the process and clearly defined metrics that track the efficiency and productivity of each function.

We expect this new organization will increase customer retention and increase lead conversions that ultimately get funded. We have also implemented a heavily metrics-based operation to identify continuous process improvement opportunities. The new organizational structure has enabled us to streamline operations, thereby reducing labor costs, the second largest part of our cost savings.

Our goal is to run a profitable structured settlement payments operation, and that starts with discipline on the front end. We expect that the increased focus on buy rates, conversion rates and the acceleration of the settlement transaction pipeline will increase profitability. We are optimistic the cost reduction in marketing and operational initiatives will stabilize the business, improve profitability and, over time, yield the improved performance.

While we generally only provide historical financial metrics and we do not provide guidance on the current quarter's business performance, we feel, for this call only, it is important for our investors to get an early high-level insight on how certain business indicators are performing.

In the structured settlement payments business, cost per qualified lead showed improvement for the first two months of the year compared to the same period last year. Additionally, the funded price yield buy rate has risen to the highest level since late 2014. We are also pleased to see that our average spread is improving month-over-month since December. We are encouraged by these January and February metrics, however there are external factors that continue to impact our operations, including total funded unit volumes. Overall, at this stage, we are seeing improvement, but like many turnarounds, it is likely to take more than just one quarter before the benefits of our changes are fully realized.

On the Home Lending front, one of the prime motivations for the acquisition was the opportunity to scale the business by leveraging the brand and our direct-to-consumer marketing strengths. Since the acquisition, the rebranding of WestStar to J.G. Wentworth Home Lending has received a warm reception by employees and our existing distribution partners alike. For the fourth quarter, Home Lending generated $700,000 of Adjusted EBITDA. The slowdown in the fourth quarter was the result of normal seasonality the mortgage category experiences, along with a modest rise in interest rates, but the major factor was the implementation of new regulatory requirements, TRID, which noticeably slowed down fourth quarter operations. TRID was implemented at the beginning of October. It is probably the biggest regulatory change in recent times to impact both the customer and end-to-end mortgage process. We are through the operational changes needed for the TRID implementation.

In January, Phil Buscemi took over leadership of Home Lending. Phil has a wide range of experience in financial services, credit and capital markets. Over the past eight years, Phil has led the operations in capital market streams as the Chief Operating Officer and Director of Capital Markets for the Home Lending business. Previously, Phil has held senior leadership roles at various mortgage-related institutions.

For the Home Lending business, locked loans are a key metric as they ultimately fuel closed loans. From August through December 2015, we averaged $258 million of monthly locked loan volume. In January, a typically slow month, we generated $273 million of locked loan volume, aided by a favorable interest rate environment. Continuing this positive trend, we achieved $409 million of locked loan volume in February. February was Home Lending’s best locked month in their entire history.

Since the acquisition, Home Lending production has consisted of an equal mix of government and conventional loans, while 67% of the volume was refinance. In the first two months of 2016, we have seen an increase in percentage mix for both refinance and government loans, where our government product typically has a higher margin profile than conventional.

Home Lending currently relies on two channels to operate its business. The distributor retail channel, where we have 60 local offices in 11 states accounted for 20% of the business in 2015. The affiliate channel, or partnerships, accounted for 80% of the business. We believe we can profitably add a direct-to-consumer channel. Online, we are using digital search to scale this channel. Direct-to-consumer is already proven in the mortgage space and we are not spending huge amounts of dollars, but believe we can effectively compete in various mortgage product lines, and we are encouraged by improvements we are seeing in cost per lead.

Recently, we launched a 60-second commercial leveraging the existing structured settlement payments budget to promote structured settlements, mortgages and personal loans. We launched it nationally last week and included a prime-time buy during Super Tuesday. If we can prove the new spot can support the multiple products, then we have a winning formula.

On the Home Lending front, locked loan volume has now returned to the level and pace that makes this acquisition financially attractive, and January and February are in line with our expectations.

2015 was a difficult year for the structured settlement payments business, but we believe the transformation is taking place. Although we have short-term challenges, we believe we are putting in place the organization, strategy and team that will generate attractive returns over the long term. We are focused on three key priorities: one, stabilizing the structured settlement payments business; two, growing Home Lending profitably and adding a direct-to-consumer channel; and, three, continuing to maintain adequate liquidity, tie-cast (phon) management, rigorous expense controls, and diversifying and optimizing funding sources.

Now, I would like to turn the call over to Scott to walk through the financial results. Scott?

Scott Stevens:

Thanks, Stewart, and good morning, everyone. I also want to thank you for participating in our call this morning.

As Stewart mentioned, consolidated results for the fourth quarter reflected continuing challenges in our structured settlement payments business. Home lending was impacted by industry-wide mortgage seasonal factors and TRID implementation. For the fourth quarter of 2015, consolidated adjusted total revenues were $52.2 million, compared to $63.8 million a year ago. Also, for the quarter, we reported a consolidated net income loss of $10.5 million, with Adjusted EBITDA of $3 million. Based on feedback we have received from investors, we are beginning to report Adjusted EBITDA. We believe that it will provide analysts with another view of our profitability on an operating basis.

Looking at our segments, our structured settlement payments business had an adjusted net income loss of $10.6 million. Spread revenue was impacted by challenging market conditions, a decrease in total receivables balance purchases, buy rates, and a volatile interest rate environment which led to an increase in our cost of funds during the quarter. Total expenses for structured settlement payments were down $6.6 million in the quarter, compared to the fourth quarter of 2014, and are down $10.7 million for the full year 2015, versus 2014.

As Stewart mentioned, we have accelerated our cost realignment actions and now plan to achieve an expense reduction of approximately $25 million to $30 million by the end of 2016, as compared to our original estimate of $12 million to $15 million. We made significant progress on this initiative in the fourth quarter of 2015, however we could not overcome lower spread revenue, resulting in an adjusted net income loss of $10.6 million compared to an adjusted net income of $9.1 million in the same quarter a year ago.

The Home Lending Division contributed three full months of operating results in the fourth quarter. Closed loan volume was $490 million in the quarter, down from the $552.7 million in the same quarter a year ago. Home Lending was profitable for the quarter with $700,000 of Adjusted EBITDA. Home Lending had a record full-year production of $2.2 billion of closed loan volume and is off to a strong start in 2016. Originations remain a mix of both purchase and refinance across government and conventional mortgages, demonstrating our ability to respond to varying market conditions. Home Lending's revenues for the fourth quarter were $14.7 million, including $2.5 million from mortgage servicing, net of valuation adjustments, which is up from $1.5 million a year ago. We have a service portfolio of approximately 12,500 loans with an unpaid principal balance of $3 billion at the end of the year. As a reminder, the same favorable interest rates that help support front-end production may also adversely impact the valuation of the MSR asset at the end of the quarter.

At the end of the fourth quarter, we had cash and cash equivalents of $57.3 million plus structured settlement assets to be financed of $6.8 million. As long as we continue to have access to the capital markets, we believe we have adequate liquidity to continue to fund our business, and earnings to satisfy our term loan's $40 million in annual interest expense, of which $32 million is cash interest expense, as well as other operating expenses. The term loan is our only significant corporate debt.

Recently, we announced $163 million in structured settlements and annuity purchase asset sales, which offers another economical funding source. A pool of $91.3 million has already closed in mid-February, with another pool of up to $70 million scheduled to close in the second quarter. This private placement provides comparable economics to our last securitization and is an attractive avenue to sell assets to institutional investors, in addition to our securitization platform. This transaction is consistent with our strategy to diversify our funding platform and represents an alternative funding source to our traditional 144A asset-backed securitization transactions. Our intention is to continue to access multiple funding sources, including our traditional securitization transactions, depending on market conditions and underlying economics. This placement continues to demonstrate our ability to access the financial markets with an offering size and product performance that is valued by investors. We received over $26 million in cash from this transaction after paying off our warehouse facilities, and we will receive additional cash when we close the second pool in the second quarter.

We continue to evaluate capital strategies with our Board with a bias towards paying down term debt, when appropriate. Note that our term loan is not due until February of 2019. For now, we are being conservative and choosing to hold cash on our balance sheet as we navigate through the transformational strategies that Stewart discussed.

At the end of the year last year, we implemented a new structured settlement payments hedging program. The goal of the program is to reduce earnings volatility by partially mitigating the effects of changes in the general level of interest rates. In the fourth quarter, the hedging program had an insignificant impact on our earnings.

During the fourth quarter of 2015, we conducted our annual goodwill and indefinite-lived intangible asset impairment test. The results of the analysis, driven in part by the recent reduction in our overall market capitalization, indicated an additional impairment of the Peachtree trade name, as well as an impairment of the goodwill within the reporting unit. Consequently, we recorded a non-cash impairment charge of $91.7 million in the fourth quarter, comprised of $85 million write-down of goodwill, an additional $5.6 million write-down of the indefinite-lived to Peachtree trade name, and a $1.1 million write-down of additional other intangible assets.

We have taken some hard actions to address the challenges facing our structured settlement payments business. From a new marketing strategy to realigning our overall expense levels, along with productivity improvements and alternative funding sources, we are implementing changes throughout the organization that we believe will provide the framework and business model that will enable our transformation strategy to succeed. Although turnaround strategies take time and our structured settlement payments business volumes are lower than last year in January and February, we believe we are making progress on many fronts.

As you saw in the fourth quarter, the operating expense run rate is down more than $20 million on an annualized basis, and through creative new strategies, such as asset sales, we have managed to keep our cost of funds steady, even as the broader fixed income markets remain volatile. After a temporary stall in the fourth quarter, Home Lending has regained its solid footing, with a pickup in locked loans in January and February which is more in line with expectations. Specifically, in February, we achieved all-time record highs in locked loan volume for Home Lending. This is setting us up for a good first quarter of mortgage originations. Collectively, we have spent considerable time and effort to reset the enterprise and bring an enhanced level of control to the many variables of the structured settlement payments business, while at the same time remaining diligent and committed to strategies that we believe will allow us to stabilize and improve the structured settlement payments business and continue to grow our Home Lending business.

Thank you. Operator, at this time, we are now ready to open the call to questions.

Operator:

At this time, I would like to remind everyone that those with questions should lift their phone receiver and press star, followed by the number one on their telephone keypad. To cancel a question, please press the number sign.

Your first question comes from Moshe Orenbuch with Credit Suisse. Your line is open.

Moshe Orenbuch:

Great. I'm sorry if I missed this, but could you just review what you had said about—I saw what's in the slides about some of the metrics, but what did you say about volumes for the January/February period for structured settlements?

Stewart A. Stockdale:

I said that external factors were still impacting our business, including volumes, unit volumes.

Moshe Orenbuch:

Got it, okay. Then, as we think about the expenses, what's the base for both the kind of advertising and compensation and G&A that you're thinking of for those reductions, because the fourth quarter in some of those lines was higher than prior quarters, so maybe if you could just kind of give us, you know, how we should think about that?

Scott Stevens:

Sure. The targeted savings are relative to 2015 full year. So for full year 2016, we're looking at those reductions, originally targeted at $12 million to $15 million, and now we're saying is targeted at $25 million to $30 million.

Stewart A. Stockdale:

And $10 million of that is for marketing, Moshe, and that's a full-year comparison, 2016 versus 2015, and we believe that we're going to be a lot more efficient through that marketing spend, and obviously there's going to be a balance between the brands that we advertise on TV and then the other channels which include web, direct mail and email.

Moshe Orenbuch:

Got it, and I guess maybe just kind of pulling up a little bit, when you think about the advertising and marketing that you will be doing—you talked a little bit—maybe just give us some sense as to how you're going to measure the effectiveness as we go forward.

Stewart A. Stockdale:

Well the biggest is obviously on—you know, we look at it in various levels. First, how many people are calling us, right? So we do think of it on the TV front first. Then we do, in essence, mass marketing. We first measure how many people call us and how many people from there call us for a structured settlement, and then they may be calling us for other products. So now, the calls actually go into a call center where we screen all the calls to see what the product they want, and it could be a mortgage, it could be a personal loan or it could be a prepaid product. But, once it goes into a call center and it's somebody that wants information on a structured settlement, then we go through a process of qualifying that lead, and we make sure that—how many we get qualified. Then from there, we transfer that call to the account executives for the sales process. So that's how we measure.

We're now measuring every single step of that funnel that we described. So how many call us, how many people qualified or have a structured settlement, what percentage converts over to the sales force, what percentage of that actually gets what we call a contract-out, and then when the contract goes out, obviously we expect that contract to come back, and not all of them come back, and then from contract-back, we prepare that customer file through this new transaction processing group, and then we go through that all the way to getting that customer ready to appear at court and funding the transaction. We'll measure this through every one of our marketing channels. So the example that I just gave for TV, the same thing goes through the web. We'll spend on search. People will search us and most of those—sometimes they'll call us, but many times it will be a web form that ends up with this saying— what we call new customer center, and they go through that same process that I just described. So there's metrics at every step of the funnel.

What we used to do in the past, it was more mass marketing, and we had web, as well, and then when those calls came in, they actually went straight into the sales force, or what we call the purchasing floor, and they managed the whole transaction all the way to funding. So think of it as widgets and a lot more specialized than we were before, and it's a natural evolution of the business. We implemented it in December and we're now fully functional and seeing—now, obviously, we had to work out kinks and make sure that we had all the processes, but now we actually have a daily call where we measure every single one of these things every single morning.

Moshe Orenbuch:

Okay, great. Thank you.

Operator:

Your next question comes from David Ho with Deutsche Bank. Your line is open.

David Ho:

Good morning and thanks for taking my question. I wanted to follow up on getting more detail on just competition, where you're seeing the discount rate going, and kind of the competitive response to some of the pricing initiatives. It seems like you're getting some traction. Are you seeing that with your competitors, or are they still swooping in at kind of the last minute to kind of win the settlement via price? Just maybe some color on the dynamics there.

Stewart A. Stockdale:

Well, as we said going into the fourth quarter on the last call, that it's obviously a very competitive marketplace, and we see that at multiple stages in the funnel, everything from the ongoing going-in all the way through the transaction. As we pointed out, our product our, you know, it's cash. We're not selling high-end bags, or something, we're selling out cash. So customers are really focused on what is the amount of cash that they're going to get on the back end. So it is highly competitive. Of course, as we went into the fourth quarter and we started seeing unit declines as we're trying to raise buy rates, I call it resetting the business to the appropriate levels, and so we're taking out all these costs. Marketing had obviously an impact, but we're taking up to $30 million of expense, of which $10 million are marketing, so a lot of them are operational. So we continue to see that.

There's a lot of focus on buy rate, and obviously not only just being able to price it, but also making sure that that deal goes all the way through funding and actually gets funding, because you could quote a price and then not fund the deal, and that didn't help you anything, so that's something that we're seeing through the process. A lot of attention on it, a lot of customer management throughout the pipeline, and we are seeing the benefits of the focus in January and February. As we said, we are seeing the best buy rates that we've seen since late 2014.

That doesn't mean it's gotten less competitive, I think a lot of it is the tremendous focus that we're putting on it, and of course we're balancing a reset, which we're seeing lower levels of volume, and you saw it through our TRB number, but we're balancing that to try to make the operation more profitable by taking out expenses, raising rate, and getting to a level playing field where we can look in the next few quarters where we have adequate levels of profitability in that business.

David Ho:

Got it. So really, just stabilizing and trying to maximize profitability. Then, on the securitization side, you mentioned that some of the newer issuances were done at similar economics versus kind of what you saw in January. Can you talk about whether or not demand and kind of the rate outlook has—how that has impacted your outlook on getting these deals done, and the spreads?

Scott Stevens:

Sure. So one of the things we've been looking to do is diversify our funding sources. Our traditional securitization platform, if you will, has served us very well over the years and continues to be there for us, but the deal we just completed was a private placement transaction and it was an asset sale instead of a securitization, so it's a different form of financing, and, again, it's consistent with our strategy to try to diversify funding sources. As we look through time and look at market conditions, and all the various things that impact the overall cost of doing transactions, we'll determine which of those avenues, or even other avenues, make sense to try to find the most economical and most efficient way to continue to fund our business going forward.

Stewart A. Stockdale:

And we still like the ABS market, okay, it's something that we'll continue to tap into, but I think what Scott's referring to is that we're going to make sure that as every quarter goes by, that we're looking at the best possible source of funding at that particular time and decide what's going to give us the best returns for that period. So I think that since Scott got here, we've diversified that, working with some of his team, really looking at the different opportunities. But don't be confused, we still have access and like the ABS market.

David Ho:

Then, on the mortgage side—just one more question—how quickly do you think the direct business could gain some traction in 2015? Obviously the cost of acquisition is a lot lower in that channel.

Stewart A. Stockdale:

Well, I mean, first and foremost, they have two good channels and we like the channels that they have, and most of the business that we quoted on the locks for the January and February period is through those channels. So those channels are to scale and we like them, and we believe that they're giving us the volume of business that is consistent with what we were expecting for the acquisition when we built the acquisition models.

I think the last call people got, I'd say, a little scared that we were going to pour a ton of money, tens of millions of dollars, or all the savings that we were going to get from the structured settlement business and pour it into the Home Lending business. The balancing act that we're trying to play is invest into the direct-to-consumer business, but also do it in a profitable basis. So don't expect us to come out and say we're going to spend tens of millions of dollars to create a new channel. In fact, what I was referring to in my script was that we're trying to use the structured settlements budget and we're testing a small percentage of the media spend to try to promote the three products, and so we'll see if that generates awareness, if it generates any sort of response. It's really, really early in the process, we started that last week, but we are doing search and we are encouraged by the search on a couple of the products that we're promoting through search.

So it's going to take time but that is the business case in one of the models and reasons for the acquisition, to build that direct-to-consumer channel, and we're highly committed to it and we'll continue to test it, but we're going to do it in a prudent, profitable way.

David Ho:

Okay, great. Thanks for taking my questions.

Operator:

I will now turn the call back over to Mr. Stewart Stockdale for any closing comments.

Stewart A. Stockdale:

Okay. I want to thank everybody, I want to thank our employees and I want to thank our investors. 2015 was a rough a year for the structured settlement business, but it was also a very transformational year where we did a lot of things, acquiring a mortgage company and launching two businesses from scratch. We are encouraged by the results that we're seeing in January and February, and look forward to the continued transformation of the business, the turnaround of the structured settlement business, and the scaling the Home Lending business, that we believe we're on track. Thank you very much for your time and have a wonderful week. Bye.

Operator:

Thank you. This does conclude today's conference call. You may now disconnect.