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Q3 2022 Vivint Smart Home Inc Earnings Call

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PRESENTATION

Operator

Hello, and welcome to today's Vivint Smart Home, Inc. Third Quarter 2022 Financial Results Call. My name is Jordan, and I'll be coordinating your call today. (Operator Instructions) I'm now going to hand over to Nate Stubbs, VP of Investor Relations, to begin. Nate, please go ahead.

Nathan Stubbs ***Vivint Smart Home, Inc. - VP of IR***

Good afternoon, everyone. Thank you for joining us to discuss the results of Vivint Smart Home for the three months ended September 30, 2022. Joining me this afternoon are David Bywater, Vivint Smart Home's Chief Executive Officer; and Dana Russell, Vivint's Chief Financial Officer. Also in the room today are Rasesh Patel, COO; and Nitin Abraham, SVP of Finance. I would like to begin by reminding everyone that the discussion today may contain forward-looking statements, including with regard to the company's future performance and prospects. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual outcomes or results to differ materially from those indicated in any such statements. We describe some of these risks and uncertainties in the Risk Factors section in our annual report on Form 10-K, which was filed on March 1, 2022, and in other filings we make with the SEC from time to time.

The company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In today's remarks, we will refer to certain non-GAAP financial measures. Reconciliation of these non-GAAP financial measures to the most comparable measures calculated and presented in accordance with GAAP to the extent available without unreasonable effort, are available in the earnings release and accompanying presentation, which are available in the Investor Relations section of our website. I will now turn the call over to David.

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***

Thanks, Nate. Good afternoon, everyone, and thank you for joining the call today. Q3 was a strong quarter for our team. We made solid progress on the financial, operational and strategic priorities we are focused on, highlighted by another strong set of results for the third quarter. After normalizing for the sale of our Canadian business in June of 2022, we grew total subscribers by nearly 10%, revenue by over 18% and adjusted EBITDA by nearly 31%. The unit economics underpinning our record performance continued to shine as well, with average monthly reoccurring revenue per user increasing to nearly $70 and net service cost per subscriber dropping to $9.43, another all-time low. Attrition continued to perform near record low levels, coming in at 11% for the period, and we believe our brand loyalty is the best in the industry.

Based on our positive momentum through the first three quarters, we are raising our full year guidance for total subscribers, revenue and adjusted EBITDA as we continue to invest significantly in growing our subscriber base and expanding our innovative product portfolio, we are actively working to mitigate the impact of higher interest rates through updates to our value proposition and consumer financing program and the implementation of key strategic initiatives that I will cover later. In terms of guidance for the full year, we're raising total subscribers to within the range of 1.92 million to 1.93 million. We're raising total revenue to within the range of $1.65 billion to $1.67 billion. We are raising adjusted EBITDA to within the range of $727 million to $742 million, and we are adjusting free cash flow within the range of $10 million to $30 million. I would note that beginning this quarter, we are no longer adding back the consumer financing fees associated with our Flex Pay program to adjusted EBITDA. Had we not made this change to the metric, our guidance for adjusted EBITDA range would have been roughly $58 million higher for both the low and high end of the new range.

We continue to invest in our product portfolio, and we believe that we are the industry leader in smart home product innovation. During the quarter, we launched the Vivint Spotlight Pro, which is one of the only lighting solutions in the industry that uses the cameras technology to activate lighting and dynamically adapt based on what the camera is seen. When set to Deter Mode, the spotlight Pro can detect people on your property, shine a spotlight on them and follow them to let them know that they are visible. Together with our Doorbell Camera Pro and Outdoor Counter Pro, Vivint has developed a suite of solutions that doesn't just inform homeowners about security events that have happened, but actually works to prevent crime from happening. On the Smart Energy side, we continue to develop a solution that will allow customers to view and monitor their home solar energy production straight from the Vivint app and smart home display.

This integration will roll out in the coming months and is just the tip of the iceberg in terms of more integration features to come. We are in the final stages of developing an integrated indoor lighting solution that is scheduled for launch in the first half of 2023. This solution addresses what we believe is a multibillion-dollar total addressable market, and it will allow customers to control their lights directly from the Vivint app and smart home display, including setting up customer rules and schedules. We believe these new product developments will continue to expand what we believe is industry-leading customer engagement. Our average Smart Home customer installs of approximately 15 devices in their home, interacts with our smart home system more than 12 times per day and stays with us for approximately nine years.

Simply put, our customers are demonstrating the value they see in Vivint by purchasing more products, interacting with their systems more and staying with us longer. Our strategy of developing our own platform and technology allows us to innovate and continuously improve the customer experience, which leads to increased loyalty, lower attrition, longer customer life and expanding customer lifetime value. Our strategic adjacencies of smart energy and smart insurance are natural extensions of our smart home business, and we believe they will allow us to penetrate and retain even more households with smart home technology and services. We are particularly pleased with the positive momentum of our asset-light Smart Energy business. We have installed nearly 70 megawatts of solar through our strategic partners through the third quarter, and we are on pace to install more than 100 megawatts for the full year.

Our Vivint sales force and partners who bundle a Vivint Smart Home system with solar continue to see considerably better salinization rates than those who are selling solar stand-alone, and we continue to make progress towards our long-term vision of combining energy production and consumption into an integrated platform that uses artificial intelligence to manage power consumption more intelligently. In addition, our smart energy adjacency is becoming a powerful new smart home distribution channel, and we're very optimistic about this potential future growth opportunity. We are equally excited about the distribution opportunity that exists with our smart insurance vertical and the growing interest in our capabilities in this space. We remain laser-focused on operating the business more efficiently and leveraging our platform to expand profitably and free cash flow.

We are actively working on initiatives that we believe could create more than $100 million of incremental cash flow on an annual basis. These initiatives include, but are not limited to, an extended warranty program that provides customers with peace of mind while generating incremental monthly revenue, recurring revenue and margin, value engineering programs that systematically optimize product costs through component modifications and sourcing leverage. Improvements in inventory management that lead to reductions in freight costs further scaling of service and G&A costs through improved tools, technology and processes and expanding profitably in our Smart Energy business through improved processes and skilling fixed costs.

Additionally, we are actively working to improve the cash flow dynamics of our Vivint Flex Pay program. In closing, we continue to believe that we are setting the standard for value creation and growth in the do-it-for-me segment by expanding market share, growing customer lifetime value and extending our proprietary platform, which we believe is years ahead of our competition. We believe our combined investment in subscriber growth and monthly reoccurring revenue as a catalyst for profit expansion and cash generation for years to come. We believe our employees' dedication, hard work and contributions have enabled our success in the marketplace.

Vivint is an exciting and rewarding place to work. And consequently, we were recently named to Newsweek's top 100 most loved workplaces and Forbes list of best employers for diversity. We are grateful for and proud of our people, and we believe that our employees mean everything to the success as a company. With that, I'll turn the call over to Dana to further discuss our third quarter results and our updated outlook for the year.

Dana C. Russell ***Vivint Smart Home, Inc. - CFO***
Thanks, David, and good afternoon, everyone. The three months ended September 30 marks the first full quarter of late time visit. I continue to be energized and excited about the potential of Vivint's unique business model and the growth opportunities that exist for this company. I mentioned on our last earnings call that I felt this is a special company with tremendous upside, and my impression has only been solidified since that time. My comments will refer to information in our earnings presentation was posted to the Investor Relations section of our website at vivint.com prior to this call. Following my prepared remarks, we'll open up the call for a Q&A session.

Our key subscriber portfolio metrics continue to perform well in the third quarter and showed substantial year-over-year improvement. During the quarter, we reported growth in total subscribers of 4.2% versus the prior year period, reaching $1.92 million as of September 30. Normalized for the divestiture of our Canadian business earlier this year, our year-over-year growth in total subscribers was nearly 10%, which we believe is the highest growth rate in the do-it-for-me smartphone segment. Our average monthly recurring revenue per user in the third quarter increased by 5.1% year-over-year to $69.76. Total revenue grew by 13.6% to $439.4 million in the third quarter of 2022.

Normalized for the Canada sale revenue growth for the quarter was 18.1%. The growth in revenue was attributable to the previously mentioned increase in total subscribers and average monthly recurring revenue per user as well as a solid contribution from our smart energy adjacencies. We are pleased with the revenue growth through the first nine months, and we're on track to exceed our original revenue guidance for the full year, even after factoring in the spin-off of our Canadian operations in June. As David mentioned in his comments, we're no longer eliminating the amortized portion of consumer financing fees incurred under our Flex Pay program from adjusted EBITDA. Like revenue, adjusted EBITDA grew nicely in the third quarter of 2022, finishing at $195.5 million, up 23.3% from the same period in 2021.

Normalized for the Canadian divestiture, adjusted EBITDA growth was 30.9% year-over-year. The scaling of service costs and lower G&A expenses were primary drivers of the improved margin performance. We're extremely pleased with the growth in adjusted EBITDA, especially given the tough macro conditions that have existed throughout the year. Next, I'll highlight a few metrics on subscriber originations for the third quarter. We continue to see positive momentum for our smart energy partnerships where we sold nearly 6,000 smart energy smart home systems, a demonstration of the benefits of bundling smartphones sold. New subscriber growth for the nine months ended September 30 was 3.5% and was again driven by originations through our Smart Energy Partners.

We continue to be encouraged by the quality of the customers we're adding to the portfolio and the loyalty of our customer base continues to improve as evidenced by the overall growth in total subscribers of approximately 10%, excluding Canada. I'll next cover our net service cost per subscriber and net subscriber acquisition cost per new subscriber for the quarter. We are now including financing fees related to revenue generated from service activities in the reporting of net service cost per subscriber, both for the current quarter and for prior quarters as well. We continued our trend of year-over-year improvement in net service cost per subscriber, dropping from $10.90 in the third quarter of 2021 to an all-time low of $9.43, including financing fees in the third quarter of 2022.

Correspondingly, our net service margin increased from 76.8% in the third quarter of 2021 to 79.9% in the most recent quarter. These results demonstrate the advantage of Vivint's proprietary platform. We continue to install more devices and more complex technology while net service cost per subscriber continues to improve. The constant feedback move from our platform enables us to continuously enhance our integrated products and services leading to fewer customer issues, lower service costs and higher customer satisfaction. Including financing fees, net subscriber acquisition cost per new subscriber for the last 12 months ended September 30 was $739 an increase of $94 versus the prior year period. The year-over-year increase was driven by higher equipment related expenses as well as higher consumer financing fees due to the recent interest rate increases. Moving next to attrition, we continue to be pleased with the performance of our subscriber portfolio. For the period ended September 30, our attrition rate came in at 11%, remaining very close to last quarter's all-time low.

This was despite an uptick in the percentage of our subscriber base being at the end of their initial contract term during the period. Our enhanced underwriting standards, improved product performance and the high level of customer engagement with our platform continue to drive what we believe is the lowest attrition rate among national smartphone companies. In terms of free cash flow, we generated $12.9 million during the third quarter of 2022. The decrease versus the prior year was primarily driven by a change in the timing of lost share fees paid to our lead financing partner as well as higher interest costs related to our consumer financing program and term loan. As of September 30, 2022, our balance sheet reflected just over $305 million of cash on hand and a very strong liquidity position of $664 million.

In conclusion, we're pleased with our consistent execution across our key financial and operating metrics. The fundamentals of the business remain strong, and we're encouraged by our momentum as we move through the fourth quarter. As a reminder, the divestiture of our Canadian operations in the second quarter pulled approximately $104 million of cash forward, and this provides optionality to invest in areas we believe will drive incremental value for our stakeholders. Steven has a long operating history, and we've exhibited strength and resiliency through challenging economic times because people value safety and security regardless of the economic environment. Our recurring revenue model provides a consistent and predictable revenue stream that is built to weather adverse conditions, and we're confident that our customers will continue to value the security and smart home solutions we provide. We have long believed the total addressable market for smart home presents a tremendous opportunity, and we believe Vivint is the best positioned to take advantage of that opportunity. This concludes our prepared remarks for the third quarter. Operator, please open the call for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Ashish Sabadra of RBC.

Ashish Sabadra ***RBC Capital Markets, Research Division - Analyst***

Could you maybe just remind us what is really driving the momentum? And if possible, could you also talk about in volunteer nonpay attrition and just anything you're seeing in the customer.

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***

I'll start, and then I'll probably pull in. Let me start by attrition. I think our momentum is really a function of the business model. We've been around now for 20 years. And we perfected never perfect, but we've really solidified our go-to-market strategy. Our direct-to-home is quite resilient. Our inside sales is quite resilient. And then as we continue to expand into new channels to go to market. This is work we're doing with some indirect partners through solar, particularly right now has been very well received. So I think that the velocity momentum that our revenue organization has a balanced portfolio has been strong. But really, it's -- I mean that's been phenomenal. And then the core secret sauce of our business has really been customer engagement. I mean, we talk about those metrics, 15 devices. Our customers interact 12 times per day. Our contract terms are five years or less, and yet our customers are standing with us nine years and it's been growing every year. Our engagement is growing every year.

And that level of stickiness makes us core for central to the home. And people, whether they're just enamored with us or less enamored for different reasons, they interact with us 12 to 13x per day and we're core to what they want. And I think that stickiness, which is manifested by our low attrition rate, yet are high growth and people continue to add more and more of their systems. I think really shows that we are a really core viable service and solution that they can't do without. And that really, at the end of the day, is what we're excited about. I mean you see it with our lower cost per subscriber. The technology and operations teams have done a great job of making sure the system works and works well and meets expectations. And we continue to upsell at every opportunity to our customers. And they are buying at a consistent rate.

So I think that resiliency of the business model in conjunction with our expansion to how we go to market really has been at the center of our overtreat. So that's my thoughts on what's been driving and then there's just a level of discipline across the company, scale your costs, delight your customers and make sure that we're investing in the right areas of the business. And I'm really pleased with my team and how they're approaching how to run a company and couldn't be more delighted. But with regards to attrition, Rasesh, do you have any thoughts on that?

Rasesh Patel ***Vivint Smart Home, Inc. - COO***

I'll just add to what David said. I didn't have industry-leading brand loyalty, either our vertically integrated approach, attrition overall decreased by 40 basis points year-over-year to 11% and when you look at that over a 2-year horizon, it decreased by 180 basis points to kind of give you a little bit of color under what's driving that. We're seeing extremely positive trends in attrition, particularly with the cohort of customers that were originated on our Vivint Flex Pay program.

And as a reminder, those customers has -- they hit month 60 and their contract expires, their equipment financing comes off, and so they see a big bill decrease at the end of that contract period. So we see very favorable trends on voluntary attrition and then as it relates to involve, we've seen sort of payment rates normalize to pre-code. And so we're not seeing anything abnormal in the involve activity. I think that has a lot to do with, as Dana mentioned, the credit quality of our customer base, but really voluntary has been the story in terms of the tailwind that we have.

Ashish Sabadra ***RBC Capital Markets, Research Division - Analyst***
That's great color. And maybe just quickly, could you just remind us on the kind of puts and takes for the free cash flow? It just seems like perhaps I missed it, but as we think about free cash flow also normalizing, how should we kind of view the cadence and also the progression of expanding free cash flow?

Rasesh Patel ***Vivint Smart Home, Inc. - COO***
Well, free cash flow. So when we think about what's happened over the course of the year, the company has a fair amount of debt that's subject to the variation in interest rates as interest rates have gone up, especially in regards to the term loan that we have $1.3 billion or so. And then our consumer financing program, we're impacted by rising interest rates. And so that's been a major impact to the company. I think it's impacted just the interest rate alone has impacted the company. If you look at 2022, about $75 million of cash flow as a result of rising interest rates in 2022, which if we had steady rates, we'd have another $75 million of cash flow. However, when you look at our financial statements, we've made tremendous progress in the financial structure of the company. It's resulting in added profitability and margin.

And despite the increase in the rates, we continue to generate positive cash flow. We're operating and committed to operate in a positive way. David outlined a number of initiatives which will continue to improve profitability. And we feel great about the current liquidity situation, the ability of the company to sustain itself through operating activities on its own. So, we'll provide more color as we get through the fourth quarter in terms of what this looks like going forward. We're very optimistic over the next really a number of years in terms of outlook, how we continue to be in a position to magnify that performance and continue to improve it, we're going to demonstrate a lot more cash flow as we go forward here. So all in all, I'm not sure if that answers specifically the ins and outs, but the major impacts to cash, obviously, have been the rising interest rates, offset largely by just operating improvements, which we're going to continue to make And then the number of initiatives that David talked about, which we see the potential to improve cash flows by greater than $100 million over some period of time here, and we'll detail a lot of those activities here as we get into the fourth quarter.

Operator
Our next question comes from Brian Ruttenbur of Imperial Capital.

Brian William Ruttenbur ***Imperial Capital, LLC, Research Division - Research Analyst***
The first question I have is on the situation with ADT. Just got off their call, and I think it's still ongoing, but they're talking about spending note of $20 million on legal fees to fight the situation with you and the contract that you're no longer involved in. Can you give us a little color on in that guidance? Have you reserved anything or maybe not the guidance for 2023 since you haven't given that. But what you reserved or plan to reserve for a legal basis and how you feel about your legal standing in terms of

walking away from the contract?

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***
I think you meant Alarm.com, ADT, I just want to clarify there. So in late September, we notified Alarm.com that under the terms of the cross-license agreement that we are no longer obligated to make certain license fee payments. We feel very confident in our position. Beyond that, it's our policy not to comment on any litigation, but we feel very good about that decision given the cross license agreement, and that's our position there you want to add to that, Dana?

Dana C. Russell ***Vivint Smart Home, Inc. - CFO***
No, I think that's pretty clear.

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***
We've invested heavily in our prior system. We went to our own back-end years ago, continue to fortify that and build upon that over the years. Very grateful that we've gone to our integrated system. It's been a differentiator for us significantly over the years. Our ability to not only know what the customers how they use our system, but how we can delight them more. I think having a proprietary system has been a key enabler there. And we continue to invest in that heavily. And it's been a differentiator, along with our innovative, our old department that does our product innovation. I think our ability to be able to listen to and detect what customers value and for us to be able to spin on that and generate product that addresses their needs. I think it's world-class and our ability to exit the effect, we actually service our customers and we own those customers, same thing our ability to be close to our customers and service them through our integrated platform, I think, is been a differentiator. So we're grateful for that investment.

Dana C. Russell ***Vivint Smart Home, Inc. - CFO***
With regards to reserves, I can't speak to that and you'll be able to look through our public documents there, but we do feel confident in the position we've made from a legal standpoint, and we don't have any further reserves associated with any of this activity in our financial statements.

Brian William Ruttenbur ***Imperial Capital, LLC, Research Division - Research Analyst***
And then just as part of that, that I know I asked a bit of a convoluted question, but do you have any plans in terms of legal fees that you have set aside moving forward? And then a separate question is about 2023 directional guidance. Do you anticipate revenue to be higher in 2023 versus 2022 given everything?

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***
Yes. So with regards to (inaudible) as Dana mentioned, in our next earnings call for Q4, we'll outline the guidance for the year-end, the initiatives that we think that will be our primary focus. They're our primary focus today, but we'll articulate that in much greater detail for all of you. I'm looking forward to that call. And we absolutely expect growth.

Dana C. Russell ***Vivint Smart Home, Inc. - CFO***
As far as any accounting around financial statements, we'll apply all the appropriate accounting for anything that comes up. At this point, we don't have an accrual. And in order for an accrual to be booked, it has to be quantifiable and likely for that -- for something to occur, we don't believe that we're in a situation to do that at this point. And so that's as much information as we can give you around that.

Operator
Our next question comes from Erik Woodring of Morgan Stanley.

Erik William Richard Woodring ***Morgan Stanley, Research Division - Research Associate***
Our math implies that your smart energy sales pilot accounted for almost 10% of revenue this quarter and was up nearly 100% quarter-over-quarter which is very impressive. As this becomes a more important driver of revenue growth. Can you help us understand what are the key drivers of this business, we can better model it? And to that end, I believe you guided to $95 million to $100 million of revenue in calendar '22. So how are you thinking about this business today and its potential growth into 2023? And then I have a follow-up.

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***
So I'll speak a bit generally and then hopefully get specific to your question. So our pilots, both in insurance and energy are becoming more than the energy piece is accelerating faster. But the reason why we're doing this is because we're a platform company. And we believe that these natural extensions extend our reach and deepen our engagement with our customers as well as expand profitability. So it's multi-threaded. We did about 45 megawatts of solar last year in 2021. And as I mentioned in my comments, we'll do over 100 megawatts in 2022. Roughly every megawatt equals about $1 million of revenue. So you do 100 megawatts, you got about $100 million of revenue. And that scale, we think it could be a meaningful part of our business. We think this business can generate between 10% to 20% margin on that volume.

So is it meaningful? It's meaningful today, it will become more meaningful. But the reason why I'm so excited about it is because these adjacencies help us deepen our relationship and it reinforce the value of our smart business. I mean, you heard a bit about our product innovation and our road map. The way that we can portray the production is being coming from their solar system and then a bunch of things that we can overlay that from our proprietary back end and add value to those customers. These customers will stay with us longer.

They see more value. They see the ecosystem effect of our different solutions. And logically, we believe that our average customer of nine years today will grow to 10, 11, 12, 13, 14 years, 15 years. And this is at an 80% service margin. So it's that interrelated ecosystem of products that our customers have told us that they want us to integrate and manage and bring to them. That's what we're doing. So will it become more meaningful? Absolutely. Can we have grown our megawatts much more than 100 this year? Absolutely. But we're being thoughtful about it. Where do you do it? How do you do it? How do you profitably. How do you do it in a scalable fashion? How do you make sure you have the right partners, our asset-light model. Dana and I ran Vivint Solar for five, six, seven years together.

And we understand that space nicely. The way we're playing in an asset-light way is a really smart way to do it. And it allows us to be very thoughtful about how we attack this market. And so I'm very pleased with the progress we've made and very optimistic about how I contribute in the future, same with insurance. So these are thoughtful integrated interrelated and logically built platform plays that will help us both from a cash generation perspective, a profitability perspective from elongation of relationship with our customers. And both on an independent basis, their own business unit as well as on an integrated basis across the whole smart. So hopefully that gives you some additional commentary and color around why we're doing this and why we're so excited about it.

Dana C. Russell ***Vivint Smart Home, Inc. - CFO***

And David, if I could just add. The other thing that's really exciting about the energy business is this is a deal certain opportunity for Vivint. Partners in the solar space see material improvements in their sales to activation conversion rates when solar is bundled with the Vivint Smart Home system. And so what we're seeing is an increasing demand for the solar industry to include Vivint Smart Home as a part of solar installations and it's a more efficient distribution model for Vivint in terms of cost of acquisition. And so not only is the solar opportunity accretive and meaningful on its own, but we think that sort of dual-site distribution opportunity is exciting places.

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***

I 100% agree. Hopefully that helps.

Erik William Richard Woodring ***Morgan Stanley, Research Division - Research Associate***

My follow-up is, if we take the midpoint of your calendar '22 guide, it would imply 4Q revenue is down quarter-over-quarter, which hasn't been the case for at least the last decade. So wondering if you could give some more color on what's driving that dynamic this year.

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***

We do not expect our fourth quarter revenue to be down. So I'd have to go back through the math on that and do the calculation. So we expect and the trends that we've seen over the last couple of years here where we continue to build upon revenue. Excluding the Canadian operation, if you look at the press release, the most quarterly revenue amounts outside of having taken revenue out associated with Canada, we've had a nice upward trend, and we expect that to continue on.

Dana C. Russell ***Vivint Smart Home, Inc. - CFO***

So maybe follow-up afterwards with (inaudible) but that's inconsistent kind of look.

Operator
We have no further questions on the phone line. So I'll hand back to David Bywater for closing remarks.

David H. Bywater ***Vivint Smart Home, Inc. - CEO & Director***
Great. Well, I appreciate that, Jordan. Just in summary, we think that the business model at Vivint is producing very nicely. Strong subscriber growth, strong revenue growth, strong adjusted EBITDA growth. The increase in our guidance reflects our confidence in how the business model is operating. We continue to work on, I think, all of the right initiatives to be able to continue to delight customers and differentiate in the future even more than we are today. Our new products coming out will be disruptive and are disruptive and they're differentiated. I think our performance operationally has been world-class, continue to bring down our servicing costs. Our attrition performing very, very nicely. We have a long slew of initiatives we're working on across the company that I think will continue to strengthen and position us very well for the future. And our cash generation will get stronger and stronger and stronger with every year coming forward.

And with regards to our go-to-market strategy, I'm very pleased with the work that, that team is doing around continuing to fortify and expand our current go-to-market channels as well as new go-to-market channels. Very, very encouraged by that. So I appreciate you guys ongoing interest and just wanted to end with thanking our employees. We have a phenomenal. We have over 10,000 employees that do incredible work day in and day out. I'm proud to be associated with them and appreciate the passion they bring every day, how customer-centric they are and how they inspire us to innovate and lead this industry. So thank you for your time.
