GAIN Capital Holdings, Inc.

First Quarter 2018 Earnings Conference Call

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CORPORATE PARTICIPANTS

Glenn Stevens - *Chief Executive Officer*

Nigel Rose - *Chief Financial Officer*

Lauren Tarola - Vice President, Edelman

PRESENTATION

Operator
Good afternoon, everyone, and welcome to the GAIN Capital's First Quarter 2018 Earnings Conference Call. Today's call is being recorded. At this time, I would like to turn the call over to GAIN Investor Relations representative, Lauren Tarola, Vice President at Edelman. Please go ahead.

Lauren Tarola
Thank you, operator. Good afternoon and thank you to everyone for joining us for our first quarter 2018 earnings call. Speaking today will be GAIN Capital's CEO, Glenn Stevens and CFO, Nigel Rose. Today's commentary will be accompanied by our earnings slide deck, which can be accessed via webcast on our IR website now or at a later time. Following their remarks, we will open the call to questions.

During this call, we may make forward-looking statements to assist you in understanding our expectations for future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially. I refer you to the company's investor relations website to access the press release and the filings with the SEC for discussions of those risks.

In addition, statements during this call, including statements related to market conditions, changes in regulation, operating performance, and financial performance are based on management's views as of today. And it is anticipated that future developments may cause these views to change. Please consider the information presented in this light. The company may, at some point, elect to update the forward-looking statements made today, but specifically disclaims any obligation to do so.

I'd now like to turn the call over to Glenn.

Glenn Stevens
Thanks Lauren. And thanks again to all of you for joining us today. First quarter results were strong for GAIN, reflecting our success in driving organic growth, as well as our ability to benefit from increased client engagement as trading market conditions improved.

Q1 2018 net revenue increased 79% year-over-year to $106.9 million. Q1 adjusted net income was $16.2 million, reflecting improving operating performance and higher revenue. This translated to adjusted EPS of $0.36 for the first quarter. Q1 2018 adjusted EBITDA significantly improved year-over-year to $33 million, reflecting stronger top-line performance and resulting in a margin of 31%.

As we have highlighted in the past, we believe that our focus on reducing costs over the past few years, coupled with our investment in organic initiatives underpins continued margin improvement.

To that end, during the first quarter, we saw improvement in both existing client engagement and new client acquisition, highlighted by a retail average daily volume of $12.4 billion, which was up 31% year-over-year and 41% above Q4 2017. We also saw an increase in new direct accounts of 24% year-over-year and 9% above the prior quarter, and an increase in direct volume per active of 53% year-over-year and 43% above the prior quarter.

We saw significant improvement in our institutional and futures businesses. With our average daily volume of nearly $15 billion, which was a record high in the institutional ECN, representing an increase of 26% year-over-year. And in our futures market, average daily contracts increased 7% to 35,414 in Q1, despite continued soft conditions in the Ag market.

These strong results reflect the early success of our strategic priorities for 2018 and beyond. The focus is on three key pillars: driving organic growth, creating greater operational efficiency and reducing revenue volatility.

To deliver organic growth, we are focused on growing our direct business, leveraging our brand assets and broad global footprint, also attracting and servicing two distinct key customer segments, the experienced active trader and the wider retail investor group, all this while enhancing our suite of products and services.

We are looking to achieve greater operational excellence in the long-term and continue to execute on this initiative during Q1. With regard to our brand rationalization efforts, in the first quarter we merged our Finspreads brand under our City Index brand, to create a unified contract for difference or CFD and financial spreads offering for our customers in the UK.

We also hit another important milestone in simplifying our technology stack by launching an upgraded U.S. service. This now puts two of our largest markets, the US and the UK, on the same underlying architecture platform.

On the automation front, we're launching an automated live chat tool, which is designed to provide faster service for our customers, while reducing our service costs. And we're expanding our use of lower cost business processing outsourcing partners for certain middle and back office administrative tasks.

Our third pillar is reducing the variability of revenue from period to period, with the goal of better aligning our revenue per million with our customers' trading volume, while increasing the stability of our revenue capture and providing our shareholders with more confidence around our results in a variety of market conditions.

Taking a closer look at our organic initiatives, we are focused on growing our direct business as we are confident this will lead to better acquisition results and increased client engagement in 2018 and beyond. As evidenced, this initiative is already bearing fruit.

If you look at our active accounts on a trailing three-month basis, direct active accounts in the first quarter grew 15.4% year-over-year. And the share of our trading volume coming from our direct customers continues to increase as well, now making up 77% of total volume in the first quarter as compared to 60% from a year ago in the same period.

Optimizing our partner business and thereby reducing our referral fees has been a multi-year process and we are pleased to see this change in the composition of our retail business towards a higher concentration of direct customers.

Moving forward, we expect that the indirect portion of our volume will remain at current levels, roughly between 20% and 25% of total retail volume. Additionally, direct new accounts continue to rise, reaching 22,776 in Q1, which is a 24% year-over-year increase to the same period last year.

During the first quarter, we also saw a 53% year-over-year increase in direct volume per account. This is a result of both improved market conditions, but also our success in attracting and retaining experienced clients who tend to trade more actively.

To support future growth, we are continually investing in new products and innovation to enhance our customer experience and drive new client acquisition. During the first quarter, we launched a beta version of a new web-based trading platform. We released an upgraded version of our mobile apps globally. We expanded our cryptocurrency offering, which now includes Ethereum, Litecoin, Ripple and Bitcoin Cash.

We also have an exciting pipeline of new and expanded products and services. This quarter, we will be rolling out an Android version of our GetGo app and we'll also be introducing this GetGo product in Australia. GetGo continues to show strong acquisition and engagement metrics.

Earlier this month, we launched an upgraded US service offering, which now features 30 additional currency payers, a new simplified commission-based pricing model and a new rebate program for active traders, all of this is part of enhancing our overall service for high-value clients, and we continue to expand our education and training resources.

As part of our initiative to reduce revenue volatility, we began phasing in a new AI-driven hedging model in March. Phase 1 of this initiative involves optimizing our hedging activity to reduce variability in our results. This new model uses automation, improved price discovery and smart order routing. This model will also decrease the trading costs associated with our hedging, our customer exposure.

The AI model began with the FX asset class, but once the new model is fully operational, we'll roll it out across our other asset classes as well. This multi-phase plan will extend through the remainder of this year and into 2019. However, it is important to note that early results are promising.

Before I turn it over to Nigel for a deeper review of our first quarter results, I would like to provide an update on the recent ESMA regulation. On March 27, ESMA and the FCA announced regulatory changes in the provisions of CFDs, which will apply to retail clients in the UK and EU. These final measures are largely unchanged from ESMA's December 2017 proposal, which include limits on leverage for retail clients.

Clients classified as professionals will not be subject to the new leverage rules. This elective status is available to customers who meet financial, trading experience or professional qualifications. The new rules are expected to go into effect in July. And as stated in our earlier announcement, we anticipate an immaterial revenue impact this year.

In addition, the new ESMA regulations are expected to decrease the number of providers operating in the UK and EU. And given our strong brands, we are confident we are well-positioned to win market share.

In summary, we feel Q1 operating results demonstrate early success of our strategic priorities to deliver more sustainable returns, and we look forward to providing you progress as it occurs.

With that, I will turn it over to Nigel for a deeper review of our fourth quarter and full year results. Nigel?

Nigel Rose
Thanks Glenn. Q1 2018 net revenue increased 79.4% year-over-year to $106.9 million, as compared to $59.6 million in Q1 2017. Q1 2018 GAAP net income was $16.1 million and adjusted net income was $16.2 million. This resulted in Q1 GAAP EPS of $0.35, as compared to a loss of $0.39 in Q1 2017 and adjusted EPS of $0.36, as compared to an adjusted loss per share of $0.39 in Q1 2017.

Q1 2018 adjusted EBITDA was $33 million, as compared to an adjusted EBITDA of negative $13.4 million in Q1 2017. We remain focused on achieving improved operational excellence, which will lead to a long-term reduction in expenses. However, as we make these changes, we anticipate a short-term increase in costs, as mentioned on the last call, with fixed costs expected to be between $195 million $205 million for full year 2018.

The return to more normalized volatility to our average daily volume 31% high year-over-year to $12.4 billion, while RPM of $106 was in line with a trailing 12-month average. The volume growth in improved RPM versus prior year increased revenues to $85.7 million, more than double the Q1 2017 revenue of $40.1 million.

On the expense side, overall employee comp increased 16% to $15.4 million as the improved year-on-year financial performance impacted a variable element of that cost. Referral fees declined as the share of indirect volume fell from 40% to 23% year-on-year whilst the referral fee per million reduced 14% to $43.

Finally, other operating costs were affected in the last part due to the strong performance which drove increases in variable costs such as bank processing fees spreadbet duty coupled with a one-off indirect tax credit in the prior year. The net impact was segment profit of $39 million for the quarter and a margin of 46% with the trailing 12 months profit in excess of $100 million.

We also saw increased customer engagement during the quarter with direct volume per active 28% higher than Q2 2016, the last time we saw volatility at these levels. Client equity declined 1% year-over-year to $746 million with a prior year reflecting the peak FXCM client balance following their acquisition during quarter one of 2017. Excluding those acquired customers, organic client equity improved 4% compared to the prior year.

Turning to the Institutional segment, our ECN business saw significant growth during the first quarter of 2018 with ECN average daily volume reaching a record high of $14.8 billion. Approximately 20% of the $3.1 billion year-over-year increase came from new customers acquired during the quarter. While the remainder reflects increased activity from our existing clients as we continue to improve market share.

Looking next to the Futures business, revenues were $11.5 million for the quarter up from $11 million in Q1 2017 and 13% above the trailing 12 months on an annualized run rate basis. Futures average daily contracts increased 7% to 35,414 during Q1 reflecting an eight-quarter high for this metric. With a return to more normalized volatility the profit margin for our Futures business improved to 10% up from 3% in Q1 of 2017. We see the potential for profit margins of this segment to further improve as US interest rates continue to rise.

Moving to our capital deployment strategy, we continue to focus on four key priorities, required liquidity reserves, strategic acquisitions, quarterly dividends, and our share buyback program. GAIN continues to maintain a strong liquidity position, which as of March 31st was $241 million,

this represents an 11% improvement over Q4 2017 and a 78% improvement over Q1 2017 supported by the implementation of our $50 million credit revolver. Excluding the revolver, liquidity improved 41% on a like-to-like basis year-over-year.

We also remained committed to actively returning capital to shareholders including for dividend payments and share buybacks. As such our quarterly dividend of $0.06 will be paid on June 19th. Share buybacks continue to be a strong focus particularly as we feel our shares remain undervalued.

During the first quarter of 2018, we repurchased 580,064 shares at an average share price of $7.20. The Board has authorized an additional $25 million available for buybacks, which with the remaining $9 million previously authorized these $34 million for additional repurchases during 2018.

And with that I'll now turn it back to Glenn for closing remarks.

Glenn Stevens
Great. Thanks Nigel. While we are beginning to see the return of some market volatility, I want to reiterate that we are focused on building a sustainable and growing business. To support this mission, we continue to focus on our strategic priorities that drive long-term value specifically investing in organic growth, driving operational excellence and reducing revenue volatility. We are encouraged by the progress made so far on our strategic priorities and we believe that these initiatives coupled with our focus on optimizing capital allocation make GAIN an attractive value proposition for our customers, partners, employees and investors.

With that I'll turn it to the operator for questions. Thank you.

QUESTION AND ANSWER

Operator
Yes. Thank you. We will now begin the question and answer session. To ask a question you may press "*" then "1" on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys, to withdraw your questions, please press "*" then "2." At this time, we will pause momentarily to assemble the roster.

And the first question comes from Rich Repetto with Sandler O'Neill.

Rich Repetto
Yes. Hi Glenn, hi Nigel. The first question is....good evening. The first question on our fixed expenses. Again, it was a high volume first quarter, but you would put your view stayed at this run rated, but you are over the high end of your range, so just trying to get your outlook for expenses for the remainder of the year.

Nigel Rose
Yes, as we mentioned earlier in the call, you're right, some of those numbers that are impacted by revenue and volumes where unusually high in the quarter by some what we saw from volatility, but I think the range we gave, $195 million to $205 million, if you take fixed costs in the first quarter and if we remain on track for our budget for the rest of the year, we will still be in that range, but as you say not unexpectedly we will be towards the top end of that range as a result some of those activity-related costs, which were higher than what otherwise had been the case in the first quarter.

Rich Repetto
Okay. And then next question is on the Institutional segment. The profit is down a little bit and we've seen the referral fees show up here. The expenses were up quarter-over-quarter and I believe year-over-year as well, just slightly, but just trying to see what's going on with the expenses there.

Nigel Rose
In terms of the referral fees you mentioned, that's a result of the new revenue standard that commenced in January, 606, where we used to net the small referral fee out against revenue, now there's a new standard we have broken it out but you can choose not to elect to go back and revise the prior periods so that's why that half million has popped up. In terms of the other operating expenses, we have seen a little bit of an uptick in clearing fees as the volumes have increased and the year-over-year you will see that Q1'18 over '17 employee comp has actually come down and that is something that we continue to focus on.

Rich Repetto
Got it. Okay. And then the last question, Glenn, is the question that everybody asks. You are back to the revenue capture per million of the average of the last four quarters. Trying to see, with the CVIX down, how are we looking in April, how are things trending in April? The CVIX has actually dropped, it seems it is at a low level. Just trying to figure out what the opportunity is for the retail guy right now.

Glenn Stevens
Yes, in general Richard, this cadence for us, as we are reporting much earlier in the cycle, even versus the last quarter, as we are in less than 25% of the quarter, week three of the first month of the quarter. Almost regardless of whatever feedback we have internally here, doesn't tell us all that much from the extrapolative perspective. Again, normally, as in last quarter, we would be giving some commentary, two months into the quarter if not more and then this one we're three weeks into the quarter.

You are right that CVIX backed off a little but I think there has been some counter measures with oil moving around a little bit with even a little bit of Crypto moving around a little bit so the way to comment on it is, way too early for us anyway to have any kind of prognostication on it, but even though you are right about the CVIX as I mentioned we used a GVIX, which is a combination of equity vol and currency vol as a measure because outside the US, a good two-thirds of our business is being driven by customers that are able to trade beyond FX if you will. So we haven't maintained the same frothy levels let's say we saw in January and February, even parts of March. It hasn't been the full pullback either that some of the CVIX would point to in this real short part of the first part of the quarter.

Rich Repetto
Okay. This was very helpful Glenn. Thank you.

Glenn Stevens
Sure Rich. Absolutely.

Operator
Thank you. And the next question comes from Kyle Voigt with KBW.

Kyle Voigt
Hi, good evening guys.

Glenn Stevens
Hi, Kyle.

Kyle Voigt
Hey, just first one on just the admin regulations, you said in your prepared remarks that you expect that to decrease the number of providers. Just wondering if you are starting to see any of these smaller players getting close to selling because they know they won't be able to deal with some of the additional compliance costs and operating costs and then on the back of that question maybe, if you could just comment on the potential M&A pipeline that you are seeing now versus what you have seen in the market maybe a year ago.

Glenn Stevens
So, the first commentary is that the smaller providers, the small marginal providers or even private shops, have generally the ability to be a touch more nimble, which also means they are more likely to wait later in the cycle to respond to market changes. So, if you think about this in a picture where we saw some pretty decent start evidenced by our own activity levels in the first quarter, there was less of a fire or motivation for someone like that to say, "Look, we see some looming issues."

Headwinds if you are, let's say, a UK-heavy shop or a European-heavy shop that you've got to frill it a little because number one, as it might take a little longer to develop their thesis and come in with the guidance and also you had markets providing a decent base, so my response to you would be we are not seeing a rush for the exit, we are outside the door saying "Hi, how can we help you?" Or, by the same token, we also know that as reality settles in for some of these shops we will have a chance to have more meaningful conversations.

So, I am giving you a little bit of a non-answer to say no, we don't see a material step up in the urgency from the other parties, but I don't think that the table has changed either. They were inevitably be faced with this and it will more sense for them. Also, there is some continued rhetoric coming out of regulators to say they are clearly favoring the larger, more established shops. There is just no way around it. Everything that comes out as guidance and as feedback is that they are making a pretty clear choice here on that one, that puts us in a better stead.

Kyle Voigt
Okay. Fair enough and then second one is on this new AI-driven hedging model that you are beginning to roll out. Just given the variability in the revenue capture that's existed for a while for you guys, why now and why didn't you look at this a little bit earlier? And then, also if you could just help us understand, what range you are really targeting in the medium term for this, and when it's fully implemented? What would you expect the quarter-to-quarter fluctuation to be in terms of max fluctuation quarter-to-quarter?

Glenn Stevens
Okay. So, the one thing is in terms of the why now, part of it really is just a learning curve as to being able to apply the resources and the people. This is relatively expert field and not to be a wise guy, but for the similar learning curve that online retailers across the board are showing with understanding how to interpret data and manage it better, is certainly part of this whole thing. So, this project was originally designed to be longer-term in nature, meaning that it was going to have interim milestones to achieve. We probably started at Q1 of last year maybe Q2

in earnest and you spec out it first, make sure you have the capability, the right people, the right access, what have you.

There is some third-party vendor stuff involved there. You've got to do the research on it, and say, for example, some of this is five plus year back testing that requires using a part data, which wasn't necessarily going to be used for this kind of studies when we first held the data on trade activity in data. What I am getting at is, it's been yielding guidance and results for a while. The implementations started to kick in, as we said, late Q1, and it's still only in very early phases. But, we're just encouraged by the early results, I think more importantly we want to be able to report on this going forward and rely on it. And again, I think that, I don't want to say, "Shame on us" at all, because a bunch of building blocks had to be put in place, the important part is that we are taking advantage and leveraging it now.

Kyle Voigt
Yes, that's helpful. And then, also the second part of the question, in terms of internally, what are you targeting for this project? When it's fully implemented what would the fluctuation be on a quarter-to-quarter basis that you'd expect from a fully implemented AI-driven hedging model?

Glenn Stevens
Fair question. And I think, I would probably flip the targeting a little bit to say, we didn't work backwards from saying, "Let's have 10% volatility and what can we do to do that?" I think that was not a reasonable expectation set for us to have. Instead we said, "Let's see what we can do and what progress we can make on things like Sharpe ratio, things like standard deviation of daily, and monthly, and quarterly numbers." And we're seeing on a modeling basis, we are seeing a marked improvement on both the Sharpe and the standard dev. And now that doesn't mean that in shorter periods, you're going to do without vol. What we're trying to say here is, "How do we mitigate the impact?" Number one, you're still going to have the volume involved.

So, for example, when you have low vol period versus high vol period, and let's just say we ended up with two quarters next to each other. One with very high vol, one with very low vol, well just the same way that would impact any trading markets related business, you're going to see that happening. So, if there is inherent volatility, just any other stock brokerage or trading company would see that and have impact.

What we're trying to do is go that next layer, and say, "Well, beyond that, how could we track that more closely?" So, what we're seeing is that the tracking error, if you will, has been minimized and that's the concept of standard deviation, and also it becomes more of a volume-driven volatility to say, "Hey, what did markets do, what did customer activity look like?" And resulting from that, are we able to smooth, if you will, or take off some of the extremes on some of that variability in the results.

Kyle Voigt
Okay, alright, that's fair. And then last one for me and I'll get back in the queue. Just really on the NII, just looking at the NII from 4Q 2017 to 1Q 2018, it was flat sequentially. Obviously, with the Fed hike in December and other in March, just wondering why didn't see this early a pick up there?

Glenn Stevens
On the interest income you're talking about, right?

Kyle Voigt
Yes, yes.

Glenn Stevens
Yes.

Nigel Rose
Yes, yes. So, I think, Kyle, as you say, Fed rates have been going up. The Bank of England has been putting its rates up, so the bulk of our cash is in those two jurisdictions, so we get that pick up. But, we are also continuously focusing on how to make our liquidity reserves work as efficiently as possible for us. What instruments can we invest in within the regulatory confines? Then how can we get more sophisticated and more diverse across those instruments to improve the yield as much as possible. So, it's really an ongoing drive for increased yield, which is supported by the fact that base rates are improving as well and increasing.

Kyle Voigt
Yes, I was just wondering, just sequentially I would expect that some lift in the NII from 4Q to 1Q, but…

Glenn Stevens
Sorry, from 4Q to 1Q.

Nigel Rose
Yes, and it often…I guess, it often…

Kyle Voigt
It could be the balance....

Nigel Rose
But, it also takes a little while for those things to feed through, so you'll find when interest rates are coming down…

Glenn Stevens
We don't…we're not lockstep.

Nigel Rose
We're not lockstep, but also our providers are likely to bring their rates down faster than when they're going up you have a work a little harder to get these guys to improve their rates.

Glenn Stevens
And I think to that point, it's actually a good opening there, Nigel, because in some of these cases, they are negotiated items. We are number one, the term of our commitment to some of these institutions and so, for example, when we work for our own capital requirements and ratios and such, we're able to look at certain situations and say, "It's okay for us to have three months and six months and nine months deposits," which are obviously going to earn more. And then some of the shorter-term stuff rolls off, month-three. And then we're able to make more money on it with six. And then in other cases, some of the providers need to be nudged to say, "Well, look, we don't have to stay a depositor of you, we can go someplace else." And they get a little opportunity to step up to the plate. So, in some cases, there will be weeks in between, which is enough. As I said, it's not as lockstep, where you can look at the sensitivity. And we're sweeping it every day the way money market yields are. It's a little bit different there.

Nigel Rose
Sorry, Kyle. Yes, I was looking Q1 2017 over Q1 2018, I thought you were referring, not Q4 over Q1, sorry.

Kyle Voigt
No worries. Thank you.

Operator
Thank you. And once again, please press "*" then "1" if you would like to ask a question.

And the next question comes from Dan Fannon with Jefferies.

Dan Fannon
Hi, thanks. Good afternoon.

Nigel Rose
Hi Dan.

Dan Fannon
Can you talk a bit about the crypto offerings and how that's been a driver of some of the net new accounts and the activity levels you're seeing across the various products?

Glenn Stevens
A couple of things. Well, let me say this, anecdotally and empirically, it does appear that when, let's use Bitcoin as a proxy for a second, the price of Bitcoin was soft and went below 10 and it got down into the 7s and into the 6s at some point. There is certainly an asymmetry here, where we can see that some parties, when it's going up get involved, and when it's going down back away or just hold on. And to some degree the retail psyche does seem more comfortable with the bullish market than a bearish one. Not that dissimilar to, I would almost argue, with stocks in general on retail trades. And so, with that we certainly saw a softening of overall volume commensurate with some of the exchanges as well that reported similar softening in volumes. That said, coming into the end of the fourth quarter as we got into that and we saw that frenzy that helped with some numbers.

On the plus side, I would not categorize crypto as a driver of our account metrics for this quarter, which is a good and a bad thing. On a good thing, it means that the non-crypto business, which has traditionally been our bread and butter, performs very well. It wasn't actually fused or accompanied by a tailwind from crypto, which means there is still upside potential for that, and if, who knows, but you get some momentum to the top side or the upside with pricing in crypto, we expect a similar thing.

Not to mention, since the last time we had that push up, we've since added five new products as I mentioned, other cryptos like Ether and Lite and Ripple and Bitcoin Cash, and we've expanded out to other markets. And so, we should be even in a stronger position to benefit from that renewed interest. But it wasn't really all that material as part of this quarter's account growth and assets and things like that and volumes.

Dan Fannon
Okay, that's helpful. And then, I get the comments you guys made around direct versus indirect volume going forward. Just curious about the reduction in referral fees has been a huge driver

of some of the margin expansion. So, if you think about that mixed numbers you gave, do you think referral fees in terms of the dollar sense still have a chance to go down or is that negotiation or is that already played out?

Nigel Rose
Yes, it's a good question, Dan. I think what we said, I think we mentioned on our last call, with Barclays and the arrangements there, where they left the market, but we kept the customers. And that flip from indirect to direct, so that was a big piece of the quarter-over-quarter move. And some of the Mifid II changes have had some impacts there. So, I think we probably established a new baseline now and the new baseline for referral fees. The referral fee per million for the quarter was $43, which is below the trailing 12 months run rate as you probably know. So that, I think, we view as a new base. We will continue to optimize and refine as we go and look for opportunities there to further improve on enhanced margins. But I think at this stage, we feel that's pretty much the new base case going forward.

Dan Fannon
Great. And then, I just have another follow-up on expenses. I get the fixed costs guidance, but just thinking about the progression for this year, things like sales and marketing or things that might be a little more variable in nature, is there any direction or near-term guidance that you would point us to, to think about what may or may not be moving around more?

Nigel Rose
Yes. I think on the marketing, then with the U.S. service launch and GetGo going live, a numbers of things went live in Q1. Probably Q2 will see us invest more heavily in those areas, and increasingly so as we roll them out across other locations.

Glenn Stevens
I think, that's fair that a lot of, not a lot, a good chunk of the marketing spend can be tactical in nature, where there isn't a funnel or a lever or valve to increase or decrease as makes sense.

Dan Fannon
Okay. Alright. Thank you.

CONCLUSION

Operator
Thank you. And it's all the time we have our questions right now. I would like to end the call. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.