CORPORATE PARTICIPANTS

Karl A. Roessner
Chief Executive Officer & Director

Michael A. Pizzi
Chief Financial Officer

OTHER PARTICIPANTS

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GAAP AND NON-GAAP FINANCIAL MEASURES

- During the call, the company will also discuss non-GAAP financial measures
- For a reconciliation of such non-GAAP measures to the comparable GAAP figures and for a discussion of additional risks and uncertainties that may affect the future results of E*TRADE Financial, please refer to the company’s earnings release furnished on Form 8-K along with Form 10-Ks, 10-Qs and other documents the company has filed with the SEC
  - All of these documents are also available at about.etrade.com
- Note that the company has not reconciled its forward-looking non-GAAP measures, including non-GAAP adjusted operating margin to the most directly comparable GAAP measures, because material items that impact that measure are out of the company’s control and cannot be reasonably predicted.

Karl A. Roessner  
Chief Executive Officer & Director

BUSINESS HIGHLIGHTS

Opening Remarks

- It’s a pleasure to speak with you as we reflect on an exceptional year
- In 2017, we had our work cut out for us, and I couldn’t be more proud of our team as we completed our to-do list, while continuing to deliver for our customers against the backdrop of extreme competition in an unprecedented market environment
- So without further ado, I’ll get right to the recap of our successes during the year

Core Initiatives

- We delivered on our core initiatives, reinvigorating our brand with a bold new marketing campaign, completing the integration of OptionsHouse and delivering meaningful enhancements to the customer experience
- We made solid progress against our brokerage growth targets setting a multitude of firm records across DARTs, derivatives mix, brokerage assets, managed products and customer margin balances
- We turbocharged our growth efforts at E*TRADE Corporate Services, implementing nearly $6B in new client plans during the year and growing our pipeline to include $14B in plan assets that we expect to implement over the next 12 months

Capital Deployment

- We efficiently deployed capital, onboarding deposits and growing our balance sheet by more than $14B, while launching and completing more than a third of our $1B share buyback program
• We further optimized our capital structure following the midyear reduction of our consolidated Tier 1 leverage threshold, which left us with more than $500mm of excess capital
  
  • Today, we are announcing a similar reduction in our bank Tier 1 leverage threshold by 50BPS to 7%
    o That leaves us with nearly $270mm of excess capital based on year-end levels at the bank

Corporate Debt Profile

• We improved our corporate debt profile, capitalizing on our own improvements and attractive capital market conditions to refinance our corporate debt in our first ever deal as an investment grade issuer, reducing the average coupon from a five handle to a three handle
  
  • We improved our strategic positioning announcing the planned acquisition of a top-notch RIA custody platform prudently entering a growing market, while also filling an important need within our Corporate Services channel

Revenue, Expenses and Adjusted Op Margin

• And finally, we delivered impressive operating and financial results growing annual revenue by 22% to $2.4B, fueled by record-setting brokerage activity and our balance sheet expansion
• We also exhibited disciplined expense control as we expanded our adjusted operating margin by 480BPS over the same period
• When considering just Q4, revenue was up 25% and adjusted op margin was up by more than 600BPS over the year ago period, truly remarkable in light of the commission cuts earlier in the year

SUMMARY

• So, to sum up 2017, it was an awesome year
• And to kick off the New Year, we are pleased to announce today an agreement to purchase over 1mm retail brokerage accounts from Capital One for $170mm
• Opportunities like this in which we can efficiently add a large number of customers to our highly scalable platform do not come along often
• So with Cap One’s decision to exit the business, we are more than happy to seize it
  o This is a financially compelling purchase, as Mike will cover with you shortly, with a price well below our typical customer acquisition cost for a broad set of customers that meet our target profile
  o Moreover, this deal materially expands our U.S. household penetration, and we revel in the opportunity to meaningfully deepen our engagement as we introduce them to what E*TRADE has to offer, a broader product suite, a greater service experience and significantly expanded resources, education, tools and functionality across our suite of offerings
  o We expect this deal to close by Q3

Operating Metrics

• Turning back to our operating metrics, we saw an impressive resurgence in customer engagement in 2017, and it only intensified in Q4
• The upward trend in the equity markets drew multiple all-time highs, propelled trading activity driving DARTs for the year of 214,000, an annual record and up 30% from 2016
• For Q4, our DARTs of 236,000 were the highest ever with monthly DARTs in both November and December ranking among the top three months in E*TRADE’s recorded history
And while the ebb and flow of retail trading is bound to deflate these metrics at some point, we have yet to see any signs of slowing from fourth quarter levels with January month-to-date DARTs tracking around 315,000, roughly a 30% increase from December. Customer margin balances ended the year at $9.1B, also a firm record, though we have seen them come in a bit in January.

Key Growth Metrics

NET NEW BROKERAGE ACCOUNTS

- 2017 was a year of marked progress across each of our key growth metrics, so to briefly cover where we stand on each:
- For the year, we attracted 172,000 net new brokerage accounts, representing the most accounts we’ve added organically in over a decade and a 5% growth rate squarely within our targeted range:
- Net new brokerage assets of $12.2B in 2017 makes our strongest year of net inflows ever:
- With great many initiatives rolled out over the course of the year to drive our growth on this front, we are overwhelmingly pleased with the result but are even more encouraged by what 2018 will bring as we enter the year firing on all cylinders.

DERIVATIVE MIX

- Our derivative mix for the year was 30%, up from 26% in 2016, which included OptionsHouse for the last few months of the year:
- In Q4, our derivatives mix declined to 29% from 32% in the prior quarter as the recent surge in equity trading swamped the effect of our pronounced and continued growth in derivative volumes:
- The rollout of additional derivative tools and capabilities to the E*TRADE customer base, our ramp-up in our futures product offering and concerted marketing and education efforts should help enrich our derivatives mix as we work towards our goal of 35%:
  - However, we shouldn’t lose sight of the fact that in this truly phenomenal year, our absolute level of derivatives trade is up 30% y-over-y.

MANAGED ASSETS

- Managed assets have grown to $5.4B, up nearly 40% for the year with the vast majority of that growth coming from net inflows:
- Given our success to-date, we are well on our way to exceeding our goal of $6B in managed balances:
- In Q4 alone, our refocused sales efforts and refinements to the product set led to a pickup in the pace of net inflows, which accounted for nearly 80% of the sequential growth in the quarter:

Corporate Services Channel

- As for our Corporate Services channel, in 2017, we implemented nearly $6B in stock plan assets across more than 48,000 plan participants, a 25% increase from the prior year:
- Last quarter, we discussed $8B of planned assets in the pipeline to be implemented:
- Today, that number stands at $14B across more than 135,000 accounts that we expect to bring on to our award-winning platform over the next 12 months:
- I’ll speak more about this channel in a moment:
- And so, with 2017 behind us and with those many accomplishments, we will once again raise the bar and outline what we seek to achieve in 2018.
And if these areas of focus seem familiar, they should

- Frankly, we have a simple yet powerful strategy, upon which we will continue to execute intensely

Active Traders Segment

- First, we will continue to up our game for the active traders segment, focusing on our derivatives traders
- Last year, we enjoyed significant success with the integration of OptionsHouse and the launch of the new Power E*TRADE model, but that's just the beginning
  - As we're now busy making this integrated offering the best that can be not just through further enriching the capabilities of our number one platform but through the personal service, education and resources we offer for active traders

Investing Offering

- Our second area of focus comes from the other side of the house, our investing offering
- We very recently reimagined and aligned our investment advice continuum to more clearly show customers and prospects how we can best serve them from our basic robo to our fully customized portfolio offerings, all as a part of one cohesive investing spectrum
  - This important work serves as the bedrock of our sales and marketing efforts for 2018 in the investing space
- We are not all things to all people
- But for those investors looking to take some control over their finances, no matter how large or small the role they want to play, we are the place for them

Corporate Services Business

- Our third area of focus is our Corporate Services business, in which we aim to continue to build our large stable of corporate clients and our overall participant base and further enhance our offering for both sets of customers
- With the leading technology platform in Equity Edge Online, along with superior service and a number one ranking in customer satisfaction and loyalty, our Corporate Services channel is already well positioned to win RFP battles, and the value proposition is only getting better
- Remaining true to our heritage, we are continuing to install digital solutions to solve cross industry headaches

STOCK PLAN

- Stock plan administration has traditionally been an analog business, and we set ourselves apart by using the E*TRADE ethos to evolve the space into a digital environment backed by the best stock plan expertise around
- Expect us to continue to be a leader in this space and to bring additional corporate clients on board in 2018
- On the stock plan participant side, an important account and asset growth area for us, we are in the midst of expanding the products we offer with resources like securities-based lending, access to our revamped investing advice continuum post vest
- And most exciting, in the coming year, we plan to provide an avenue for high net worth and executive participants to access independent advisers through TCA, filling a long-standing gap in our offering
TCA

- TCA is the fourth area of focus, and we are more than a little bit excited to put our resources behind this business to help turbocharge their growth
- We will deploy the full power of the E*TRADE brand behind their platform
- And as I mentioned, we will develop a referral program for certain RIAs on the TCA platform to position their offering to those corporate services clients and our current and prospective retail brokerage clients in need of that level of service
- TCA has an exceptional platform and a fantastic team
- When combined with E*TRADE, we think there’s a lot to like in the RIA space

Delighting our Customers

- And last but not least is our primary mission, delighting our customers
- We will continue to focus on the customer experience to deliver fantastic interactions across all touch points
  - More than anything, this is about making E*TRADE exceptionally easy to do business with
- And you’ve heard us speak time and again about the process by which we continually improve the experience for our customers
- Make no mistake, this effort will continue in earnest in 2018 and beyond

Marketing Team

- With these five areas of focus, we also know we must get the word out
- To this end, our marketing team has been hard at work
- Last year was about reinvigorating the brand
- This year, we will further evolve and drive our Power E*TRADE campaign, especially in light of last year’s success
- We will put more of E*TRADE’s muscle behind our investing and retirement offerings, including making a big splash on the national stage
- We will continue to focus on talking to the E*TRADE value proposition and we will put our brand behind the TCA offering to help drive growth in that business and further diversify our revenues
- So bottom line, we have much to accomplish in 2018 and a great many tasks on our new list
- But if past is prologue, 2018 stands to be incredible year for E*TRADE

Tax Rate

- Before closing, let me briefly comment on the recently passed tax law, which will significantly lower our effective tax rate and improve our rate of capital generation beginning in 2018
- Mike will go into the details on the direct impact to our financials, but I wanted to address the recurring question from our investors
- How will it affect how E*TRADE operates? The short answer is, not much, but for the significant improvement to our bottom line results
Investments

- We’ll always be focused on ensuring we’re competitive in the marketplace, while investing as needed in our people, our technology and any new business opportunities that may create value for our shareholders
- And as we continue to invest in growing our business, this lower rate does expand our options as the payback equation improves and more opportunities may meet our internal return hurdles
  o That said, we will continue to exercise disciplined expense control and any investments will be made within our operating margin framework
  o Barring dramatic shifts in competition, we see this tax reform as universally positive for our shareholders as the benefit will be passed directly to the bottom line

CLOSING REMARKS

- To wrap up, 2017 was a banner year at E*TRADE with a long list of achievements, and we have worked tirelessly to deliver all of them
- And while the E*TRADE model is optimally geared to the current environment, with the systems and service offering that flex considerably to manage surges in customer activity, and a balance sheet and capital position that enable us to maximize the value of customer relationships
  o It’s important to recognize that without the dedication, focus and everyday hard work of this team, we would not have been able to fully take advantage of the opportunity
- So above all, I owe a debt of gratitude to the folks that have not only raised their games to meet the market need, but have done so while setting us up for future growth
- Now it’s with great anticipation and renewed energy that we look forward to 2018, a year of intensified execution and delivery to continue driving toward our goal of becoming the number one broker and advisor to both traders and investors alike

Michael A. Pizzi  
Chief Financial Officer

FINANCIAL HIGHLIGHTS

Net Income, Income Tax Expense and Revenues

- For the quarter, we reported net income of $129mm or $0.48 per share, which includes a handful of notable items that had the net impact of reducing results by $44mm or $0.16 per share
- To review, first, we recorded an additional income tax expense of $58mm due to the revaluation of our federal net deferred tax assets as a result of tax reform
- Second, there was $26mm provision benefit in the quarter as we ended the period with an allowance for loan losses of $74mm, and we recorded net recoveries for the eighth consecutive quarter
- And third, we incurred $3mm in expense related to crossing the $50B regulatory threshold
- Net revenues of $637mm were up $38mm from the prior quarter, driven by continued growth in the balance sheet, a higher net interest margin and increased customer engagement overall

NET INTEREST INCOME

- Net interest income increased $28mm to $419mm during the quarter as average interest-earning assets grew by $2.5B and net interest margin expanded 7BPS to 292BPS
• Stronger securities lending revenue, our debt refi, better security yields and higher average margin balances were the most impactful drivers of the sequential NIM expansion
• Our average reinvestment rate on securities is currently in the 250 basis point to 270 basis point range

NIM

• In terms of forecasting 2018 NIM, if we hold customer margin balances flat with their current levels, which as Karl noted are down from year-end, and assume no fed funds increases during the year, we expect NIM to land in the low- to mid-280s
• However, if we project the fed funds increase in March as the market broadly assumes and model some level of deposit re-pricing, we forecast NIM in the mid- to high-280s

Commission Revenue and Equity Trading Volumes

• I’ll cover ongoing balance sheet growth dynamics in a moment
• Commission revenue of $109mm increased 9% sequentially, driven by a 15% increase in DARTs to $236,000, partially offset by $0.35 decline in our average commission per trade, which was $7.41 for the quarter
• Both the volume and rate reflect the significant recent upturn in equity trading, which has had a dilutive effect on our derivative mix
• We are also witnessing strong adoption of our Power E*TRADE offering and had more customers meeting the activity threshold to qualify for our lower pricing here
• We are quite pleased with the increase in customer engagement and with our progress on the derivatives front despite the dilutions commission per trade
• Going forward, we expect our CPT to be in the 740 to 760 range with a lower and more likely when equity trading volumes are elevated like they were in Q4

Fees and Service Charges

• Fees and service charges increased $1mm to $93mm in the quarter as trading volumes drove higher order flow revenue and managed product balances drove an increase in asset-based fees
• This was partially offset by a decline in reorg fees and lower off-balance sheet cash revenue as we onboard an additional $1.2B in deposits during the quarter
• The yield on third-party customer cash averaged 123BPS, up from 119BPS in the prior quarter, reflecting movements in short-term rates
  o With the December rate hike, we expect this yield to rise to approximately 136BPS when the benefit is reflected during Q1

Non-Interest & Marketing Expense and Adjusted Operating Margin

• Non-interest expense was $364mm, up $17mm from the prior quarter excluding the $58mm charge for extinguishment of debt in Q3
• This quarter's adjusted operating margin, which excludes provision benefit, was 43%, an improvement from the prior quarter of nearly 100BPS
• Total marketing expense of $43mm came in slightly below the low end of the $45mm to $50mm range we provided last quarter as we shifted the timing of planned investments into Q1
• Looking on to 2018 and consistent with our commitments from last quarter, given the December Fed hike, we are targeting a full year adjusted operating margin of 43%
This assumes no additional rate hikes and incorporates our plans to increase investments in the business over the course of the year including a ramp-up in marketing spend to a total of around $200mm for the year and some level of deposit repricing
o If the fed works have raised rates in March as is widely anticipated, depending on the timing and magnitude of any deposit report and pricing, we’d expect the full year margin to range from 43.5% to 44.5%

Capital

- On the capital front, it was a busy quarter indeed
- First, in early December, we issued $300mm of preferred stocks to fund the pending acquisition of TCA
- Given the attractiveness of the preferred market at the time, we decided to go early and came away very satisfied with pricing at a 5.3% coupon on the transaction
- Second, as Karl discussed, we have lowered our Tier 1 leverage ratio threshold at the bank by 50BPS to 7%

Share Repurchase and ROIC

- And finally during Q4, we repurchased 3.9mm shares at an average price of $44.97 or $175mm in total
- As of today, we have just under $640mm remaining and we are on track to complete the $1B program by the end of 2018
- As for today’s announced acquisition of over 1mm retail brokerage accounts from Capital One, we expect the transaction to close by Q3 and plan to fund the purchase with corporate cash on hand
  - With this transaction, we will bring of approximately $1.7B in cash and $115mm in margin loans on to the balance sheet
- The economics are highly compelling with the return on invested capital in the mid to high-teens and accretion that is neutral to 2018 earnings at about $0.06 positive to 2019 based on the conservative business assumptions and including all deal related costs in H1

BALANCE SHEET

- With respect to balance sheet growth, a major initiative in 2017 was onboarding of the off-balance sheet deposits to bring our balance sheet to a target of $63B by year-end, which we have successfully completed
- As we have noted in the past, we will maintain some level of customer deposits of balance sheet to maximize insurance coverage for our customers
  - Today, that equates to roughly $3B
- So we are modestly above that level with over $5.5B of cash off-balance sheet at year-end

Deposits

- Going forward, we would expect our balance sheet to be influenced by the following factors
- First, additional deposits we plan to onboard during the year including $1.6B of off-balance sheet sweep in Q1, $1.2B of TCA customer cash to be brought on at the close of the deal expected in Q2, and $1.7B of customer cash and approximately $150mm of customer margin loans from the account acquisition we announced today
Core Brokerage Business and Economic Decisions

- Second, growth in the core brokerage business that includes deposit growth, which is affected by inflows from new and existing customers, customer buying and selling activity and margin balances
- Third, any economic decisions we may make around directing that growth on or off-balance sheet based on the shape of the curve
  - Today, the economics overwhelmingly favor growing the balance sheet

Asset Capacity and Share Repurchases

- And fourth, the lower capital threshold of the bank starting in Q1, which gives us additional capacity to add assets, barring any other attractive uses of capital
- As for corporate cash, we ended the quarter at $541mm, up $232mm sequentially, reflecting $300mm in gross proceeds from the preferred issuance and $175mm in share repurchases during the quarter

Distribution and Tax Rate

- In addition, there was $125mm distribution from the broker-dealer that was partially offset by $50mm capital infusion to the bank to address some of the immediate impact from the DTA write-down and funding needed for the TCA acquisition
- For Q1 2018, we expect the distribution from the broker-dealer to be $125mm
- Our effective tax rate in Q4 was 37%, excluding the impact of tax reform
  - While this tax reform reduced the statutory corporate income tax rate by 14 percentage points to the new 21% rate, this law includes other provisions that impact our future overall effective tax rate
- The two most important are banks with total assets of over $50B may no longer deduct FDIC insurance premiums and the deductibility of certain executive compensation over $1mm has been eliminated
- While we continue to expect quarterly volatility due to the impact of share-based compensation awards and future revaluations of our state deferred tax assets, we currently expect the full year 2018 tax rate to be approximately 27%
- As Karl mentioned, after continuing to invest in the business, we plan to pass the vast majority of the savings to our shareholders by way of direct bottom line benefit

CLOSING REMARKS

- In closing, we are very satisfied with 2017’s blockbuster results and look forward to continuing to deliver value for our customers and shareholders
QUESTION AND ANSWER SECTION

Richard Henry Repetto
Sandler O'Neill & Partners LP

Q
I guess, the first question is on Cap One. And I think, we know the back panel a bit, it was the old ShareBuilder, and – well, the low trading activity of the accounts, I’m only coming up with four trades per account per year. So I guess, I’m trying to get to where you’re seeing, I guess, the accretion, I guess, from the cash, but could you go into how you’re going to incorporate it given the different business model with share builder and the low trading activity, but I get the cash side of it?

Karl A. Roessner
Chief Executive Officer & Director

A
Yeah. You see, Rich, about 16,000 DARTs in the account. So you are right, they are lower active than our account base. They don’t have the percentage of active traders that we have, but we’re very excited by the potential that’s within the account base and for us to engage with them on our platform. In terms of getting to the accretion, you have to look at the $1.9B in brokerage related cash, $1.7B of which is available sweet cash to be brought on to the balance sheet. The key drivers of that really in terms of looking at these accounts and this is an account purchase, and so taking these accounts and then modeling any expenses that we will drive on our platform against it is what gets you to the accretion.

Michael A. Pizzi
Chief Financial Officer

A
And Rich, looking at the number of households that support these accounts and the marketing efforts that we have, when you couple that with our offerings, our education, our tools and platform, this is something that we think is a home run for us in terms of new accounts acquisition and furthering and deepening the relationships that the Cap One and the predecessor had with these customers. These are individuals who did interact or do interact with their finances, and that’s a perfect target customer for us in addition to sort of the rest of the deal. So to me it’s a win-win.

Richard Henry Repetto
Sandler O'Neill & Partners LP

Q
Okay. And then, one follow-up would be on the TCA acquisition. Originally it was $50mm – I think, $50mm in trailing 12-month revenue, and then going out to, I believe, in 2019, $80mm. Given the appreciation of the market much higher than what we’ve seen in the back half of 2017 in January, any update on the accretion targets for TCA or what’s going on there?

Karl A. Roessner
Chief Executive Officer & Director

A
I mean, look, Rich, we haven’t brought that one on board yet. Obviously we’ll continue to work through the integration and have more information as that one becomes available. We like what we see with this business. Right. I’ve been out with them. I’ve seen the platform. I’ve been out to go meet the top six or seven RIAs by size who are on their platform, and I really like what I see from the offering, from the individuals I want to go meet these folks with and from the compliments we received from the RIAs who are on the platform themselves. So, for us, it’s a very solid acquisition, I think, more to come and we absolutely see upside here.
Steven Chubak
Nomura Instinet

So, I wanted to start it off with a question on the NIM. In your earnings walk slide, you showed the benefit of parallel shift. And thinking back to your guidance from a few years ago when the slide was first introduced, you spoke to a normalized spread of around 300BPS.

Mike, I know you talked about some of the dynamics around how that might traject in the coming year. But just given the composition of your balance sheet today and based on the forward curve which has about three-plus rate hikes at least in the coming years and the Fed dot-plot reflects something similar, I’m just wondering in the event of multiple rate hikes, how we should be thinking about a reasonable normalized NIM target? What should we be contemplating there?

Michael A. Pizzi
Chief Financial Officer

Well, we’re bringing on securities balances in that 250 to 270 basis point range, and we’re investing in the belly of the curve, and those rates have been increasing over time with the Fed. The curve is flattening, but you’re getting – for the 25BPS Fed moves, you are seeing some increase in our overall investment rate.

As the balance sheet grows, we were 292BPS this quarter, right? As the balance sheet is growing, we’re growing slightly below that overall spread level. But if we see three interest rate hikes, the shape of the curve will matter greatly. But as that reinvestment yield gets applied, you will see higher overall spread if we continue to see higher rates where we are investing our money relative to those Fed moves.

Steven Chubak
Nomura Instinet

Got it. And then just one more for me on capital management. Just given the significant windfall that you guys spoke to from the lower tax rate, even when taking into consideration the additional capital that’s required to support the bank growth as well as the completion of the $1B buyback, it looks like your ratios are still going to run well in excess of that 6.5% target. Now I’m just wondering how you’re thinking about your capital management priorities? We did see the deal that was announced today, but I’m wondering whether you have any appetite to actually accelerate the buyback plan?

Michael A. Pizzi
Chief Financial Officer

Well, we have two deals that are going to close now. So we have to be a little bit flexible around timing to make sure that we have the right capital position when they close. But we are committed to seeing through in 2018 the overall level of buybacks to the $1B level. You’re right, from the tax – the tax really doesn’t greatly affect 2018’s capital position. There was a movement down in capital from the revaluation that occurred this quarter. But as we look forward, we were essentially accreting capital at a pre-tax rate as we earned out the DTA. But when we look in the out years, in 2019 going forward, you start to see a significant build in capital from the tax-cut simply because it’s just the lower absolute cash taxes that have to be modeled for those years once we get past the usage of the DTA.

Michael Carrier
Bank of America Merrill Lynch
I guess, just a question on the Corporate Services. Given some of the momentum that you’re seeing there, I look at that backlog or the $14B that you noted, how should we be thinking about, as that comes on, like the potential economics? And in that business, just from a competitive standpoint, how are you winning those new assets and accounts? I mean, is it competitive on pricing, is it some of the new initiatives that you guys have put in place? Just want to try and understand sort of the growth potential, not only the assets, but the economics.

Karl A. Roessner  
Chief Executive Officer & Director

Michael, thank you, I love talking about this business. So, thanks for the question. The Corporate Services business has always been a gem of ours at E*TRADE in terms of what we’re able to provide in our Equity Edge Online platform and the services that we’re able to provide for some of the largest corporations out there in terms of stock plan and equity plan administration. So when we walk in, we do compete with a number of larger competitors than ourselves.

And when we do win them, it’s based on the platform itself, based on our sales and service organization and based on our team’s ability to be extremely nimble and make the changes that are necessary, right. Because people when they deal with their stock plan, they want ease of use, they want their plan participants to be able to see what the company wants them to see, not necessarily what the vendor wants them to see, and there’s a lot of customization and a lot of requests that come across.

Our guys have been very good at getting things done for our corporate customers. So when we win, it’s based on the Equity Edge Online platform itself, which has been number one for five, six years running now, as well as the individuals who go in, and then the implementation team who comes back and services and make sure those folks get onboarded right and are there to sort of clean up and make sure the customers are satisfied and happy with the offering. And it’s also a give and take in a constant back and forth with the corporate client to continue to upgrade, update and be there to really handhold as they implement and they make changes to their own corporate stock plans.

So that’s been very helpful for us, and coming in the market dislocation as we have with a number of larger competitors switching over the systems, it’s absolutely been a perfect storm for our team based on Alpharetta and then obviously on the West Coast. And they’ve done a great job landing some very large corporate clients. You’ve seen that grow from $8B over the next 12 months to $14B. They’ve been winning some very nice accounts from some of our competitors and we’re seeing what we talked about come to fruition.

So when I look at how to look at that $14B, that’s where you have to get into how do we, as a company, start servicing that $14B in assets that comes into stock plan participants’ accounts better than we have in the past. Traditionally, we’ve said as it hits the accounts, we hold somewhere in the 15% range a year later after it vests and is actually in the equity account, so in the E*TRADE brokerage account for those folks. How do we raise that number? How do we raise that bar? And that’s some of the things I talked about in our prepared remarks that we have an executive services team that we believe we’ve now armed with the right tools to really help those individuals deal with their finances all the way from our basic robo to our managed products in the investing advice continuum to helping them learn about how to employ derivative strategies or option strategies.

Or the next step will be to implement with TCA if they’re looking for an RIA, we can have a few of those on the platform to recommend out so we keep custody of the assets and the cash that’s held in the account. And then there’s the securities-based lending product that we rolled, which we think is perfect for execs and others who come into newly found wealth in an exploding stock market who don’t want to sell and take a tax hit, right. They can monetize it through E*TRADE Bank.
So, we think we’re really in a good position in this space. I can’t give you exact numbers or lay it out there for you in terms of what we expect it to move this much. I just know that we finally have the right team both on the corporate side of the house landing new big clients. And we also have the right team on the executive services side and on the product side to drive at this in a way that we’ll finally find out whether or not we can actually do something here.

Michael Carrier  
Bank of America Merrill Lynch

Okay, thanks. And just as a follow-up, just on the strategic side, given the TCA transaction and then on these Cap One accounts, is that anything – like when we look at the level of activity, is there a lot of like potential transactions that you’re seeing out there? Is it a shift in strategy? Is it just that the capital that you have that you can deploy you’re now at a level where you have more options. Just trying to get a sense sort of strategically how you guys are focused on growth vs. the other strategic options that were discussed 12, 18 months ago?

Karl A. Roessner  
Chief Executive Officer & Director

No, no, I’m happy to. So we are still maniacally focused on our growth goals. We set those out in the four categories that we’ve talked about at quite some length, and that’s exactly where we intend to be, right? We’re driving at those. That’s the way our teams have been set up. Those goals and our progress against those goals we report to you all on a quarterly basis. They hang on our walls in every office at E*TRADE, and our whole company is geared toward getting those done. So, that’s first and foremost.

I would go back to actually the first time we talked about what we were thinking about in acquisition land or in organic growth, that’s all complementary to where we are. We knew we had a hole in the RIA space in terms of diversifying some of our earning streams. And I think we’ve gone about that in an intelligent and thoughtful way with a custody platform to start. We’re still not competing with our customers. We’re not going out and taking away from our FCs, who are helping our customers on a daily basis. It will be an additive to have third-party RIAs on the TCA platform.

So that was first and foremost we talked about let’s go out and get a custody platform and we publicly announced that. We also said the next thing that we’d like to do, first and foremost, is think about scale, right. If there are any other scale opportunities out there to grow scale in a marketplace where the last big asset traded away a year ago or so that we would do that. This Capital One transaction literally came up. The price was right and we went after scale.

The other two areas that we talked about were stock plan. If there was a scale play there or something additive to our technology, I haven’t heard about anything missing in our Equity Edge Online offering, but if there was, we’d look at that as well if it made sense from a capital perspective. And the other side, it’s just around additional products or features or services that it might be better to buy vs. build. We haven’t found any of those yet either, but there’s some exciting technology out there, but I’d take you back to the beginning of that, which is we’re not looking at anything transformational.

We’re not changing the strategic direction of this firm. Our growth goals are, first and foremost, where we will be and what we’re driving toward as we come into 2018 and out of 2018. The acquisitions are additive and they will all be looked at through the same capital intensive lens we’ve talked about. And if we can find value, we’re going to do it. And if it makes more sense to return it to our shareholders, that’s what we’re going to do.
Brennan Hawken  
UBS Securities LLC  

Mike, in your comments, I think you’d made reference to the potential for deposit repricing, if we get another Fed fund hike, sorry. Can you maybe put a little more color on that? What kind of deposit beta do you think you might expect here in the next hike?

Michael A. Pizzi  
Chief Financial Officer  

Sure. Just looking at kind of – going back to the December hike, in our 43% operating margin guidance, we are leaving ourselves some flexibility to be a little bit more tactical on rates whether that’s additional negotiated cash rates or whether that’s moving our deposit rates. In terms of – if the Fed does raise in March, it sets up a pretty wide range really in effective operating margin. If we took no action at all, it would put you up very close to that 44.5% level that we talked about in the prepared remarks. And I think you can back in to the type of deposit beta to get to the 43.5% type level. It’s really consistent really with our historical beta, if you go back a very long period of time overall.

Brennan Hawken  
UBS Securities LLC  

Okay, got it. That makes sense. And then, margin lending growth has been really solid. Could you maybe help us frame out how to think about it from here? And I think I thought I saw in the average balance sheet that the yield on the margin assets compressed a bit. Given the December hike, I guess I would have assumed the opposite. So was that maybe price cut for active traders given some of those efforts there or how should we think about that from here? Thanks.

Michael A. Pizzi  
Chief Financial Officer  

To answer the last question first, there is an ebb and flow. And as the book builds, it builds to some of the customers who have the negotiated rate. So it’s not necessarily more negotiated activity, it’s just the increase in balance that you see is customers who have lower rates, larger customers drawing that balance, and that has the effect of showing that sort of shift in the overall margin yield over the period.

In terms of thinking about the overall margin balance, the balance is really – it’s the best indicator of retail risk appetite that there is, and it shows the overall level of engagement of the retail sector getting to a level of that $9.1B in the period, which is a record high for us. The engagement level is high, customers are active. We’re seeing it day in and day out, the margin balance ebbs and flows a little bit. It goes up and down a little, but we’re very pleased overall with the levels that we achieved.

Karl A. Roessner  
Chief Executive Officer & Director  

And I think, look, as we look at margin and we take a look at what we’ve spent money on over the past couple of years in terms of our enterprise risk management system and the real-time daily monitoring and real-time monitoring that we’re dealing those margin accounts, both to protect our customers and the firm, I think we’re in a lot better position in terms of analyzing the margin balance that gets put on our book and we’re also very active in terms of setting margin requirements at the right levels for these securities so that you’re not chasing customers away given a reason to leave you. So you’ve seen some real showing up in our enterprise risk management capabilities around this both on the business side and then on the second line of defense coming back through,
so very pleased with where this is. There’s nothing we would ever do. We’ll try to accelerate this, but it is absolutely investor confidence out there.

Conor Fitzgerald  
Goldman Sachs & Co. LLC

I appreciate you helping us frame up where the pre-tax margin could go kind of based on what happens with the Fed. But Karl, maybe a broader question for you, just given some of the potential revenue drivers, you good have at your back this year whether it’s either hikes or if we see this type of sustained retail activity that would obviously be very helpful as well. But if it turns out to be another very good revenue year for E*TRADE, how should investors think about your operating leverage in that type environment? Can you discuss a little bit how you’re thinking about the trade-off between generating more operating leverage vs. reinvesting that excess revenue back into the business?

Karl A. Roessner  
Chief Executive Officer & Director

Sure. I mean, I hope over the past 16 months or so that folks are beginning to realize that this is quite a disciplined management team in terms of setting an operating margin and going after and hitting them, right? If there are areas that we need to focus on to reinvest in the business, we are going to continue to live within the operating margin framework that we’ve set up. So that’s the way we approach all of these discussions, so that’s why when we talk about what happens as a result of some of the bottom line growth that we anticipate given some of the recent changes that we expect that to fall directly to the bottom line.

So what I’d like to see longer-term is obviously expansion in the operating margin, if there are reasons to invest in the business. The folks who are asking for those dollars are going to need to show the executive team here where the growth in revenue is coming from and if that investment is worth the investments that we’re making in order to benefit our shareholders go forward. It the way we approach everything Conor.

Conor Fitzgerald  
Goldman Sachs & Co. LLC

That’s helpful. Thanks. And then, I appreciate your comments on Pro E*TRADE being very helpful in driving your growth and just be curious what type of feedback you’re getting from the customers that you’re winning this platform? And then, how important the driver when you win those customers is the price point and does that feed into your overall thoughts and relationships between pricing and customer acquisition?

Karl A. Roessner  
Chief Executive Officer & Director

Yes. What I’ve seen in that front in terms of the E*TRADE Pro platform, it’s the package, right. It’s the overall platform itself with a pretty nice experience that customers are able to get and drive with the tools that we have on that. And then it’s the Customer Service side, so active trader sales and service teams that is there were the people that’s offered too and there is the 30 trade per quarter, which is obviously not a hyperactive trade we talked about a lot of this, and that we’ve seen the most expansion. So I think people like the idea that they get additional value for an increased number of trades. We’ve seen some of that obviously hit our commission per trade line and CPT that Mike talked about.

We like the adoption and the uptick that we’ve seen in the platform, so far so good in terms of bringing new customers on and also helping to educate some of our customers about using more active strategies on their
accounts. So it’s – all-in so far win-win, more to see in 2018 as we put some more power behind it, and we have a full year of it being rolled out.

Michael J. Cyprys
Morgan Stanley & Co. LLC

Just on distribution and partnerships – the question evolves around here. We’ve seen a number in the industry all that is mean, if you begin to partner with technology and platform companies. Just curious your perspective on that, is that something you interest the E*TRADE? And I’m just curious how you see the nature of distribution evolving over the next three to five years in a row that large platform technology companies could have either as a partner to acquire new customers to access your existing customers or potential role of them being a disrupter or competitor to your business?

Karl A. Roessner
Chief Executive Officer & Director

The technology is moving in a way that is fairly amazing to watch every day. And one of the things that we look at here is really getting back to our roots and getting it on the innovation side. So reestablishing internally what we have as E*TRADE labs and looking at the new technologies that are out there and how we can apply them and how they may be helpful for our customers, whether interacting with us through chat, through voice, through some of the other things that are now becoming commonplace.

That's the things that we’re looking at. If that's a build on our own, a joint venture or a partnership go forward, we're looking at other ways to acquire customers through partnerships with third-parties. We'll absolutely take a look at all of that. We’re not going to move away from our ethos of being sort of a self-directed online brokerage platform. But if there are other technologies that labs comes back with or that our product guys want us to go in and take a look at as long as it fits within E* TRADE and ethos we have, that’s where it'll be and we’ve always been technology forward. We’ve always been a financial technology company first, and we absolutely plan to do that.

Michael J. Cyprys
Morgan Stanley & Co. LLC

Okay. And then, just on the customer experience, you touched upon that earlier. Just wondering if you could elaborate a bit on that more in terms of what’s on your to-do list in terms of improving the overall customer experience? Maybe you could speak to some of the technology enhancements that you are thinking about?

Karl A. Roessner
Chief Executive Officer & Director

Yeah. In terms of technology enhancements or customer service, what I really get back to are the easy things, right, the customer wins that you should be able to have on a daily basis because you have a great group of customer service individuals who deal with your customers every day and who talk to you about pain points. And they have to help customers through, whether it be with tax, finding tax documentation, uploading documentation to our system, ease of navigation around the website, making sure that all of our interactions with you are seamless, so that you have the same type of interaction across your mobile, your tablet, your desktop if you’re still in that mode, and that’s really what it comes down to. So those are some of the easy wins that we talk about here. And it’s a constant to-do list that we have, so it's ever-changing. But we’ve had some nice wins and we’ve been able to lower some of our call volumes, which allows us to help customers with real issues they have around trading or around needing help.
Brian Bedell  
Deutsche Bank Securities, Inc.

Just going back to the things – back to the Capital One deal on the accretion assumptions. I think, Mike, you mentioned they’re fairly conservative assumptions. Can you talk about to what extent do you think you can improve the trade per account of 4 times? And then just to think about the incremental margin, operating margin on these accounts when you actually – you get that converted, if you can give us some color on that?

Michael A. Pizzi  
Chief Financial Officer

Yeah. So, looking at the number of trades for account, we’re very conservative in terms of the accretion number and our ability to improve that. Obviously, we’re putting an enhanced platform in front of the customer. They will have access to new features, new investment vehicles that they don’t have today. We think that’s worth something in the short run, but in the 2019 numbers, we are very extremely conservative in terms of the revenue side.

Most of this is just taking the top line revenue that the accounts are generating on our platform, we’d make a modest investment in service, a modest investment in technology for the number of accounts that we’re taking, that’s sort of the expense base. And then overall, you come away with the type of accretion that’s shown both on the cash balance and on the trades.

In terms of the customer base, we are very optimistic. These are investment-style customers who are building wealth over time. We think in terms of our new sort of investment continue with products or robo-adviser that we can position our products into these customers very well, grow wallet share over time, engage with them, show them use our education offerings to deliver education that should increase the number of trades over time. I think that’s why we’re very optimistic about the long run potential that really stretches beyond the accretion or the ROIC-type level that we’re talking about into really the long run value creation that a deal like this can drive.

Brian Bedell  
Deutsche Bank Securities, Inc.

Okay, that’s great color. And then, just on trading in general, you mentioned – I think, Karl, you mentioned on the potential for more options, more work on the options side and offering the features products. Can you just comment on whether your plans on offering Bitcoin frustrating and how you see the progress of that coming through in Q1? And I think your competitor, Ameritrade, mentioned the sort of surge in cryptocurrency, blockchain and cannabis stocks trading in the last couple of months, wondering if you’re seeing the same type of development in (53:50) DARTs.

Karl A. Roessner  
Chief Executive Officer & Director

No, and thank you for that. So we do have both the CBOE and CME products available on our side and those have both been launched. We were very careful in particular about the types of clients and the types of individuals that we let have the opportunity to trade those and to get involved. And it’s really around setting risk and margin requirements proactively and making sure that you’re reviewing them daily.

And you don’t want just any customer or sort of a new retail trader get into some of those products picking on the futures side. And we’re being very thoughtful about it so that you have an existing funded futures account to have those available to you. Talking in general about securities on blockchain or blockchain names stocks, and the
cannabis trade. I mean, the cannabis trade for us obviously represents a new type of market high which is interesting.

But when you look at crypto and cannabis, yeah, the volumes have up big in January as we said to date, we’re looking at about 315,000 DARTs and about 9% of those on average has been crypto and cannabis related, or blockchain and cannabis related more appropriately. So that’s sort of both sides of the coin. Those are obviously available to trade. There has been some high volume. But on the futures side, it’s just not a material offering or product for us and there has not been a material adoption or uptake in either one of those yet.

Brian Bedell
Deutsche Bank Securities, Inc.
Right. And in terms of the product – I’m sorry, the technology offering, the ramp-up in Q1 on that side, is there greater traction that you expect or greater rollout of technology that you expect over the next quarter or so?

Karl A. Roessner
Chief Executive Officer & Director
Yeah. I think we’re in a stage – and I’ve said it in the prepared remarks and just to elaborate, we are always in a state of constant evolution in terms of how we get our customers more, right, more of what they’re looking for. So we are constantly updating, upgrading and new production roles going in to add new features and make sure the functionality and tools are there and listening to what – what do those derivatives traders – the more active set, what do they need? What don’t we have in front of them that’s helpful? What are they going elsewhere to use? And that’s a constant update and upgrade, and that’s what we’ve been rolling out, and we’ve been having some great response and keeping those customers engaged and, more importantly, engaged and staying with E*TRADE. So, that’s really the – the theory here is constant improvement. I don’t think it’s one thing that’s going to roll out that’s going to change the game, but there are multiple things that our product folks and our sales folks are helping us work through that are helpful for our customers interacting with us.

Doug R. M ewhirter
SunTrust Robinson Humphrey, Inc.
Two questions. First question, I just noticed in your statistics, in your press release you had – the attrition rate on your brokerage account, unless I’m reading it wrong, it seem to tick up – fairly significant tick up sequentially. I don’t know if there was seasonality associated in Q4 with higher customer churn or is that a sign that just the environment is just getting more competitive, especially with the – seems to be frothy trading activity from you and your competitors.

Karl A. Roessner
Chief Executive Officer & Director
Yeah. It’s not so much the competitiveness. There are a lot of things that move through the attrition rate. It’s affected also by activity that’s coming from our stock plan business as customers in that area activate. We see a good bit of movement. It also is just an environment where you have a lot more interest in the market, so you see more accounts, applications come in and then you see a bit more early-stage attrition. When we look through the data in terms of the customers who are engaging with high-quality relationships, we’re very happy with the overall level of attrition that we see. It’s really just a symptom of the market environment overall in terms of just the volatility that’s driving to elevate the attrition a bit.
Thanks. My follow-up and my final question on the Corporate Services. I mean, you talk about your $14B pipeline. That's very encouraging. And from what I understand, that is just the plan assets that aren't necessarily migrated and with the majority may not migrate after vesting because they want to buy a boat or a house or something. And you talk about your conversion rate a lot. So, could you maybe talk about the current trend in that conversion rate from the pipeline to actual accounts? Is that improving or flat, declining? And is there anything in the works? I know you’ve talked about the TCA initiatives and stuff, do you feel fairly confident that you could increase the conversion rate on that pipeline over the next year or two?

Karl A. Roessner
Chief Executive Officer & Director

So, yes, I wouldn’t call it conversion rate, I would call it retention rate of the assets that come in from that pipeline, right, that vest in the account or become exercisable and are exercised by the plan participant who then becomes an E*TRADE retail brokerage customer. So, it’s really providing that individual with the right suite of products or services, because we can get in front of these customers a little bit sooner, a little bit earlier. So I’m very confident in terms of the group of individuals and the product set that we now have available in our arsenal. And I think once we get TCA closed and get the right RIAs identified to put in front of some of these people, I think we can improve that retention rate from 15%. And if you’re staying at 15% of the assets that should come on us, increasing it by a percentage point or two is meaningful.

So, that’s really what we’re driving at. We’ve talked about this business for a very long time. We just haven’t been – and I don’t mean the stock plan business. I mean, the retail brokerage account that results from the stock plan participant. And we just haven’t been able to crack that code. And I think we finally have the set of products to see if we can make something happen here. Can we turn E*TRADE into something more than just the plan, the administrator and into that company that you want to interact with to talk about your finances. So, I mean, more to come and we’ll absolutely continue to report on this go forward this year.

Christopher Harris
Wells Fargo Securities LLC

So when you guys are making decisions on either M&A or investment spend, how does the risk of further industry price cuts enter into your decision-making? Is it just setting higher ROIC targets for yourselves or is the sort of – is it a little bit more nuanced than that? Thanks.

Karl A. Roessner
Chief Executive Officer & Director

Whenever we look at any acquisition, we stress test all of the variables. So, we will stress and look at commission levels. We will stress and look at attrition rates. We’ll stress and look at conversion issues or other items. We do a full risk analysis in terms of the profile of the acquisition and look really to see what we can achieve in terms of the ROIC and other metrics and base case accretion and how that accretion holds up under various outcomes. So, it’s a fairly robust framework that we look at once we evaluate these things. We think today’s acquisition is going to provide great value.

Christopher Harris
Wells Fargo Securities LLC

Yeah. And on the Cap One deal, what level of customer attrition are you guys assuming in your $0.06 accretion number?
Michael A. Pizzi  
Chief Financial Officer

Yeah, we modeled the attrition rate to be consistent with a transaction like this, which is essentially an account scrape when a customer is moving from one platform in one brand to another platform in another brand. We modeled it overall with a fairly conservative assumption around that type of transaction, and then continued attrition on essentially a close block of accounts from there.

Devin P. Ryan  
JMP Securities LLC

Maybe one here just on retail engagement. Obviously, DARTs have been great and we’ve seen kind of the acceleration in engagement into January. And so, maybe just want to dig in on that a little bit and whether you’re seeing a widening out of the types of clients participating, just trying to think about is it more clients? Is it newer clients being more active? Is it just more active trading? So, any perspective there would be helpful. And then just kind of a follow-up on that, was there any connection in December with the strong account openings to the bitcoin futures launch?

Karl A. Roessner  
Chief Executive Officer & Director

So, the first question, I would say, the all of the above. It hits on all cylinders at the present time. We are absolutely seeing first time entrants coming into the marketplace with new accounts and having account values that are a little lower than our average account sizes. So, we absolutely have new accounts being opened by first-time participants and we can also see that in some of the call volumes and some of the questions that we receive.

So absolutely, new participants. We are seeing a lot of engagement from our existing customers, particularly those more active traders, they become even more active. And then you see the margin book grow and sort of flex up as investor confidence continues. So, it is really firing on all cylinders at the current time.

I think as to the second part of the question, CBOE and CME products that we have out there, we’ve actually seen very limited uptick that we didn’t launch those to our entire customer base, right we just wouldn’t do that. It’s not safe for the customer, it’s not safe for us. You really have to know what you’re doing if you’re going to engage in Bitcoin related futures. We built out the risk framework around it and made sure we have the right margin requirements against it, and we’ve talked to clients who are looking or going into that product. From that set that we’ve opened it up to, we still see very limited trading activity and very limited engagement, immaterial.

Devin P. Ryan  
JMP Securities LLC

Okay great. And just a follow-up here just quickly on the tax rate, 27%. It seems maybe a bit on the high-end, I know you’re in kind of high tax states but are there any things you can do to think about getting that down over time to try and gauge maybe how conservative that is from a longer-term perspective; I’m assuming that does not include any other potential impacts from stock-based comp accounting or anything else like that?

Michael A. Pizzi  
Chief Financial Officer

No. You’ll still see volatility for the stock-based comp and then revaluation of state deferred tax assets based on a portion in each year. The 27% is really the 21% base. It’s the addition really of the state levels, which are consistent really with the state levels prior. And then it’s really the loss of the deduction for FDIC expense and
executive comp that sort of rolls up to that overall level. Obviously, we will do our best to try and get the rate lower. But, as sort of a domestic base business in the business that we’re in, it’s rolled up to 27% now.

Jeremy Campbell  
*Barclays Capital, Inc.*

I know, you guys keep running the business it’s going to be independent and the deals haven’t been that large, but now you have Q2 TCA close, Q3 Cap One close. You guys kind of alluded to perhaps some more kind of opportunistic ways to deploy capital in the coming quarters. I guess with now like closing times getting closer and closer toward the end of next year, does M&A like this that seems maybe a bit more like nice financial transactions rather than bigger strategic augmentations, it all really reduced the board’s opportunity and preclude foreign strategic alternatives like a sale?

Karl A. Roessner  
*Chief Executive Officer & Director*

So, the easy answer to that one, and I’ll give you a lot more than that, but the easy answer to that one is nothing would ever preclude the board’s strategic optionality to make a decision to pursue strategic alternatives for this company.

We have taken our board through these acquisitions. They are extremely supportive of the acquisitions. One of them was, obviously a diversification of revenue play and gives us some tools to go after a segment of the marketplace that we just lose to because we don’t have it, so we can’t maintain those cash or those assets because they just leave us.

So, having a very simple and somewhat attractive custody platform allows us to maintain some of those assets that otherwise trade away from us. When you look at what we did today, we acquired a group or in the process of acquiring a group of accounts that we think can be very valuable.

Each of those transactions, if you take a look at the way that we put them into the company and the way they would be integrated would also be highly valuable to any shareholder that holds this company, whether it be the present group of shareholders or a new group through a transaction or other activity.

Personally and as a management team, we’re extremely proud of what we’ve accomplished over the last 16 months in terms of what we’ve been able to deliver for our shareholders, both in terms of overall returns and in terms of a company that we’ve grown in value quite significantly. We think both of these transactions are additive, and they’re absolutely not in any way preclusive of a board, me being on the board, making a decision that we should seek another strategy or another alternative, it’s just not the case.

So, very pleased with where we are. I think these acquisitions are great for the company long-term regardless of who the holder of the company is and we continue to strive towards our growth goals. Neither of these deals will be counted towards the completion of those growth goals, nor will they be distracting to us completing those growth goals. As I hope you guys have started to see, it’s a pretty dedicated management team, pretty dedicated company and very focused on hitting what we laid out 16 months ago. So, I think we’re in a very good place. I like both of these deals and I think whoever the ultimate shareholders are of this company they are welcome too.