

Sagicor Financial Company Ltd.

First Quarter 2025 Earnings Conference Call

May 14, 2025 — 9:00 a.m. E.T.

Length: 31 minutes

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Gabriel Dechaine

National Bank Financial — Analyst

Meny Grauman

Scotiabank — Analyst

Trevor Reynolds

Acumen Capital Partners — Analyst

PRESENTATION

Operator

Good day. My name is Sergio and I will be your conference operator today. At this time, I would like to welcome everyone to Sagicor Financial Company's First Quarter 2025 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star then the number two. Thank you.

Mr. George Sipsis, EVP, Corporate Development and Capital Markets, you may begin your conference.

George Sipsis — Executive Vice President, Corporate Development & Capital Markets, Sagicor Financial Company Ltd.

Great. Thank you, operator, and hello, everyone. Thank you for joining us today to discuss Sagicor's first quarter 2025 results. Our disclosures are available under the Investor Relations tab on our website at sagicor.com, which include a press release, financial statements, MD&A, and the unaudited supplemental information package containing core earnings, drivers of earnings, and additional disclosures. The link to our live webcast is also available on our website.

This conference call is open to the financial community, investors, the media, and the public, with a reminder that the Q&A period is reserved for financial research analysts.

I will begin by referring you to the cautionary language and disclaimers in our materials and public filings regarding the use of forward-looking statements and the use of non-IFRS financial measures and ratios which may be mentioned as part of our remarks today. I would also like to remind the audience that actual results regarding forward looking information could differ materially and please note that a detailed discussion of Sagicor's risk factors is provided in our MD&A, which is available on SEDAR+ and on our website. A discussion of the assumptions underlying our expectations is provided in our previous filings and earnings releases.

Unless otherwise noted, all dollar amounts referenced will be in U.S. dollars, consistent with our reporting practice.

Joining me today is our President and CEO Andre Mousseau; our Chief Financial Officer Kathy Jenkins; and Anthony Chandler, our Chief Controller. We'll begin with prepared remarks by Andre and Kathy, followed by a Q&A session.

With that, I will pass the call on to our President and CEO, Andre Mousseau.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Thank you, George, and good morning, everyone. Thank you for taking the time to join us today.

We're pleased to announce another solid quarter in Q1. Our quarterly core earnings to shareholders were our highest on record since our conversion to IFRS 17 in 2023. This reflects our operating segments firing on all cylinders and an improved corporate cost of funding.

Both of our Caribbean segments showed significant progress expanding margins and growing core earnings to shareholders year over year. Our U.S. business continued its strong growth with over \$400 million of new annuity production and our Canadian segment showed robust profitability. All of our segments produced strong new business sales. This performance puts us in an excellent position to weather market volatility and achieve our targets for 2025.

We continued to advance our strategic initiatives, including fostering greater collaboration across operating segments, modernizing our technology infrastructure, and enhancing both our access to and cost efficiency of capital, all with the objectives of lowering expenses, driving growth, and ultimately strengthening our returns on shareholders' equity.

Now I'll hand the call over to Kathy Jenkins to discuss our consolidated results and comment on the segments results in detail. Kathy?

Kathy Jenkins — Chief Financial Officer, Sagikor Financial Company Ltd.

Thank you, Andre, and good morning, everyone.

As Andre mentioned, we are reporting a strong first quarter to start off 2025. For Q1, core earnings to shareholders were up over 100% from 2024 to \$30 million and net income to shareholders was \$7 million. Revenues were \$648 million for the quarter compared to \$639 million for the same quarter last year. New business CSM of \$46 million for Q1 reflected strong sales across all segments. Now I will give you some more detail on the segment financials.

Sagicor Canada's sales production of \$17 million in Q1 was consistent with management expectations, resulting in new business CSM of \$12 million for the quarter. Core earnings to shareholders of \$25 million for the quarter increased \$8 million, or 46%, from the same quarter in the prior year, driven by higher core net investment result and insurance experience reverting toward expectations. Net income to shareholders of \$11 million for the quarter was lower than core earnings to shareholders due to negative equity returns, which affect the calculated future profitability of our universal life business. Net CSM was \$541 million, an increase of 1% quarter over quarter.

Sagicor Life USA generated \$411 million of new business production for the quarter, one of our highest quarters ever. We were able to drive higher than budgeted business due to competitive crediting rates and market momentum for multi-year guaranteed annuity products. Core earnings to shareholders for the quarter of \$6 million was lower than our core net income because of unfavourable insurance experience on our legacy block of life insurance. This was a combination of mild seasonality in mortality, which we observe in our U.S. segment most first quarters, some under-accrued expenses carried over from Q4, and a minor positive correlation to equity due to how we reserve for our indexed business. We note experience was right on target for our annuities business, where we are writing most of our premium now. We continued to see an accounting mismatch between asset prices, which appreciated in Q1, and the calculation of our liabilities, which appreciated more, generating an unfavourable market impact, leading to a marginal net loss to shareholders. We believe this market experience will reverse itself in coming quarters as we have observed since the implementation of IFRS 17. Net CSM was \$153 million, a slight decrease of 1% quarter over quarter.

Sagicor Jamaica had strong net premium across all product lines as compared to Q1 2024. Core earnings to shareholders of \$10 million for the quarter increased over the same quarter in the prior year due to improved margins and reserve release on the short-term business and higher net income from the growing loans portfolio at its bank. Sagicor's share of Sagicor Jamaica's net income to shareholders of \$13 million for the quarter was positively impacted by improved mark-to-market gains. Net CSM was \$282 million, a decline of under 1% quarter over quarter.

Sagicor Life's short-term business benefited from repricing initiatives on renewals while the long-term business had favourable insurance experience. Core earnings to shareholders of \$11 million doubled the Q1 2024 result, reflecting improved profitability in the short-term business and favourable insurance experience in both the short-term and long-term business. Net income to shareholders of \$8 million for the quarter was lower than core earnings to shareholders in the quarter, primarily due to rising interest rates impacting mark-to-market loss on our fixed income portfolio, partly offset by gain on the valuation of assets. Net CSM was \$249 million, a slight increase quarter over quarter.

Returning to the consolidated picture, Sagicor remained well capitalized in Q1. The Group LICAT ratio was 137% and our financial leverage ratio was 27.2%. Our book value per share finished the quarter at US\$7.05, C\$10.14. Our deployable capital, or shareholders' equity plus net CSM to shareholders, was \$2 billion, or US\$15.01 or C\$21.59. With that, I will hand it back to Andre.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Thank you very much, Kathy.

We are very pleased with the solid start to the year. I think our Q1 performance reflects continued progress on our key strategic priorities. We continue to successfully grow the asset base of our U.S. business. We were pleased to write over \$400 million in the quarter, driving our assets above \$6 billion. It puts us in an excellent position to meet and exceed our target of over \$1 billion of annuity sales for 2025. We remain focused on disciplined execution. I think you're seeing this come through in the margins across our business. We're deepening our presence in our core markets and we're enhancing operational efficiency across all of our segments, including where we have large market shares, enabling us to grow efficiently in our larger markets.

To that end, we're pleased to have announced our 22nd consecutive quarterly dividend to shareholders since we've been listed on the TSX. This is our second dividend since we raised the quarterly payout to US\$6.75¢ per share, so annualized US\$27.0¢ per share, and we feel we're in a good spot. While macroeconomic uncertainty does persist, we're confident that our focused execution on these core strategic initiatives positions us well to deliver continued sustained growth in shareholder returns.

Just before we close it up, I would like to thank those shareholders who chose to join us yesterday at the beautiful Hilton Barbados and took the time to engage with us in person and ask questions, so thank you very much for that. And I would also like to thank, in this forum, Stephen Facey, who it was announced is retiring from the Board of Sagicor Financial; he will continue to be a partner of ours and be involved on the Board of our Jamaican business, but we'd like to thank him very much for his friendship, partnership, and stewardship on the SFC Board.

With that, I think we're ready for Q&A, if there's any. Operator?

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press the star followed by the number two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question comes from Gabriel Dechaine from National Bank. Please go ahead.

Gabriel Dechaine — Analyst, National Bank Financial

Good morning. Good quarter. I just want to ask about, you know, you brought attention to the fixed annuities sales, but before I get into that, on the U.S. business overall, there was some negative policyholder experience or claims experience. Can you clarify what that was? Is it legacy life blocks? I don't think it's the same as the persistency issues in the fixed annuities business we saw a few times prior to today.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Right. Thanks, Gabe. I think you're reading that correctly. The persistency with the annuities, the multi-year guaranteed annuities that we're writing now, was kind of right on the nose where we thought

it would be, so this is related to two different blocks of business and it's kind of a collection of a handful of sub-\$2 million issues for the quarter. So, with respect to our legacy, term, and universal life books, which collectively we refer to as the legacy life business, we usually do see some mild elevated mortality in Q1 because we don't budget for quarterly seasonality and mortality, and that's just winter and flu season. So, as we've been building out our drivers of earnings, this is the third Q1 in a row where we have observed that.

As Kathy mentioned, we carried over some mild unaccrued expenses from Q4 around settling step-up for year end, and there's some IFRS versus statutory accounting quirk in our legacy index business. So, these are fixed indexed annuities that we wrote five years ago or more where we're buying equity participations for our policyholders on a statutory basis. And I think that's the right way to do it economically, but because IFRS says that your reserves are lower than what your statutory reserves say, it presents itself temporarily as a positive correlation to equity indices. So, again, it's not a massive number, but each of these \$1 million and \$2 million items just happened to add up to negative in the quarter.

Gabriel Dechaine — Analyst, National Bank Financial

Got it. Okay. About the fixed annuities sales, quickly, are you seeing some of that momentum carry over into Q2? Because market conditions that would have supported the strong sales probably are still in effect today.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Going back to the commentary from March, we're really picking our spots, so I wouldn't expect to annualize that \$400 million plus. We had talked about being over \$1 billion for the year. I think we're comfortable with that. So, production won't necessarily drop in half, but I wouldn't expect \$400 million every quarter. The market conditions are still good. We had a little pocket where we had got ahead of the market and raised rates. Then we saw everyone catch up to us a number of weeks later and eventually pass us, and so we let our weekly production come down. So, I wouldn't expect to see \$400 million again in Q2, but it would be kind of consistent with our guidance of annualized \$1 billion for the year.

Gabriel Dechaine — Analyst, National Bank Financial

Got it. And then just from a scale standpoint, I look at the AUM number for the U.S. and I think it's just shy of \$6 billion. I wonder if you can put some perspective, and I equate the increase in AUM to multiple factors, but namely the fixed annuities block growth, every billion, or if there's another benchmark, please share that. What does that add to your consolidated ROE? Because I saw your, I mean for different reasons, but the 12% mark was exceeded this year for ROE. I'm just trying to get a sense for progression thereof.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

It's a very interesting question connecting that. The way we would look at it is to say, okay, \$1 billion of new annuity would generate, net of commissions, et cetera, about order of magnitude \$15

million of gross margin to the business and then we would have to carry some excess capital on that. But on the margin, we would view that as a high teens return on equity business. So, I think you could extrapolate from there, once we add a couple billion dollars more of AUM, it really does start to move the needle in our baseline ROE.

Gabriel Dechaine — Analyst, National Bank Financial

Got it. And just for definition purposes, the \$15 million of gross margin, is that pre-tax?

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Fully structured, that would be net of tax.

Gabriel Dechaine — Analyst, National Bank Financial

Okay. All right then. Thanks. Enjoy the rest of your week.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Thank you, Gabe.

Operator

Thank you. Ladies and gentlemen, as a reminder, should you have a question, please press star one.

Your next question comes from Meny Grauman from Scotiabank. Please go ahead.

Meny Grauman — Analyst, Scotiabank

Hi. Good morning. A few questions. One, starting in Jamaica, it looks like you benefited from a reserve release, and I just wanted to get a little bit better understanding of that.

Kathy Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

We had a small reserve release in our P&C business. It's one time, but it is quite small in terms of the amount that was released. As we evaluated, we took a look at our business and how it was evolving. They made the determination they could release some.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Yeah, it was a group creditor policy where we got some improved pricing. It's shorter-term business, which is why it's lumped in with the P&C, but we did get a reserve release right away reflecting the increased profitability for the next few quarters. So, not necessarily repeatable, but it is reflective of what we're trying to do in Jamaica as well as in Sagicor Life, getting these group businesses reverting to the mean in terms of profitability. And so it's not something you take as repeatable, but it's a good sign.

Meny Grauman — Analyst, Scotiabank

Okay. And then just thinking ahead in terms of Jamaica, there's a banking business there, so just wanted to ask about what you're seeing on the credit front and expectations going forward. Obviously, tariff-related stresses are something top of mind for any banking business, say, around the globe. So just wondering what your thoughts were for the Jamaica business.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

I don't think we've seen anything present itself yet. There are kind of two competing forces with respect to the Jamaican economy. I think that the consensus view is cautious around global macro-economic slowdown and that's not good for anyone. And I don't think that's disproportionate on our Jamaican business, but lower dollars mean lower remittances, lower everything, deposits, premiums for that matter. So, I wouldn't see that disproportionate to us, but that's the general tone.

The flip side in Jamaica is that there's continued improvement in the fiscal situation and you're starting to see, well, continuing to see the rating agencies reflect that. There is also the hope that the U.S. Department of State will lighten up on its travel warning to Jamaica that it's had in place for some period of time which has disproportionately affected tourist travel to Jamaica. So, Jamaica hasn't seen quite the recovery that other fly-in tourist markets have in and around the Caribbean. And if that gets lifted, that would be kind of a unique positive dynamic for economic activity into Jamaica, and we're hopeful that that's actually imminent.

Meny Grauman — Analyst, Scotiabank

Got it. And then I just wanted to ask about reported earnings. You talked about the market impact, but there was another item there, tax item and other. It looked quite sizable. I'm just wondering what that was.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

I think there is an annual asset tax in Jamaica that runs through the numbers in Q1 and, on a core basis, what we do is we spread that over the four quarters of the year, so that's part of it.

Kathy?

Kathy Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

The NCI goes through there as well, so we'd have the full impact of the market experience on the market experience line and then the portion that isn't attributable gets eliminated through there.

Meny Grauman — Analyst, Scotiabank

Understood. And then finally for me, it looks like the tax rate came in quite a bit lower than what we've seen last quarter and the year ago quarter, so I'm just wondering what drove that, and is that something unusual or is that something sustainable?

Kathy Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

I think it's a more normalized rate that we have. In terms of the tax rate, it's not like an income tax rate like you'd have in Canada and the U.S., so some of the Caribbean countries, how the tax rates are a little different, so that was how it was calculated. It's related to the Caribbean and it's more normalized.

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Yeah. It's hard to make sense of our tax rate on an aggregated basis because we're taxed so simply in Canada and the U.S. and idiosyncratically in our other markets and kind of going back to the comment that I had a minute ago about trying to normalize some of that out. But we continue to believe that managing that is a potential kind of medium to long-term source of ROE expansion.

Just one last thing before you're off the line, Meny. I'd like to say thank you very much for your engagement and support over the years.

Meny Grauman — Analyst, Scotiabank

Thanks. I appreciate that. That's all for me.

Operator

Thank you. Your next question comes from Trevor Reynolds from Acumen Capital. Please go ahead.

Trevor Reynolds — Analyst, Acumen Capital Partners

Good morning. Canada, the results there seemed to come in a little stronger than expectations that were discussed after last quarter. Maybe can you just touch on some of the gives and takes there?

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

I think that's accurate, and it comes down to part of the reason that we put forward consolidated guidance and not segment-specific guidance. Everyone is still learning to see how earnings emerge

through IFRS 17 and what the different component parts are telling us. So, we're not surprised that Canada had a good quarter operationally, because it is having a good quarter operationally in terms of the cost structure, new business sales in Canadian dollars are up, which is good. And it's a big book of business, so some quarters we see positive emergence, some negative, and some quarters like this that's kind of right on the nose. Profitability is \$1 million or \$2 million higher on a quarterly basis than what we would have guided to, and it's good to see. We'll see whether that persists for the year.

Trevor Reynolds — Analyst, Acumen Capital Partners

Okay. And then you discussed the mortality generally being higher in Q1. Are you adjusting the way you model that out moving forward in the U.S.?

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

No plans to right now. I think the actuaries have enough on their plate. I think that a good step for us as we're managing the business is to look at the drivers of earnings and understand what happens and I think we observed some meaningfully good experience in the American book in the back half of last year. So, you take a look every year and see whether, in aggregate, it's working, and use the drivers of earnings to understand what happened every quarter.

Trevor Reynolds — Analyst, Acumen Capital Partners

Got it. And on your head office expenses, maybe just where you sit there. Where are you kind of targeting those over the coming quarters and years?

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

On a year-over-year basis we're observing some improvement on the cost of funding side that runs through head office and for the time being, that'll be stable from Q1 going forward, because we had a couple of different refinancing events that happened in 2024. We do have some moving pieces on the mark to market of assets and some other one-time items in head office, so we'd encourage you to look at the core, which sees through the noise, and we're kind of budgeting on that basis.

Trevor Reynolds — Analyst, Acumen Capital Partners

Great. And then last question, just your core EPS target, I think the high end is at \$0.80 a share. Maybe, do you think there's upside to that target given your performance in Q1?

Andre Mousseau — President & Chief Executive Officer, Sagicor Financial Company Ltd.

Well, if you annualized Q1, it would tell you so. I think we're going to wait until we see the second quarter before updating guidance. Q1 puts us in a good spot, but I think we're going to wait and see one more before changing it.

Trevor Reynolds — Analyst, Acumen Capital Partners

Great. That's all my questions. Thank you.

Operator

Thank you. There are no further questions at this time. You may proceed.

George Sipsis — Executive Vice President, Corporate Development & Capital Markets, Sagicor Financial Company Ltd.

Thank you, operator, and thank you, everyone, for joining today's call. A replay of this call will be available for one month on our website and a transcript will be posted as soon as available. If you have any additional questions, please do not hesitate to reach out to any one of us. With that, thanks again for your participation and interest today. Have a great day, everyone.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation. You may now disconnect.