

03-May-2023

# Prudential Financial, Inc. (PRU)

Q1 2023 Earnings Call

## CORPORATE PARTICIPANTS

**Robert McLaughlin**

*Vice President-Investor Relations, Prudential Financial, Inc.*

**Charles F. Lowrey**

*Chairman & Chief Executive Officer, Prudential Financial, Inc.*

**Robert Michael Falzon**

*Vice Chairman, Prudential Financial, Inc.*

**Kenneth Yutaka Tanji**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

**Andrew F. Sullivan**

*Executive Vice President & Head-International Businesses & Global Investment Management, Prudential Financial, Inc.*

**Caroline A. Feeney**

*Executive Vice President & Head-US Businesses, Prudential Financial, Inc.*

---

## OTHER PARTICIPANTS

**Thomas Gallagher**

*Analyst, Evercore ISI*

**Ryan Krueger**

*Analyst, Keefe, Bruyette & Woods, Inc.*

**Erik Bass**

*Analyst, Autonomous Research US LP*

**Jimmy S. Bhullar**

*Analyst, JPMorgan Securities LLC*

**Elyse Greenspan**

*Analyst, Wells Fargo Securities LLC*

**Alex Scott**

*Analyst, Goldman Sachs & Co. LLC*

**John Barnidge**

*Analyst, Piper Sandler & Co.*

**Suneet Kamath**

*Analyst, Jefferies LLC*

**Tracy Benguigui**

*Analyst, Barclays Capital, Inc.*

**Michael Augustus Ward**

*Analyst, Citigroup Global Markets, Inc.*

## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by, and welcome to Prudential's Quarterly Earnings Conference Call. At this time, all participants have been placed in a listen-only mode. Later, we will conduct a question-and-answer session. Instructions will be given at that time. [Operator Instructions] As a reminder, today's call is being recorded.

I will now turn the call over to Mr. Bob McLaughlin. Please, go ahead.

---

### Robert McLaughlin

*Vice President-Investor Relations, Prudential Financial, Inc.*

Good morning, and thank you for joining our call. Representing Prudential on today's call are Charlie Lowrey, Chairman and CEO; Rob Falzon, Vice Chairman; Andy Sullivan, Head of International Businesses and PGIM, our global investment manager; Caroline Feeney, Head of US Businesses; Ken Tanji, Chief Financial Officer; and Rob Axel, Controller and Principal Accounting Officer. We will start with prepared comments by Charlie, Rob, and Ken, and then we will take your questions.

As a reminder, our financial results reflect the long-duration target improvements accounting guidance that was adopted at the beginning of the year, and prior year results have been adjusted accordingly.

Today's presentation may also include forward-looking statements. It is possible that actual results may differ materially from the predictions we make today. In addition, this presentation may include references to non-GAAP measures. For a reconciliation of such measures to the comparable GAAP measures and the discussion of factors that could cause actual results to differ materially from those in the forward-looking statements, please see the slide titled Forward-Looking Statements and Non-GAAP Measures in the appendix to today's presentation and the quarterly financial supplement, both of which can be found on our website at [investor.prudential.com](http://investor.prudential.com).

And now, I'll turn it over to Charlie.

---

### Charles F. Lowrey

*Chairman & Chief Executive Officer, Prudential Financial, Inc.*

Thank you, Bob. And thanks to everyone for joining us today. During the first quarter, we continued to transform our business to be less market-sensitive and better positioned to deliver sustainable long-term growth. Our financial strength, disciplined asset-liability management and robust risk management position us well to navigate the current macroeconomic environment while maintaining our balanced approach to capital deployment focused on creating value for our stakeholders.

Turning to slide 3. I'll begin this morning with an update on the progress of our strategy to become a higher growth, less market-sensitive and more nimble company. We are investing in long-term sustainable growth by expanding access to our products and services and markets around the world, including through programmatic M&A and organic growth opportunities, creating the next generation of financial solutions and delivering industry-leading customer experiences.

Let me provide a few recent examples. Yesterday, we announced that Prudential is acquiring a majority stake in Deerpath Capital Management, a leading US private credit and direct lending manager with more than \$5 billion

in assets under management. The acquisition will expand PGIM's alternative capabilities, while providing additional fee-based revenue and complementing PGIM's existing direct lending origination capabilities.

In addition, Deerpath is a great example of how we are building our self-reinforcing business model, which will benefit both third-party investors as well as our insurance and retirement customers. Our Institutional Retirement Strategies business had strong first quarter sales, largely driven by our pension risk transfer business, which had its best first quarter ever, with more than \$2.8 billion in total new business transactions.

In addition, we experienced continued momentum in International Reinsurance, with a \$500 million longevity risk transaction. We also achieved new growth milestones in our International business, especially in Latin America, where Prudential of Brazil sales reached double-digit year-over-year growth through our three distribution channels. In particular, we are driving growth in Brazil through our expanded third-party distribution channel, which allows more consumers to access our products and services. During the quarter, we also expanded our distribution through the Mercado Libre platform into Mexico to sell life and accident and health products.

In the US, our Individual Retirement Strategies business continued to expand its suite of next-generation protection solutions. We expanded our FlexGuard distribution and introduced new product enhancements to meet the evolving needs of our customers. We are also diversifying our sales mix to meet increasing customer needs in a higher interest rate environment. Sales of fixed annuities represented one-third of total individual annuity sales in the first quarter, a significant increase from a year-ago quarter. We continue to enhance the ways in which customers engage with our products and solutions, to drive more digital experiences and better customer outcomes.

Let me give you a couple of examples. First, an industry survey ranked Prudential as a top three carrier in e-signature adoption. A majority of annuities applications are now submitted with e-signature, which has reduced processing time by several days and improved our environmental impact. Second, we launched a new electronic claims portal for life insurance customers that allows beneficiaries to file claims in minutes and to receive payments in days rather than weeks. By using the portal this quarter, we have experienced a 300% increase in digital claims processing and overwhelmingly positive customer feedback.

Turning now to slide 4. Prudential's rock solid balance sheet and robust risk and capital management frameworks have allowed us to confidently navigate the current macroeconomic environment. Our financial strength, including our AA rating, is supported by \$4.6 billion in highly liquid assets at the end of the first quarter, as well as a high-quality, well-diversified investment portfolio and a disciplined approach to asset-liability management.

We've also taken advantage of opportunities to further optimize our financial flexibility and liquidity position. We proactively issued a contingent capital facility to replace the one that matures in November of this year and issued \$500 million of hybrid debt to pre-fund the maturity of the same amount next year.

Moving to slide 5. Our disciplined approach to capital deployment also enables us to effectively balance investing in the long-term growth of our businesses with returning capital to shareholders. In the first quarter, we returned \$700 million to shareholders and increased the quarterly dividend by 4%, our 15th consecutive annual dividend increase.

Looking ahead, we will maintain our disciplined approach to capital management and redeployment. We are confident that this approach, coupled with our robust financial position, mix of mutually enhancing businesses and growth strategy, positions us well to be a leader in expanding access to investing, insurance and retirement security for people around the world. Thank you for your time this morning.

And with that, Rob will now provide an overview of our first quarter financial results and an update on our business performance.

---

## Robert Michael Falzon

*Vice Chairman, Prudential Financial, Inc.*

Thank you, Charlie. I'll provide an overview of our financial results and business performance for our PGIM, US and International businesses. I will also provide an overview of our investment portfolio and specifically our commercial real estate holdings, given the increased focus on the risks associated with a potential near-term credit cycle.

I'll begin on slide 6 with our financial results for the first quarter of 2023. Our pre-tax adjusted operating income was \$1.3 billion or \$2.66 per share on an after-tax basis. These results reflect underlying business growth, including the benefits from a higher interest rate environment, offset by lower variable investment and fee income, as well as elevated seasonal mortality experience. While elevated, mortality improved compared to the year-ago quarter as COVID has transitioned to an endemic phase.

Turning to the operating results from our businesses compared to the year-ago quarter. PGIM, our global investment manager, had lower asset management fees due to lower assets under management resulting from the higher interest rates, equity market declines, and net outflows. Other related revenues increased primarily from seed and co-investment earnings.

Results of our US businesses primarily reflected lower fee income, less favorable variable investment income, partially offset by the impact of higher rates on spread income and more favorable underwriting. The decrease in earnings in our International businesses primarily reflected lower spread income largely due to less favorable variable investment income.

Turning to slide 7. PGIM, our global active investment manager, has diversified capabilities in both public and private asset classes across fixed income, equities, and alternatives. PGIM's investment performance remains attractive with 80% or more of assets under management outperforming their benchmarks over the last 3-, 5- and 10-year periods.

PGIM experienced third-party institutional and retail net outflows of \$14 billion in the quarter, primarily from fixed income strategies. Institutional outflows were mainly driven by client redemptions for liquidity needs, including de-risking actions of defined benefit sponsors. Retail outflows were driven by investors rebalancing amidst higher interest rates and inflation, consistent with the industry. As the investment engine of Prudential, the success and growth of PGIM and of our US and International Insurance and Retirement businesses are mutually self-reinforcing.

PGIM's asset origination capabilities, investment management expertise, and access to institutional and other sources of private capital were a competitive advantage, helping our businesses bring enhanced solutions and create more value for our customers. Our insurance and retirement businesses, in turn, provide a source of growth for PGIM through affiliated net flows, which totaled \$2 billion in the first quarter of 2023, as well as unique access to insurance liabilities.

In addition, we continue to grow our private alternatives and credit business, which has assets of approximately \$235 billion across private, corporate and infrastructure credit, real estate equity and debt, and secondary private equity, and will be further enhanced through the acquisition of Deerpath Capital, as Charlie previously stated.

Turning to slide 8. Our US businesses produced diversified earnings from fees, net investment spread and underwriting income and benefit from our complementary mix of longevity and mortality businesses. We continue to shift towards higher growth and less market-sensitive products and markets, enhance our customer and advisor experiences, and further expand our addressable market. Retirement strategies achieved strong sales of \$5.5 billion in the first quarter across its institutional and individual lines of business.

Our Institutional Retirement business has market-leading capabilities with first quarter sales of \$3.8 billion, including a jumbo pension risk transfer transaction, which contributed to record account values at the end of the first quarter. In Individual Retirement, product pivots have resulted in continued strong sales of more simplified solutions like FlexGuard and FlexGuard Income, representing over \$13 billion of sales since inception, as well as increased fixed annuity sales that comprised approximately one-third of our sales.

Our Individual Life sales reflect our earlier product pivot strategy with variable life products representing about 70% of sales for the quarter. And we continue to diversify Group Insurance sales with strong growth in supplemental health and disability products and driving 25% growth in the Premier segment from the prior year quarter.

Turning to slide 9. Our International businesses include our Japanese life insurance companies, where we have a differentiated multi-channel distribution model, as well as other businesses aimed at expanding our presence in high-growth emerging markets. In Japan, we are focused on providing high-quality service and expanding our geographic coverage and product offerings. Our needs-based approach and protection product focus continue to provide important value to our customers, as we expand our product offerings to meet their evolving needs.

We continue to enhance customer experience and agent support, including through digital tools. Prudential of Japan ranked number one in two out of the three categories in the 2023 J.D. Power Life Insurance customer satisfaction survey. We are proud to be recognized for the value we provide customers.

In emerging markets, we are focused on creating a carefully selected portfolio of businesses in regions where customer needs are growing, where there are compelling opportunities to build market-leading businesses and where the Prudential enterprise can add value.

Our International businesses experienced their highest sales since the third quarter of 2020. Compared to the prior-year quarter, Gibraltar sales were up 16%, mainly driven by the Life Consultants channel, primarily from higher US dollar sales. Life Planner sales were up 13%, driven by the continued momentum in Brazil as well as higher sales in Japan.

Now, turning to our investment portfolio on slide 10. We have a disciplined approach to our investment portfolio construction and management. It reflects our robust asset-liability management practices, commitment to broad diversification and a rigorous underwriting security selection and credit management framework. We also leverage PGIM's expertise across multiple asset classes, including its deep and long-standing experience in private placements and real estate.

With respect to our investment portfolio, here are a few key points. 30% of the portfolio is invested in government securities, primarily comprised of US treasuries and Japanese government bonds. 43% of the portfolio is invested in corporate securities, of which over 93% are investment-grade.

Private placements represent almost 40% of these corporate securities and over half of our BBB and below rated securities. These privates have financial covenants and structural protections that have consistently resulted in lower losses than comparable public securities. In past cycles, the loss experienced on our BBB private placements have been comparable to single A public credits.

Mortgage loans represent an area of interest; I'll provide more detail on slide 11. Our mortgage loans represent 13% of our portfolio and reflect our conservative underwriting with an average loan-to-value of 57% and debt service coverage of 2.4 times. The portfolio is broadly diversified by property type, overweight in more defensive sectors such as multifamily and industrial, and underweighted in both office and retail. Specifically, office properties represent only 2% of invested assets, with loan to values and debt service coverage ratios that are in line with the overall portfolio.

We have a disciplined portfolio monitoring process to review all investments at least annually and a robust risk management framework, which includes stress tests under cyclical and tail scenarios. Any potential credit losses in these scenarios are factored into our capital management framework and are expected to be manageable.

As we look ahead, we are well positioned across our businesses to be a leader in expanding access to investing, insurance and retirement security. We continue to be focused on investing in growth businesses and markets, delivering industry-leading customer experiences and creating the next generation of financial solutions to better serve the diverse needs of a broad range of customers.

And with that, I'll now hand it over to Ken.

---

## Kenneth Yutaka Tanji

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

Thanks, Rob. I'll begin on slide 12, which provides insight into earnings for the second quarter of 2023 relative to our first quarter results. As noted, pre-tax adjusted operating income in the first quarter was \$1.3 billion and resulted in earnings per share of \$2.66 on an after-tax basis. To get a sense of how our second quarter results might develop, we suggest adjustments for the following items. First, variable investment income was below expectations in the first quarter by \$150 million. Next, we adjust underwriting experience by \$85 million to normalize for first quarter experience. And last, we expect other items to increase adjusted operating income by \$25 million, primarily due to the seasonally elevated expenses in the first quarter. These items combined get us to a baseline of \$3.20 per share for the second quarter.

I'll note that if you exclude items specific to the second quarter, earnings per share would be \$3.29. The key takeaway is that our underlying earnings power has improved due to business growth, including the benefit of higher interest rates. While we have provided these items to consider, please note there may be other factors that affect earnings per share in the second quarter.

Turning to slide 13. Our capital position continues to support our AA financial strength rating. Our cash and liquid assets were \$4.6 billion, at the high end of our liquidity target range. We have substantial off-balance sheet resources including contingent capital and liquidity facilities. As Charlie noted, we replaced a \$1.5 billion contingent capital facility that will mature in November. We remain thoughtful in our capital deployment, balancing the preservation of financial strength and flexibility, investment in our businesses and shareholder distributions.

Turning to slide 14, and in summary, we are transforming our businesses for sustainable growth. We continue to navigate the current macro environment with the financial strength of our rock-solid balance sheet, and we maintain a balanced and disciplined approach to capital deployment.



Now, I'll turn it to the operator for your questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We'll now be conducting a question-and-answer session [Operator Instructions] Our first question today is coming from Tom Gallagher from Evercore ISI. Your line is now live.

**Thomas Gallagher**

*Analyst, Evercore ISI*

Q

Good morning. First question is just on the potential for the rules being changed on the interest maintenance reserve. Can you – I know that I think that was around the \$1.8 billion negative adjustment for you guys last year based on the mark-to-market impacts from interest rates from derivatives. I'm curious if – I think there's a proposal within the NAIC out there that suggests there will be some changes. Can you talk about whether you think that will go through and whether or not at least some portion, if not all, of the \$1.8 billion could be recaptured if it is changed? Thanks.

**Kenneth Yutaka Tanji**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. Hi, Tom, it's Ken. Yeah, the NAIC is in the process of addressing what is uneconomic issues with the IMR. As you mentioned, they've released a proposal, and that's out for comment until June 9th. So, they're giving some time to receive input for the industry to work collectively on this. We think it's a big step in the right direction as both the industry, the ACOI regulators, they're focused on addressing this issue. Having said that, the proposal needs some changes in a few areas, but there is a process to sort that out. We and many others are engaged in very constructive discussions. It's hard to predict the regulatory process, but it seems it's on the path for changes this year.

**Thomas Gallagher**

*Analyst, Evercore ISI*

Q

And Ken, would you – is kind of your base case assumption based on what's out there now that you'll potentially get all of it back? Or would it be just a part, maybe a partial clawing back of some of that negative impact on RBC?

**Kenneth Yutaka Tanji**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah, Tom, again, it's hard to predict. There are things that are being discussed, and that those things get sorted out, I wouldn't want to give an indication of how that plays out. But again, they are taking input, it's a very constructive process, I think all the intentions are there to put this on the path for resolution, but that will play out in time.

**Thomas Gallagher**

*Analyst, Evercore ISI*

Q

And then just for my follow-up, I just – a question on leverage. I think you've announced you're going to redeem \$1.5 billion of sub debt in June. And I think you issued \$500 million this quarter as well – or sorry, in Q1. Where do you stand now on leverage?



Can you just talk about do you have upward capacity to issue more debt? Are you at about the right level? Because I think there's been some changes in – certainly, from an accounting perspective, it's a bit of an elusive calculation to do from our perspective. But can you provide some help there? Thank you.

---

**Kenneth Yutaka Tanji***Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yes. Sure. Yeah, at the end of first quarter, we were in line with our leverage objectives, and then when we call the \$1.5 billion of debt, which has always been in our plans to do that in June, that would increase our debt capacity. Our overall debt capacity, though, is a function of rating agency criteria and other objectives, if we looked at profitability, free cash flow, fixed cost coverage and stress testing, which we believe is important. So, it's not just leverage that would determine our debt capacity. But again, calling [ph] that (00:22:49) debt was part of our plans. It was prefunded and that will improve our debt capacity going forward. And overall, we're on track for our plans for the year.

---

**Thomas Gallagher***Analyst, Evercore ISI*

Q

Okay. Thanks.

---

**Operator:** Thank you. Next question today is coming from Ryan Krueger from KBW. Your line is now live.

---

**Ryan Krueger***Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Hey. Thanks. Good morning. Could you talk a little bit more about the drivers of PGIM flows in the quarter? And then I guess how are you thinking about the outlook going forward? Do you – would you anticipate further liquidity-driven repositioning impacts? Or do you think a lot of that's behind you now?

---

**Andrew F. Sullivan***Executive Vice President & Head-International Businesses & Global Investment Management, Prudential Financial, Inc.*

A

Good morning Ryan, it's Andy. I'll take your question. As we always discuss, flows are going to vary quarter-to-quarter. So, we stay focused on the long-term track record. In Q1, we experienced third-party net outflows of \$14 billion, driven both by retail and the institutional. On both fronts, as you heard Rob say upfront, it is very much a fixed income story. Our retail outflows were \$3.8 billion in the quarter. The fact is we continue to see money flowing out of active US mutual funds and into money market funds, CDs and other short-term solutions. That being said, we did see a slowing of the retail outflows in the quarter consistent with the industry. We would expect this outflow trend to reverse once inflation moderates and the rate environment stabilizes.

On the institutional side, net outflows were \$10.2 billion for the quarter. That was driven almost entirely by redemptions from public fixed income as institutional investors sought that liquidity, as you mentioned, and DB sponsors de-risk their plans. We would expect that the near-term flow volatility in the institutional business will remain volatile given the heightened macroeconomic, geopolitical and market uncertainty.

That being said, our long-term investment performance remains very, very strong, with over 80% of our benchmarkable assets outperforming the 3-, 5- and 10-year marks. We have high confidence in the power of our platform, particularly as sustained higher rates are going to be good for the fixed income business, and we will benefit over time from the synergy between our insurance and asset management businesses. So by paying attention to the fundamentals, we know we'll be a net grower.

**Ryan Krueger***Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Thanks. And then, a follow-up on other related revenues in PGIM. How sensitive is that to transaction-related real estate fees? And I guess, in other words, in the current environment where there's less commercial real estate activity, would you expect that to remain a little bit lower than normal because of the lack of incentive fees? Or can you give some perspective on that?

**Andrew F. Sullivan***Executive Vice President & Head-International Businesses & Global Investment Management, Prudential Financial, Inc.*

A

Yeah. Again, it's Andy. Thanks, Ryan. As you know, last quarter, we lowered our run rate expectations for [ph] ORR (00:25:52), specifically due to, as you're speaking to, the expected slowdown in real estate-related revenues. And that shows up in a variety of ways, obviously, both in the agency side, but also as you're talking about in transaction fees and incentive fees. So in the quarter, we came in lower than our expected average, because we saw that real estate slowdown as we expect it.

And I guess, the only other thing I would mention is, just a reminder that incentive fees tend to be seasonally low in Q1. So that was definitely a contributor as well. So I think over time, the expected average of about \$50 million is still the right ballpark, but definitely, the real estate slowdown will have an impact.

**Ryan Krueger***Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Okay, great. Thank you.

**Operator:** Thank you. Next question is coming from Erik Bass from Autonomous Research. Your line is now live.

**Erik Bass***Analyst, Autonomous Research US LP*

Q

Hi. Thank you. You mentioned stress testing your credit portfolio and including that in your capital management plans. So I was just hoping you could provide a bit more color on what you're assuming and what those capital impacts could look like in a moderate or severe recession scenario.

**Robert Michael Falzon***Vice Chairman, Prudential Financial, Inc.*

A

Erik, it's Rob. I'll take the first stab at sort of describing how we think about stress testing. And then, Ken, perhaps I'll turn it over to you and you can talk about how we factor that into our capital planning.

So we perform – we have a very robust enterprise risk management capability and perform a whole series of stress tests that vary between our outlook on a base case basis, which includes sort of a moderate decline from an economic standpoint, a full blown recession, and particularly with respect to our real estate portfolio, we look at – we run some of the CCARs, more severe stress tests that the banks are subject to as well. The results of those are factored into both our capital planning and our reserving. We haven't, Erik, updated any disclosure on that. But what I would say is if you look back to when we first, or last, I should say, provided some disclosure, and that was back in the first quarter of 2020, the order of magnitude that we articulated then in terms of the impact coming from the portfolio from a credit cycle is roughly the same order of magnitude today.

Ken, I don't know if you want to elaborate further on that.

**Kenneth Yutaka Tanji**

*Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. Just on your second part of your question, Erik, on sort of what underpins our plans. What is underpinning our plans is sort of the expectation of a slowing economy and the early stages of a mild recession, which would include an elevated level of credit losses and rating migration. And beyond that, though, we also – as Rob just described, we have a variety of stress testing that we also consider. And those are the – that's what we look at when we set our plans for the year.

**Erik Bass**

*Analyst, Autonomous Research US LP*

Q

Got it. Thank you. And then I was hoping you could talk a little bit about your strategic view of the US Individual Life business going forward. Just under LDTI, I think your guidance implies this business will be roughly breakeven or slightly profitable on a GAAP basis. So are there any actions that you're considering or that you could take to improve the profitability of this business?

**Caroline A. Feeney**

*Executive Vice President & Head-US Businesses, Prudential Financial, Inc.*

A

Yes. Hi, Erik, it's Caroline, and I'll take your question. So obviously, as you state, LDTI is expected to result in a meaningful decline in earnings this year for the Life business as AOI recognition will be deferred. While this impacts the earnings pattern, it doesn't change the economics of the business. However, even under the impacts of LDTI, we are proactively looking at ways to enhance the earnings power of the business. And we do remain encouraged by the actions we've taken to pivot to less interest rate-sensitive products, as well as to diversify our overall product portfolio.

And Erik, this obviously also includes the recent launch of our indexed variable universal life product, FlexGuard Life, which is ramping up nicely. We do expect our AOI to grow over time based on core growth, the compounding impact of new business written at attractive returns. And also higher reinvestment rates.

And overall, we remain very committed to the Individual Life business. We do continue to believe that this business is core to Prudential's purpose and we like the growth potential with our overall brand as well as our product breadth and certainly our distribution strength. And we also like the additive mix that the Life business brings, particularly the longevity and mortality balance. And in terms of our pivot, our business – our new business, Erik, it's really a much more favorable risk profile and we're writing new business at attractive returns.

**Erik Bass**

*Analyst, Autonomous Research US LP*

Q

Great. Thank you.

**Caroline A. Feeney**

*Executive Vice President & Head-US Businesses, Prudential Financial, Inc.*

A

Thank you.

**Operator:** Thank you. Our next question today is coming from Jimmy Bhullar from JPMorgan. Your line is now live.

**Jimmy S. Bhullar***Analyst, JPMorgan Securities LLC*

Q

Hey. Just a question first on your commercial mortgage loan book, if you could discuss your confidence in that portfolio. And any stats that you could give us in the loans that have either been restructured and how that sort of trended over the past several months?

**Robert Michael Falzon***Vice Chairman, Prudential Financial, Inc.*

A

Jimmy, it's Rob. I'll handle that. First, just from a sort of a high-level standpoint, the real estate portfolio is a very high-quality portfolio, broadly diversified both by geography and in the underlying property types. And we really benefit from PGIM's direct origination capabilities in this arena. They've got a management team there that's got well over 25 years of industry experience and deep knowledge of the markets and a proven track record in that area.

When we look at the quality of the portfolio, it's actually holding up quite well. You can see that our CECL reserve for that portfolio is just a little under \$200 million. That's about 39 basis points against the portfolio, then that is up from about 21 basis points a year ago. But that's primarily a general reserve. We only have a – we have a single loan with a specific reserve in there, an office property. But outside of that, the reserve really comprises our estimation of losses across the portfolio based on historical data.

**Jimmy S. Bhullar***Analyst, JPMorgan Securities LLC*

Q

Okay. And then the acquisition of Deerpath, should we assume that there's going to be sort of a diversion of funds from buyback to fund this? Or should we not expect any impact on your buyback plans?

**Charles F. Lowrey***Chairman & Chief Executive Officer, Prudential Financial, Inc.*

A

So, Jimmy, let me take that and just raise it up a level and then I'll answer your question directly. But we have said when we think about buybacks and the application of capital, that we want to be good stewards of capital. And we have and will continue to demonstrate a very disciplined and balanced approach to the redeployment of capital within our businesses and to our shareholders and other stakeholders. And you saw in the first quarter, we returned over \$700 million to shareholders, which included the 15th consecutive annual increase in our dividend.

But if I take a step back for a moment, let me share with you some observations about how we think about capital allocation and in particular optimization, which [ph] is (00:33:36) to your point. We look across all our businesses, both domestically and internationally, to ensure that we're optimizing capital deployment. So we'll continue to look for ways to optimize capital to maximize outcomes for all our stakeholders by balancing investments in our businesses and business growth, programmatic M&A, and returning capital to shareholders while maintaining our financial strength.

And you saw examples of all four of that this quarter, right? We continue to invest in our businesses. We did programmatic M&A with Deerpath Capital. We returned capital to shareholders, both in the form of dividends and share repurchases and we made announcement to repay hybrid, which lowers our – the hybrid, which lowers our leverage.

So we'll continue to evaluate all these things as we go forward, especially in the current macroeconomic environment. But as an example, this quarter, we were able to do all of that given the strength of our capital position, given the cash flow we've generated and given our strategy going forward.

**Operator:** Thank you. [Operator Instructions] Our next question is coming from Elyse Greenspan from Wells Fargo. Your line is now live.

**Elyse Greenspan***Analyst, Wells Fargo Securities LLC*

Q

Hi. Thanks. Good morning. My first question is on the capital side of things. When we – after the \$1.5 billion debt paydown, you guys at around – are at \$3.1 billion at the holdco. So can you just give me – I'm just looking for a sense of where you want to run relative to that target? And then the answer to that question, can you give us a sense of just the timing of dividends that you're going to take out of PICA this year as well as any repatriation of capital from Japan?

**Kenneth Yutaka Tanji***Chief Financial Officer & Executive Vice President, Prudential Financial, Inc.*

A

Yeah. Hey, Elyse, it's Ken. Yes. As I mentioned before, we've been planning for the – all of the \$1.5 billion for some time. That's how we built our plans. And then in terms of trends and timing, 1Q is typically a lower quarter for cash flow from subsidiaries, and that's what we saw this quarter, first quarter, and it tends to be higher in subsequent quarters.

All of our businesses are profitable and generating cash flow. That includes PICA [ph] and Japan (00:36:09) and PGIM, and we expect cash flows from them as we progress through the year and we expect to operate within our \$3 billion to \$5 billion holdco HLA range. It will be higher in some periods and lower in others and that's why we define the range. But overall, we're proceeding very in line with our plans.

**Elyse Greenspan***Analyst, Wells Fargo Securities LLC*

Q

Thanks. And then the second quarter baseline, the \$3.20 EPS, that assumes normal VII, but prepaids and alternative real estate income could be lower just given the volatility we're seeing in markets. So how should we think about just VII, not only for the Q2, but also for the balance of the year?

**Robert Michael Falzon***Vice Chairman, Prudential Financial, Inc.*

A

Elyse, it's Rob. I'll try to address that. First, with regard to the returns on the alternatives portion of the portfolio, distinguishing that from the prepayments part of your question, market performance is going to continue to impact returns. That's primarily in the private equity component of our portfolio. That correlation is directional. How it manifests in any given quarter is kind of dependent on the conditions in the quarter.

And I'd also note that within that PE allocation that we've got, about a quarter of that is actually allocated to mezzanine distressed debt and infrastructure. So not entirely correlated with the markets. And also remind you that the PE is reported on a one quarter lag. So if you look at equity performance in the first quarter, that would be some indication of the portfolio on a go-forward basis.

With regard to prepayments, we did see a reduced level of prepayments on a higher interest rate environment. And I think it's – that's a trend that we're anticipating on a go-forward basis [indiscernible] (00:38:01).

Maybe I'll just close with going back to the alternatives portfolio, just to emphasize, we're – our alternatives are invested for the long-term. And over that horizon, we expect to continue to benefit from the dedicated team that we've got. And from the diversification that we have in the portfolio and the efforts we've had around manager selection, including within the real estate component of that to the part of your question, real estate is actually a relatively modest component of our alternatives, it's 15-ish or so percent.

Elyse Greenspan

*Analyst, Wells Fargo Securities LLC*

Q

Thank you.

**Operator:** Thank you. Next question is coming from Alex Scott from Goldman Sachs. Your line is now live.

Alex Scott

*Analyst, Goldman Sachs & Co. LLC*

Q

Hey, good morning. First one I had is on annuities. That was a place where, I guess, relative to the presentation, you all put out at the time of the LDTI recast, the result came in much, much stronger this quarter. So I just wanted to see if you had a perspective on sort of what changed there versus what you were expecting at the time of the LDTI recast. And one of the things that struck me was NII, and I know you all have talked about sensitivity to the NII on shorter-duration collateral securities and cash. And I just wanted to see if you could provide any kind of sensitivity to help us think through how to model that, as we think through federal funds at the levels they are today versus some of the projections that have them declining.

Caroline A. Feeney

*Executive Vice President & Head-US Businesses, Prudential Financial, Inc.*

A

Yeah. So Alex, it's Caroline, and I'll take your questions. So first of all, I would point out that the strong earnings in our Retirement Strategies business continues to reflect the ongoing growth that we're experiencing in this business. And I'll just start with the Institutional Retirement business, which ended the quarter with record account values of \$253 billion. Our account values benefited from nearly \$4 billion in sales, including the best first quarter ever in our pension risk transfer business.

And then if I move to the Individual Retirement Strategies side, we continue to see strong sales here as well, anchored by our FlexGuard suite of indexed variable annuities. In less than three years, we've delivered over \$13 billion in total sales, clearly reinforcing our leadership position as a top five player in the indexed variable annuity space. And complementing that success, our fixed annuity offerings saw continued strong growth and represented over 30% of our sales for the quarter.

Compounding this growth story from an earnings perspective, Alex, is our robust disciplined pricing. So when we go to market, our pricing clearly is fair, competitive and also accretive to shareholder value. We're also able to maintain this profitable growth trajectory, thanks to the strength of our brand, our leading distribution capabilities, as well as strong execution.

I would also point out that earnings in the Retirement Strategies business are seeing a benefit from tailwinds provided by the current interest rate environment in both short-term, as well as long-term rates, which are driving favorable spread income.



And then finally, we remain focused on expense discipline and continuous improvement in operating efficiency with an eye towards protecting the bottom line. So it's really a combination of all of these factors that contribute to the strong earnings we continue to see in the retirement strategies business, which are well-positioned for continued growth.

---

**Alex Scott***Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Maybe just a follow-up to that, I mean the portion that's the sensitivity to shorter term interest rates, is there any way for us to gauge how that may react if the Fed funds rate begins to decline? It just seemed like – it seems like there's maybe a bit more leverage than I would have guessed an upside to that. So I don't want to overlook the potential [indiscernible] (00:42:22).

---

**Caroline A. Feeney***Executive Vice President & Head-US Businesses, Prudential Financial, Inc.*

A

Yeah. So Alex, clearly, the earnings, as I mentioned, are seeing a benefit from the current interest rate environment, and that's both on the short-term as well as the long-term rates driving the favorable spread income. And if we were to see rates decline, then clearly, we would see a reduction in the spread income that we earn. But I also want to reiterate the point that I made that business growth continues to be a driver of earnings as well. And so even if there was a reduction in rates, we would clearly expect that to persist.

---

**Alex Scott***Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Yeah, understood. Thank you.

---

**Operator:** Thank you. Next question is coming from John Barnidge from Piper Sandler. Your line is now live.

---

**John Barnidge***Analyst, Piper Sandler & Co.*

Q

Thank you very much for the opportunity, and good morning. My question is around the Group Insurance. Persistency decline in both Group Life and Disability, can you maybe talk about the drivers seen and any impact from employment reductions as the larger jumbo into the market?

---

**Caroline A. Feeney***Executive Vice President & Head-US Businesses, Prudential Financial, Inc.*

A

Of course, John. It's Caroline, and I'll take your question. So let me just start by taking a step back and pointing out that a core focus of our group business is to remain price disciplined and profit focused. And that just really means pursuing smart growth.

We saw a 2% growth from the year-ago quarter in earned premiums and fees, and that was primarily driven by growth in disability and supplemental health. And while we saw strong sales in the first quarter in Group Life, the year-over-year decline in annualized new business premiums is attributable to our strong discipline when it comes to pricing new sales.

So specific to your question on persistency, John, I'll highlight our approach to and as well as our experience with renewals, which, as you know, are heavily weighted towards the January 1st effective date. When it comes to pursuing renewals, if we are unable to achieve our desired level of profitability through appropriate rate action, we



choose not to retain that business, which is, in fact, just really addition by subtraction. So from a Group Life persistency perspective, you're actually seeing those principles in action here in the first quarter. And the trend in the persistency ratio in our Group Disability business remains strong.

John, you also asked about unemployment and the impacts there. With regard to any signs of impacts from workforce reductions, we really aren't seeing any impact on our business at this point in time. While there clearly have been quite a few large layoff announcements that have generated their share of headlines, overall employment conditions continue to be strong. We're seeing tight labor markets with low occurring unemployment and a large number of job openings.

So this favorable employment trend is evident in the results of our Group Disability business and our results reflect favorable macroeconomic tailwinds, as well as strong execution on proactive claims management. So broadly, we view the risk of unemployment impacts to our business as low over the short to medium-term. And also, I would mention, John, historically increases in unemployment rates over a sustained period could drive an increase in disability claims. However, they would typically take 6 to 12 months to cycle into our results.

---

**John Barnidge***Analyst, Piper Sandler & Co.*

Q

Thank you very much. And another question around Japan. I believe they're lifting pandemic-related restrictions, categorizing COVID like infectious disease or like the influenza. Can you talk about – is that anticipated to improve or enhance distribution? Or are there any product launches planned around that? Thank you.

---

**Andrew F. Sullivan***Executive Vice President & Head-International Businesses & Global Investment Management, Prudential Financial, Inc.*

A

So John, it's Andy. I'll take your question. But let me lift it up a bit and just talk about Japan sales overall. Our Japan operation is competitively advantaged with outstanding distribution, really strong product and a great brand. We were very pleased with the quarter sales results where we had a 4% improvement over the sequential quarter and a 10% improvement year-over-year. That success was well spread out as we experienced material year-over-year growth in the Life Planner, Life Consultants and bank channels.

To your question on product, our work on innovating our product designs continues as we drive to ensure that we meet the needs for retirement, wealth transfer and unmet health and care needs. We also continue to drive our efforts around customer experience with a particular focus on strengthening the product and the offering and the experience to small to midsized enterprises.

As far as the pandemic-related effects and restrictions, we are seeing the COVID-related sales challenges begin to subside. But that being said, we are still seeing impacts from a recruiting and retention perspective. But if you look at everything in aggregate, we're quite optimistic about our ability to grow these businesses over time. As it always is, our priorities are to deliver strong value to our customers while achieving very, very healthy levels of profitability.

---

**John Barnidge***Analyst, Piper Sandler & Co.*

Q

Thank you very much.

---

**Operator:** Thank you. Next question today is coming from Suneet Kamath from Jefferies. Your line is now live.

---

**Suneet Kamath***Analyst, Jefferies LLC*

Q

Thanks. I just want to go back to, Charlie, an answer that you gave to previous question on capital. I think it was Jimmy's question. So I just wanted to confirm, are you committing to the \$1 billion of buyback for the year or – it just felt like maybe there was a little bit of vagueness in your response. I just wanted to give the opportunity to clarify.

**Charles F. Lowrey***Chairman & Chief Executive Officer, Prudential Financial, Inc.*

A

No, thanks, Suneet. No, there was no vagueness in my response. But to be clear, the board has authorized \$1 billion of buybacks, and we will evaluate that each quarter according to the macroeconomic conditions. So there is no wavering per se, but we can't guarantee that we are going to – that would be a forward-looking statement, which we can't make. So no equivocation in our desire to execute on the program. But again, we can't make forward-looking statements.

**Suneet Kamath***Analyst, Jefferies LLC*

Q

Okay. That's clear. Thanks for that. And then I guess, I don't know if it's for Rob or Ken, when you talk about on slide 11 about the mortgage loan portfolio and the process that you go through evaluating at least once a year, what is that process like? Is that an internal process where you use your team? Or do you go externally and hire firms to kind of confirm or validate your approach? Just curious how you think about that.

**Robert Michael Falzon***Vice Chairman, Prudential Financial, Inc.*

A

It's Rob, Suneet, and I'll take the question. So it's a rolling process, first of all. So it goes on throughout the year. It's not a single date, a point in time when we do appraisals. We have a very rigorous process around this, which is we have a central team that sort of runs the appraisals on all of the properties, and that's a combination of using outsourced appraisers in order to give us input into those appraisals, but ultimately, the appraisal is an internal appraisal.

We use outsiders for inputs into the appraisal and even both from a data standpoint and from a valuation standpoint. The internal appraisal process is one that will look at all of that external data and valuations, but we put constraints around it. For instance, we have floors on cap rates that vary according to different property types that we use in our own internal valuations. That's resulted, as we've noted in the past, in a phenomenon where our internal appraisals have generally been, at the time in which we make them, about 10% lower than what the external appraisals are that we've received in those processes. So what you see when we quote our valuations, we're doing it based on that internal view informed by external appraisals, but very much in an internal number with a level of conservatism that's applied on it.

**Suneet Kamath***Analyst, Jefferies LLC*

Q

Makes sense. And if I could sneak one more in just on Japan again. So higher rates in Japan is a relatively new phenomenon. So I'm just curious, one, is that changing kind of customer behavior in terms of products? And then relatedly, I think maybe a quarter or so ago, you guys were having some issues with lapses in the foreign currency products. So just curious if there's an update there in terms of if that's continuing or if it's stabilized, that would be helpful. Thanks.

**Andrew F. Sullivan***Executive Vice President & Head-International Businesses & Global Investment Management, Prudential Financial, Inc.*

A

Sure. It's Andy. I'll take the question. Let me start with the second half of your question, so on surrenders. So as we discussed last quarter, our elevated level of surrenders began to decelerate in December. And we've absolutely seen that continue into quarter one, as the surrenders continue to subside all the way through the quarter. So we're seeing that come back and subside pretty consistently.

As far as the higher rates, and obviously, when we say that, higher yen rates, higher US interest rates. I would – as I would always say, higher interest rates are good for Prudential, are good for our businesses, and they're good for our Japanese business. Obviously, that's from an earnings perspective, but also higher yields give us greater flexibility in our product designs and allows us to deliver additional value to our customers while delivering additional value to our shareholders. So, all-in-all, we see these as good trends and good things.

**Suneet Kamath***Analyst, Jefferies LLC*

Q

Got it. Okay. Thank you, guys.

**Operator:** Thank you. Your next question is coming from Tracy Benguigui from Barclays. Your line is now live.

**Tracy Benguigui***Analyst, Barclays Capital, Inc.*

Q

Thank you. Hey, what drove elevated mortality in the first quarter versus what you typically see? I guess, I'm just curious if you saw an early flu season last quarter that was a pull forward or not.

**Caroline A. Feeney***Executive Vice President & Head-US Businesses, Prudential Financial, Inc.*

A

Sure, Tracy. It's Caroline. And thanks for your question. The Life business typically experiences elevated seasonal mortality in the first quarter, and that's consistent with what we see across the industry. And certainly, this year was no exception. And along with the industry, we even saw some excess seasonal mortality, and that was due to the impact from COVID, flu and also other respiratory illnesses.

We also saw a higher incidence of large face value claims within our Life business. And going forward, Tracy, we do believe that COVID has transitioned to an endemic state and therefore, may still contribute to some amount of elevated mortality over the near to medium term. I would just point out, however, that the overall trend is better than the two previous winters, reinforcing our belief that we will return to pre-pandemic mortality levels in the long term.

And finally, even though we did see some unfavorable mortality experience in the quarter, our diverse mix of mortality and longevity businesses helps to mitigate some of that experience over longer-term horizons. Tracy, you also asked about flu season last year and there was no evidence of an early flu season in our book last year.

**Tracy Benguigui***Analyst, Barclays Capital, Inc.*

Q

Very helpful. I appreciate that. My next question, I'd like to ask you about your office loan maturities in the next 24 months. Our review of stat filings, it looks like it's about \$500 million. Can you speak to the feasibility of

extension? Do you feel like borrowers could either purchase an interest rate cap if the loan is floating or reduce the loan balance by putting in more equity with the current debt yields allow that?

**Robert Michael Falzon***Vice Chairman, Prudential Financial, Inc.*

A

Sure, Tracy. It's Rob. Actually, a little over 10% of the portfolio matures in the next two years as you would think about it, just looking out a little further from the statistic that you quoted. Recall that our portfolio is almost exclusively a fixed rate portfolio as opposed to floating rate.

And so, when you look at the differentiation, the differences on the rollover of the portfolio, again, we're looking at what's happened at the long end of the curve versus the short end of the curve where it's obviously been more dramatic at the short end of the curve for those that have been borrowing on a floating rate basis.

Because of the relatively low loan to values we have across our portfolio, and we gave the statistics on that, it's mid-50% on average LTV, as we roll over our loans, incidentally, the office portfolio is very much in line with that overall portfolio statistic. So as we're rolling over our loans, we're not particularly concerned about the sufficiency of equity in order to be able to refinance, even if it requires a higher level of loan and LTV from where we are.

**Tracy Benguigui***Analyst, Barclays Capital, Inc.*

Q

Thank you. Very helpful.

**Operator:** Thank you. Next question is coming from Michael Ward from Citi. Your line is now live.

**Michael Augustus Ward***Analyst, Citigroup Global Markets, Inc.*

Q

Thanks guys for squeezing me in. Maybe just on commercial real estate. I was wondering about the slide on the REIT debt. I was just wondering if you could expand on that and help us understand how it fits in the spectrum and how – if we should think about the credit risk there similar to like a direct commercial mortgage loan.

**Robert Michael Falzon***Vice Chairman, Prudential Financial, Inc.*

A

It's Rob again. Mike, I would think about the REIT portfolio as more akin to our private placement portfolio than the mortgage portfolio. So while mortgages of the underlying assets within the businesses, they are larger, more diversified businesses than what you're going to find in a typical single asset mortgage loan. It's about – that REIT portfolio is about 2% of our assets. It's 97% investment-grade. It's very well-diversified by geography and property type. And like all of our private placements, it benefits a strong package of covenants as a result of our direct origination capabilities and that loan portfolio is primarily, if not almost entirely, a result of that direct origination within PGIM.

So like we do across the rest of the private placement portfolio, we actually feel quite good about the strength of those loans and the performance of them in the down cycle vis-à-vis [ph] comparatively rated (00:56:57) public securities.

**Michael Augustus Ward***Analyst, Citigroup Global Markets, Inc.*

Q

Thanks Rob. And then somewhat relatedly, I believe PGIM's one of the bigger CLO managers, so I was just wondering if you had any perspective or outlook for that asset class, given broader credit risk?

**Robert Michael Falzon**

*Vice Chairman, Prudential Financial, Inc.*

A

It's Rob. I'll take it again. And I'll defer to Andy if he wants to jump in on me to talk more specifically about PGIM. But Mike, as we – to think about CLOs, first of all, from our own portfolio, we are solely a holder of AAA securities within the CLO, within the general account portfolio. We have some miniscule exposure below AAA as a result of being a CLO manager, PGIM being a CLO manager, where we do European CLOs, we need to have retention there of a relatively modest amount, so it's inconsequential. But outside of that, it's exclusively a AAA portfolio.

As we look at the CLO space, we find good value in the AAA and even the AA space and – but we're more conservative in our views as to what can happen in a stress environment once you get into the single A and obviously the BBB and subordinated tranches of that.

**Michael Augustus Ward**

*Analyst, Citigroup Global Markets, Inc.*

Q

Okay. Thanks very much.

**Operator:** Thank you. We reached the end of our question-and-answer session. I'd like to turn the floor back over to Mr. Lowrey for any further or closing comments.

**Charles F. Lowrey**

*Chairman & Chief Executive Officer, Prudential Financial, Inc.*

Okay. Thank you again for joining us today. I hope we demonstrated to you the progress we're making in transforming Prudential to deliver sustainable long-term growth and to meet the evolving needs of our customers. We're confident in our strategy and the strength of our company. For nearly 150 years, Prudential has been focused on creating value for our customers and other stakeholders who we will continue to serve as we strive to be a global leader in expanding access to investing, insurance and retirement security.

Thank you again for joining us, and have a good day.

**Operator:** Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time, and have a wonderful day. We thank you for your participation today.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2023 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.