

## Trupanion | BOFA 2026 Animal Health Summit | February 26, 2026

Speaker 1:

Ladies and gentlemen, the program is about to begin. At this time, it is my pleasure to turn the program over to your host, Michael Riskin. You may begin.

Mike Riskin:

Great. Thanks everyone for joining us for our next session. My name is Mike Riskin. I'm the US Life Science Tools and Diagnostics Analyst also covering animal health. But, for this next session, I'm also honored to be joined by Josh Shanker, our US insurance equity analyst who's hot off a plane. I'm surprised he's not still out of breath, but he's that eager to be joining us. And we're also excited to be joined by Trupanion. We're joined by Margi Tooth, president and CEO, and Fawwad Qureshi, chief financial officer. Thanks everyone for taking the time and being here with us. I'm going to pass it over to Josh since it's his coverage, and he'll lead the fireside chat. But, as always, Boom, or chat, or email, any of us, if you want us to introduce any other questions. Josh?

Josh Shanker:

Yeah, Fawwad, Margi, thank you for being here today. We really appreciate it. I guess, look, we just had the year-end conference call, and obviously, you laid out some guidance. Can you tell people how they should be thinking about 2026, and what do you think the major points to relay to investors are here?

Fawwad Qureshi:

Yeah, I can take that one. As you said, we just announced our 2025 results. Super happy about the way the year shaped up. Just looking forward to continuing momentum in 2026. When we think about guidance, similar to what we talked about in 2025, the pricing is still going to contribute more as a percent of revenue growth in 2026, but less so than it did in 2025. We're seeing that gradual shift of contribution to revenue going from pricing to pet count. Pet count will contribute more in percentage in 2026 than it did in 2025, but it'll still be less than pet count. When we look at loss ratio, pretty similar experience that we saw in Q4 is what we're carrying for. Haven't really seen a significant inflation as we get into the start of the year. But, of course, it's something on the table and we need to keep watching that. Really happy to be able to deliver on the expense leverage.

I committed that we achieve leverage in the second half on fixed expense and variable expense as a percent of revenue, so we can see that. And you guys see the top line, you can see the total percentage. And within that, underneath that, there's a number of things, one of which is we continue to invest in technology. We feel technology is a differentiator for the company. We talk about claims automation for instance, so it's really leaning into that and we're paying for efficiencies in the overall spend portfolio. And then, because of that, we see the prospect of margin expansion from an adjusted operating margin standpoint through the end of the year.

Josh Shanker:

Great. And so, when we think about go to strategy, one thing that we've noticed in the recent past is you've upped the customer acquisition cost spend or policy acquisition cost spend. You can see on a per pet basis, we can see in an aggregate numbers. How is the go to market strategy changing or evolving as we enter 2026 through vets, through breeders, through direct outreach? What are we spending those dollars on, and how is that allocation changing over time?

Margi Tooth:

Yeah, so when we think about acquisition in terms of our distribution channels, the vet channel, and so on, I'll maybe say it's still the heartland of every conversation that we have once that gets to the vet. We want to reinforce that with the vet routine, as well as breeders, and shelters as well. We're thinking about all stages of early pet ownership and adoption. Our additional spend is really allowed us, much like what I mentioned for technology, like building the framework, and the labor land, and foundation to be able to build up from it. When we were pulling back our PAC spend over the last two years prior, we've started to really build that foundation again. We're thinking about making sure the brand is present in hospitals, making sure that breeders understand who Trupanion is, and what value that brings to their measures.

And the same thing with pet parents. We're trying to find them earlier in the funnel, so where they shop, where they consume, where they're browsing, where they're looking for education information, using the data that we have as Trupanion to bring us in front of their eyes and minds as pet parents. And it's a multitude of ways that we're pulling together the strategy for acquisition, some of which will deliver quickly. And a lot of it, we expect would just really help to broaden that funnel around the top, so you bring a lot more people through, but then they get to know Trupanion, which means there are different stages of velocity of how they move through the funnel.

Josh Shanker:

Can you go a little deeper in finding pet parents? There's one thing about the idea of the vet saying to the customer, "Hey, look, have you thought about health coverage for your pet?" And it sounds like that you have more of a pull of finding customers. How does that differ from what's been going on in the past?

Margi Tooth:

It's complementary to it. I would say that we're looking at finding ways that it is helpful. It eases a conversation when someone walks in the door and they're already saying they're insured. From a vet perspective, that makes their life so much easier. We've heard that for years, and for us, it's about trying to make sure you're making that conversation quicker and more efficient. And also, the more times that someone sees a brand, we know this from all, that they become more familiar with it, the profitability when it's introduced, and they're more willing to listen to what the brand has to say.

This is really us building our brand in not only animal health, but actually in broader terms of the market. And I would say just in terms of tactics, I don't want to reveal too much, obviously, but we're doing a lot of new things, or different things, and thinking about the vet journey, but where do people go before they get to the vet? And that's predominantly when they're getting effect the first time, so they're researching a breeder or trying a load of other things into finding out how these other things, originally how these things together to help them when the conversation comes up at that level.

Josh Shanker:

I think of Trupanion as the industry leader in pet healthcare insurance. There's obviously been a lot of capital formation, M&A, and putting together businesses. The category continues to grow. I'm not sure that Trupanion is currently growing as quickly as the category as it's been retooling pricing. Historically, you've outgrown the market, which I think is only 4% penetration right now. I expect that's going to continue to grow. A, can you frame what you think the growth for the category is and B, where Trupanion will be in one year, three year, five years relative to categories growth?

Margi Tooth:

Yeah, there's a lot to that question. Keep me on track here in case I don't answer everything. When we think about overall growth rate as a category where we're around four, four and a half percent. The industry figures haven't been release for 2025, but I expect that we'll be seeing somewhat continuous growth if not slightly ahead of where we've been trading for the last five years as a category. We know that with vet costs, that people are leaning into more solutions [inaudible 00:07:23]. And insurance is one of those solutions. There are some others that are coming out of the market. From our perspective, what we've been very clear about for the last couple of years is doubling down to more fair prices which I think you should learn to understand why costs are what they are. We're talking about how they increase now somewhat close to 50%, if not higher than that for all members over the course of the last few years.

For us, it was important to maintain that retention rate before we lent it to grow progressively. That's not to say we haven't been growing, but it was more around when we're enrolling, and we want to make sure that price line is right, so it's going to be very deliberate for us to focus member first and then additive. I would say in general, because of that, I anticipate that certain players in the market have been growing faster than Trupanion, because their priorities are different. Moving forward though, there's absolutely greenfield for everybody. We're not in a situation where the category is a take market. If you will, it's so much building, and when there's building education there's also that healthy advantage of those for everybody. And in one point of view, we're not going to just grow at all costs. It's been very deliberate and focused on lifetime value, looking at the margin we get compared, and we've seen from the numbers Fawwad was talking about in Q4, our margin was at high level for the four year, which is the first time in our history we've done that.

We now have the confidence to be more aggressive. I would say it's three to five years out as we leave that demand, and that's early adopter moving into the majority market, and the majority we fully expect to be aggressive in the space, deploying the AOI we are generating this business and getting to a growth that we feel good about. Yes, we want to grow in the market. That's absolutely our long-term aspiration for sure. We won't do it at all costs, and we believe that when you're playing that long-term game at the reputation of our brand, we're looking at how members can trust us, and know that we've got coverage that we're doing so that they can keep the product. That's more important to us for the long-term play, and we're excited that we're positioned to really maximize that for years.

Josh Shanker:

I'm just going to make a comment here that you can dovetail on a little bit that the product you sell is the most coverage that you can get for a dollar.

Margi Tooth:

That's right.

Josh Shanker:

There should be a ... Clearly there's a market for that. And A, should that type of product grow faster than the market who are at the same pace? Not even Trupanion, but the desire to have as much coverage as Trupanion is willing to provide, should that be outgrowing the market or growing with the market?

Margi Tooth:

I think it depends. If you've got pockets of people that will want the most comprehensive, and then you've got folks who are going to want something, whether that's emergency coverage, versus lifetime coverage, and wellness and everything in between, I think there is a space that absolutely is the ultimate product. We've always seen ourselves as a leader, and I think our numbers prove that from a lifetime value retention perspective. I think where the market is today though, I mentioned just we're going into a different phase of market leadership, which is really exciting for the entire category. That's really going to start to see a broader offering, and people are going to demand something a lot different as they should, and they want more choice.

And I think our role, having our data, having our experience, having the systems, having more functionalities, AI adoption and technology is really helping us to build on how do we then create the next generation product? What does that look like? What features do our members want, so they have optionality between what is the best, most comprehensive coverage, and also, potentially, early entry products as well will help them come into the Trupanion family. But, yes, I think it's recommended by more vets than any other product for a reason, and that just brings more reason for many family members, and it's a much bigger space for us to continue to grow.

Josh Shanker:

You may have seen, it's really a more home and auto story about some governors in the United States who are asking for a cap on insurance prices and really, I don't know if that's the right idea, but they're trying to capture on people's wallets are earning, and affordability is going to be a big issue in the 2026 election cycle. To what extent is your messaging being successful around, even though we are a more expensive product, we're actually helping you manage your expenses better, or are we still in the phase where sticker shock is the dominant feature about how people think about things, and that's going to be weighing on growth for the next 12 months?

Margi Tooth:

Well, thank you for asking the question that way, Josh, because Trupanion is not the most expensive product. Trupanion is actually the least expensive product over the life. And the point you make is exactly what we are breaking down in Trupanion communication and efforts around conversion and education that I talked about before, that parents don't appreciate what every other provider in the market does. They don't appreciate that the age of enrollment is a unique benefit to Trupanion, and we lock in that age after age because we believe in providing care for the life of the pet. Now, that being said, your point is still absolutely the right one. And as I mentioned, we're looking at how do you evolve our products then to make sure that we're doing everything we can for our existing product, and then looking at what do we do with the parents that, to your point, don't have that money?

They still want some number. We believe our brand has created sufficient equity in the market today where we can actually go and create something that will not be as comprehensive, and might have some different product features and limits, but it will still have direct pay, we still have the Trupanion brand promise, and security effects. And we believe that that's the next step for us in the category, and I'm

sure we'll see more market entrants come in, because there is that need. We've got that beautiful alignment of the market's growing, there is more awareness, vets are recognizing the power of digital client base. Consumers need something to help them protect. And like I said before, we have sufficient data in that brand development in the market that will help us to build on that and create something specific for those members who can't afford the dollars today.

Josh Shanker:

You've had a multi-year soft launch, I call it, of lower value healthcare products in terms of a discount product like PHI Direct and a mid-tier product like Furkin. I think about Trupanion as being a business built around doing what's best for pets health. To what extent does Trupanion have the skillsets to sell a product that isn't designed around maximizing healthcare for pet needs?

Margi Tooth:

Yeah, I think PHI and Furkin, they were launched in Canada, and they are still in Canada, but they're still running as businesses acquiring pets. I would say the two of those products launched at a time just before we saw margin compress through the business. Our intention of those products was to progress most aggressively, right across the US market and have three products business as it remains. As we look back over the last three years, four years, when we saw that margin compression come through, the first thing we did was, as I mentioned, the first double down focus on members and we started to pull back where our acquisition was going, and we were deploying it into areas with the highest rise to value just by the very nature of the type of product they are, it's not the highest left to value. We stopped really investing in them. We learned a lot from them, and I think if I look back to when we launched them and we started talking about in '21, the whole premise for us was we didn't want to use the Trupanion brand at that point in time.

We wanted to create very different products that would compete with other products out there in the market, and would clearly define difference between a high value product, and mid-value product, and a low value product. Between the three of them, I would say it's been a very useful learning curve, we got a lot of data of pet parents that buy these two products. But, now where we are, as I mentioned, our brand equity has changed significantly over the last few years. We've added a lot more hospitals to our base, installed a lot more software.

And we're at a point now where we think that the brand actually will help advance those products in the market because of the trust that has been created. They've been effective, they've been very helpful, and they're still part of our ecosystem fabric today. We'll take the best parts of those, we'll build them into the Trupanion concept, and then start to bring a slight different product to market. Now, we have evidence to do that. We've seen a nice level set with our margins, and anticipate that pricing continue to come through over next few years, gives us means to deploy not only into Core but into other products. And then having another brand or brand associated under that umbrella, a dollar is going to go much further whereas before a dollar was allocated to PHI, a dollar for Furkin, and one for Trupanion and they weren't under one umbrella.

Josh Shanker:

If we go ... Yeah, go ahead, Fawwad, please.

Fawwad Qureshi:

I was going to say I think my name was called. When you think about pricing as a contributor to revenue growth, one of the things we talked about at the end of '24, is that was about when we expected year-

over-year ARPU increases to peak. And for the most part, as you look at 2025 type of year, it largely played that way and right now, so we feel we are at least past the peak. It took a lot of work to go from significantly compressed margins to operating at target margins.

We're very happy to get 14.8% for the whole year in 2025, so we're bringing in this space. There's a couple of things happening at the same time. One, we have the margin recovery. Two, we have the strength of our balance sheet, our free cash flow so financial capacity. And those are the two conditions that we talked about over the course of last year. We are starting to accelerate our investment. What makes up our margin [inaudible 00:17:58]. I'd like to think of the margin share, not market share. And we need to be able to have the financial resiliency to make the investments in our company in a number of areas. I feel good about where we're positioned in terms of unleashing those dollars. I would say we're very enthusiastic about where we are.

Josh Shanker:

If we go back to the post-COVID inflation period, you have a birthday renewal type pricing model, and you ask the regulators for price increases in response to what you're seeing. And so, as inflation is happening, your margins deteriorate, because it's happening in arrears, and you get to a stability in terms of where your current pricing is matching the inflationary trend. With your 2026 guidance, we see that pricing is coming down, you're responding to loss cost trend moderating to some extent, but it's going to take you a year for all those prices to reset to the proper level of inflation. Does that mean half your book is going to be at a price that is ahead of the loss cost trend until we reach the renewal date, and it forces your margins to expand from here?

Margi Tooth:

I think there's obviously a good chance that can happen. We knew going into this, the team is really eager to pivot as quickly as we need to. At this point though, as Fawwad mentioned, we haven't seen the cost abating, and certainly lower than our expectations, which gives us confidence moving through the year that, first and foremost, we're in a position to be able to afford that cost of goods, which was critical for us. And as soon as we see something change, we will give it, we'll switch. Some we can go quicker than others, because as you mentioned, we've got to rate approvals through. But, again, our goal is still to hit the same value proposition, and we'll be in a different position to where we were in '22, as you say, we saw that margin compression. I think for us, it's really a case of just working, and monitoring, ensuring that we can offer the value properly while we drive that intentionally.

Josh Shanker:

Pricing is moderating. I believe that if I were a customer of Trupanion, I'm not a pet owner, so I can't be a customer of Trupanion. But, if I were, and I got two back to back 20% price increases, and I stayed a customer, I think you can imagine I'm never going to leave, that I got huge price increases, and I still love the product, and whatnot. And so, I look at the cohort of customers you have, and I assume that they're more loyal than they've ever been, would be my takeaway. But, retention is still lower than it was a half decade ago. Do you expect to return to peak level retentions, because you have a different population that's been through a number of rate increases and stuck around? Should we see ... Retention is improving, it's clear, but it's improving modestly, not step function improving.

Margi Tooth:

Yeah. I think we do have a loyal base, and I think that's something that we hold with such high value, because we are not in a position to try and take margin where we don't need margin. For us, it's about honoring a value proposition. I think our members have realized that, and then their parents who understand what they're buying, they understand the value that we can help in their lifetime, so I think it's in the pet's lifetime. I think from our point of view, yes, I absolutely think our retention rates can continue to improve. And I think over a period of years, we'll get that back to the levels we've historically seen.

Now, it'll be different depending on cohorts because you've got, if you have a new product entry, that's going to behave differently, if you have PHI or Furkin, that's going to behave differently. But, I think overall, when we had to put that rate through, as I said, we really got to focus on the patient, the experience, and understand how do we refine us for approach, how do we use tools like AI to help parse that, so that's really building up the member experience further.

We'll continue to look at ways that we can surprise and delight our members, because we don't want to just be affiliated with the price. But, we've been so encouraged by the numbers of teams to be able to develop together with our members. I think we can do an outstanding job of it, and to still have the retention rates we have to your point after not two years, but three years of compounding increases, speaks volumes for the product, and the quality that we have. It also speaks volumes to the relationships we have in the veterinary space, because at the end of the day, if you're using the product, or speaking to your vet, your vet is reassuring you that this is the right product. And when you hear that as a pet parent, it's worth it. I think we all honor that commitment to our members, and over time, we believe that we'll continue to grow and get back to those high levels.

Josh Shanker:

Fawwad, please correct me if I'm wrong, but I think if I remember correctly, you guys generated about \$41 million in free cash flow this year, op cash flow, less CapEx. I think that was the number, but maybe I'm wrong.

Fawwad Qureshi:

Yeah, it was a little higher. It was about 75 million.

Josh Shanker:

75 million? I'm sorry. All right, so it's interesting, that's actually my point. If we go back in time about five years ago, I think that the ethos of the company was to maybe be cash flow neutral in some ways, that every incremental dollar we're generating should be put into acquiring pet parents, because the category is growing so quickly that we have a much better use of that capital than anything we could do. And then, of course, we hit the inflationary period, and cash flow went negative. You had the capital suck from the other division, and Pets Best. And so, is there a different ethos in the company about the purpose of cash flow compared to what you thought it was half a decade ago?

Fawwad Qureshi:

Yeah. As I think maybe, clearly, pet [inaudible 00:24:21] is much smaller. This company's grown, give or take 20% a year, so we're talking about a \$1 billion business. And so, one of the things that Margi and I are going to talk about is, we want to have the capacity to be able to make investments we want to make. We want to approach every cycle, every annual finance cycle with a strength. I think having free cash flow obviously gives us choices, that gives us the ability to make decisions, to be aggressive, to see opportunity. We took a goal right when I started. Free cash flow as a percent of revenue to be at least

2.5%, it was close to 5% last year. Yeah, as long as we continue to generate strong margins as less that will create free cash flow, about two-thirds of that free cash flow generated by AOI, so it's not being created through expense reduction or expansion businesses.

We've got super healthy free cash flow, stronger balance sheet, lower cost of capital, we've reduced our debts. We feel really, really well the position we should be in today, to make investments when we see them. The other thing I talked about, I think it's important that any investor should consider is there's a lot of opportunities for the company. PAC will always be the biggest source for these investment dollars. But, if you think about it, you have this pool of capital. That could be put in PAC, or now in Landspath. Right now there, we're in that more capital intensive period, and that's consuming some cash.

Obviously, from a technology perspective, I spoke about that earlier. Some investments there, whether its automation, UX, the overall member experience. And then there is financial investments we can make, we paid down about \$17.5 million of debt in 2025. I would say AOI is a pool of capital that we deploy in a variety of places, the majority of which we obviously would expect that to be in PAC. But it gives optionality, so that free cash flow the financial engine that's going to power all of us.

Margi Tooth:

Yeah. And I would just add, Josh, when I think back and Fawwad said earlier, we think about how we've shifted, how it changed, and we're such a big organization, and for us as a bigger organization, we still remain rooted in making sure that we help pet parents and support the veterinarian industry. We're also looking at high internal rates of return. What we're now trying to do is just deploying AOI and maybe we'll get pets in 10 years time. That's not our goal. Our goal is to be disciplined. It is such a lovely position to be in to know that we've got the means to deploy in things like technology that we feel like we can help our members and help us be more effective.

And it's very much more that long-term thinking. We want to do things that we could have done a few years ago, but we didn't. I think chasing that market growth is helpful in the short-term. For us, it's about setting ourselves up because the market is underpenetrated. We're in a great position. We will continue to deploy higher and higher levels of adjusted operating income to grow the business into pet count at high internal rates of return. We think about that, and when we think about the other things, the opportunities we have that have come our way, and we think about the fact that we're more and more in control of our own destiny. That sets us up with that extra level of confidence. I think that really helps us set the stage for the next few years of business.

Josh Shanker:

Two more questions. One, I think that we have a formula about what the ROI of a dollar of PAC is. Whether it works out that way, but we know what it is. I don't think we know what a dollar of ROI spent on Landspath is. Can you frame how we should think about the value of those two propositions?

Fawwad Qureshi:

I don't remember what [inaudible 00:28:13] is, so I don't want to commit to a particular margin profile. I think what I would say is, when we look at the opportunity, I think there's a couple of things that differentiate us. This is a product that we'll continue to be distributed through the vet channels, so we're going to continue to build that relationship to the offering that's an additional source of two big products to their customers. The long-term unit economics of this business we believe [inaudible 00:28:44], suggest that the pet food business can be superior to pet insurance business. It's going to take time for that business to achieve scale in the near term. But yeah, long-term we're very excited

about it. It couldn't ultimately be as big as the pet insurance business, maybe bigger, with more favorable economics.

Josh Shanker:

Okay. And then, one more, maybe as a housekeeping question, a 13F was filed, large holder Tarmac eliminated its position and Felix Holding not so clear reported a position. Is this connected, and should we learn anything from the changing holder base at the company?

Margi Tooth:

Yeah, so it's the same. It's one of our directors, who was moving from Tarmac into ... Felix Holding is a related entity, so moving from one holding to another holding, so it's a transfer. It also increased their position, which is continued support, showing that confidence in the business, which is great. And that happened earlier this week, so it's the same holder, it just concerns a different fund.

Josh Shanker:

Okay. And in terms of, I guess, post-quarter, is there any takeaways that you are receiving from investors that you think would be useful to share what you understand the sentiment is around the stock, and what's changing, and what isn't?

Margi Tooth:

Yeah, I would say, from my perspective, reiterating the opening remarks, so for one way around the confidence going into this year, we absolutely intend to be aggressive from a pet count point of view. I hope being well understood, and hope also that people understand that we now have the means to do that aggressively in a marketplace, and we'll both leverage our existing product, but also we have coming up too to really cater for that additional growing market space. The one thing that we haven't really talked about a huge amount on our previous call, but in the call ups, we've had a lot of conversations about AI, and how we're using that. And when we think about those technology investments for us as a business, we've been able to massively accelerate our efficiency within certain areas of our operations, our member experience, because the teams are using those tools, and it's just helped us really accelerate that pattern to the benefit of our members.

I think when we consider articulating our value proposition, doing things different, smarter, quicker, more personalized, all those things are coming together that we're able to get better and much more achieved. But, all in all, super excited about the year ahead in an incredibly strong financial position, and incredibly, apt market for us. We're looking forward to the next few quarters with our trajectory. Oh, we can't hear you.

Mike Riskin:

Josh, you're muted.

Josh Shanker:

I'm muted. I was trying to fix the warbling a little bit.

Mike Riskin:

You made it the whole time without that.

Josh Shanker:

Yes. I just wanted to maybe give Mike the opportunity to, with some closing marks, how this all fits into this animal health theme maybe, and maybe some concluding remarks.

Mike Riskin:

Yeah. Thanks, Josh. Thanks everyone for joining. That was, I thought a really great session. It certainly overlaps with a lot of the conversations we have with investors on our side. And I know there's a lot of overlap between investors in terms of pet trends, pet parent behavior, spending behavior, and the current macro and sort of how insurance fits into that, and helping manage the cost of pet ownership. I think it's all part of one ecosystem, and really appreciate you taking the time and joining us.

Margi Tooth:

Thank you for having us.

Fawwad Qureshi:

Thank you.

Josh Shanker:

Thank you all, and have a wonderful day, appreciate it.

Mike Riskin:

Thank you.