



**Trupanion**

**First Quarter 2026 Earnings Conference Call**

**April 30, 2026**

**C O R P O R A T E   P A R T I C I P A N T S**

**Gil Melchior**, *Director of Investor Relations*

**Margi Tooth**, *Chief Executive Officer & President*

**Fawwad Qureshi**, *Chief Financial Officer*

**C O N F E R E N C E   C A L L   P A R T I C I P A N T S**

**Wilma Burdis**, *Raymond James*

**Josh Shanker**, *Bank of America*

**Skye**, *Piper Sandler*

## **PRESENTATION**

### **Operator**

Good day and welcome to the Trupanion First Quarter 2026 Earnings Conference Call.

All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key, followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on a touch-tone phone. To withdraw a question, please press star, then two. Please note this event is being recorded.

I would now like to turn the conference over to Gil Melchior, Director of Investor Relations. Please go ahead.

### **Gil Melchior**

Good afternoon and welcome to Trupanion's first quarter 2026 financial results conference call.

Participating on today's call are Margi Tooth, Chief Executive Officer and President, and Fawwad Qureshi, Chief Financial Officer.

Before we begin, please be advised that remarks today will contain forward-looking statements. All statements other than statements of historical facts are forward-looking statements. These include, but are not limited to, statements regarding our future operations, key operating metrics, opportunities and financial performance, pricing, and veterinary industry inflation. These statements involve a high degree of known and unknown risks and uncertainties that could cause actual results to differ materially from those discussed. A detailed discussion of these and other risks and uncertainties are included in today's earnings release, as well as the Company's most recent reports, including Forms 10-K, 10-Q, and 8-K, filed with the Securities and Exchange Commission.

Today's presentation contains references to non-GAAP financial measures that Management uses to evaluate the Company's performance, including, without limitation, cost of paying veterinary invoices, variable expenses, fixed expenses, adjusted operating income, acquisition costs, internal rate of return, Adjusted EBITDA, and free cash flow. When we use the term adjusted operating income or margin, it is intended to refer to a non-GAAP operating income or margin before new pet acquisition and development expenses. Unless otherwise noted, all margins and expenses will be presented on a non-GAAP basis, and excluding stock-based compensation expense and depreciation expense. These non-GAAP measures are in addition to and not a substitute for measures of financial performance prepared in accordance with the U.S. GAAP. Investors are encouraged to review the reconciliations of these non-GAAP financial measures to the most directly comparable GAAP results, which can be found in today's press release.

Lastly, I would like to remind everyone that today's conference call is also available via webcast on Trupanion's Investor Relations website. A replay will also be available on the site.

I will now hand over the call to Margi.

### **Margi Tooth**

Good afternoon, everyone, and thank you for joining us today.

In the first quarter, we generated over \$40 million of adjusted operating income, up 29% year-over-year, and remain on track to deliver \$180 million for the full year. In my Shareholder letter published earlier this week, I highlighted the importance of adjusted operating income, which provides the flexibility to invest in growth and serves as a proxy for our core earnings power.

As we enter a highly compelling period in the pet insurance industry, that flexibility presented by strong performance against this metric is increasingly important. The human-animal bond continues to strengthen, which means pet care, once considered discretionary, is now viewed by many as a necessity. Alongside this trend, the cost of veterinary support has increased significantly, limiting access to care for a growing number of uninsured pets. These dynamics create a meaningful and expanding opportunity for Trupanion.

To fully capture what's ahead, we intend to embolden our messaging, broaden our existing product, introduce a brand new product, and continue to invest to grow the business. To do this, we'll leverage our adjusted operating income, which, as I noted in my Shareholder letter, has compounded annually at 35% in the last two years and 45% over the last 10.

The same growth of this nature requires discipline across pricing, retention, and new member acquisition. Simply put, for it to expand meaningfully, we must be priced accurately, maintain or improve retention, and add new members at our target value proposition, ultimately expanding our pet count and the number of pets we protect. Our track record demonstrates the ability to do this for more than two decades.

Today, we provide coverage for nearly one million pets under the Trupanion brand, and last year, more than a quarter of a million pet parents chose us because they wanted high-quality coverage for their pets. Yet, there are many more that didn't, and we need to be sharper in how we communicate what makes us different and why it matters. Beyond that, we also recognize the opportunity of expanding the options available for our existing product to offer greater choice, as well as innovating pet insurance once again with a modern, digital-first lens with plans to bring a new solution to market later this year.

The new product will carry the mark of Trupanion to enable us to better leverage our brand reputation, direct payment, pet acquisition investment, and to create room for upsell or cross-sell where appropriate to reach a broader customer segment. As these initiatives come to life, we must also plan to operate with improving efficiency and cohesion. With that in mind, we're reorganizing our approach to growth to unify under a single leader and to create a consistent, bold, and clear pet parent experience in support of this mandate, from lead generation through to conversion and retention.

That said, our overall expectations for the year remain unchanged, with adjusted operating income continuing to propel growth and investment in the business, as we benefit from the scale achieved across the operations, retention, and the accuracy of our pricing. With that, I'll briefly turn to some notable developments and results from the quarter.

At the beginning of this call, I mentioned our increase in total AOI to over \$40 million. Our subscription business generated the majority of this, contributing \$38 million, which directly translates to a record lifetime value per pet, up 29% year-over-year, giving us ongoing confidence to compound the business by investing at continuously higher levels. The pet acquisition investment in the quarter, which was 53% of our total AOI, fuels a growth plan expected to deliver returns across multiple time horizons, with benefits accruing beyond the current quarter, all while continuing to generate strong free cash flow.

We added approximately 64,700 pets into our ecosystem in Q1. We recognize there's still work to do in order to fully capitalize on the opportunity in front of us, yet we're encouraged by the mix of pets onboarded continue to demonstrate strong and durable per-pet economics. At the end of the quarter, we began the early rollout of the first of our strategic initiatives under our new strategic plan, adding flexibility to our core Trupanion product for pet parents wanting Trupanion at a lower entry point.

Initially available in Canada, we've expanded to a handful of U.S. states and intend to expand broadly throughout the year. Early results are encouraging, with improved web conversion rates relative to prior periods, an indication that offering greater choice is resonating with pet parents. Worth noting, when presented with a broader set of options, pet parents are consistently selecting coverage levels that are somewhat in line with our core offering, suggesting increased flexibility is expanding access without

materially shifting selection toward lower coverage. As we move through the year, we remain focused on executing against these priorities with discipline while continuing to build on a strong foundation.

With that, I'll turn it over to Fawwad to walk through our Q1 financial results in more detail.

### **Fawwad Qureshi**

Thanks, Margi, and good afternoon, everyone.

Today, I will share additional details around our first quarter performance, as well as provide our outlook for the second quarter and full year 2026.

Total revenue for the quarter was \$384 million, up 12% year-over-year. Within our subscription business, revenue was \$269.5 million, up 16% year-over-year, and exceeding the high end of our expectations. Total monthly average revenue per pet for the quarter was \$85.79, up 11% over the prior year period. Total subscription pets increased 5% year-over-year to 1,106,000 pets as of March 31. This includes approximately 64,000 pets in Europe.

Average monthly retention for the trailing 12 months was 98.35%, up versus the first quarter last year, which was 98.28%. The subscription business cost of paying veterinary invoices was \$190.9 million, resulting in a value proposition of 70.8% versus 71.8% in the prior year period. This improvement came in light of an adverse development from prior periods of \$3.1 million or approximately 120 basis points of subscription revenue, showcasing the strong performance in the quarter.

As a percentage of subscription revenue, variable expenses were 9.1%, in line with the first quarter of last year. Fixed expenses as a percentage of revenue were 5.8%, down from 6.2% in the prior year period. Combined, we saw fixed and variable spending at 14.9% of revenue in Q1, an improvement from 15.3% in the prior year period.

Our subscription business delivered adjusted operating income of \$38.4 million, an increase of 28% from last year, and contributed 96% of our total AOI for the quarter. Subscription adjusted operating margin was 14.2%, the highest Q1 margin in our history, and up from 12.9% in the prior year, and represents approximately 130 basis points of margin expansion.

Now I'll turn to our other business segment, which is comprised of revenue from other products and services that have a lower margin profile than our subscription business. Our other business revenue was \$114.6 million for the quarter, an increase of 5% year-over-year. We expect growth for this segment to continue to decelerate, as we are no longer enrolling new pets in the majority of U.S. states for our largest partner in this segment.

Adjusted operating income for this segment was \$1.8 million, or 1.6% of revenue. In total, adjusted operating income was \$40.2 million in Q1, up 29% from Q1 last year, and in line with our expectations. We deployed \$21.2 million of this AOI to acquire approximately 64,700 new subscription pets. Excluding the pets that are underwritten through an MGA structure, this translated into an average pet acquisition cost of \$315 per pet in the quarter, up from \$267 in the prior year period.

We invested \$1.7 million in the quarter in development costs. Stock-based compensation expense was \$8.8 million. As a result, net income for the quarter improved to \$4.9 million, or \$0.11 per basic and diluted share, as compared to a net loss of \$1.5 million, or \$0.03 per basic and diluted share in the prior year period. This marks our fourth consecutive quarter of positive net income. In terms of cash flow, operating cash flow was \$14.6 million in the quarter, compared to \$16 million in the prior year period. Capital expenditures totaled \$0.8 million, down from \$1.9 million in Q1 of last year. As a result, free cash flow was \$13.7 million, approximately in line with last year.

This quarter, we continue to execute on the investments that Margi outlined in the Shareholder letter and that I talked about last quarter. In addition to opportunities to accelerate growth in our core business in North America and international, these include Landspath, our food initiative, investments in technology to strengthen our competitive advantage in areas like claims automation and improved member experience, and financial investments such as paying down debt.

Turning to the balance sheet, we ended the quarter with \$383.7 million in cash and short-term investments, and a total debt balance of \$109.3 million, a reduction of \$19.5 million versus Q1 of last year.

Now I'll turn to our outlook. For the full year of 2026, we now expect total revenue in the range of \$1.556 billion to \$1.581 billion. We are narrowing the range for subscription revenue, which is now expected to be between \$1.119 billion and \$1.135 billion, continuing to expect approximately 14% year-over-year growth at the midpoint. We also continue to expect total adjusted operating income to be in the range of \$173 million to \$187 million, or 19% year-over-year growth at the midpoint.

For the second quarter of 2026, total revenue is expected to be in the range of \$386 million to \$392 million. Subscription revenue is expected to be between \$274 million to \$277 million, representing approximately 14% year-over-year growth at the midpoint. Total adjusted operating income is expected to be in the range of \$40 million to \$43 million. This represents approximately 19% growth year-over-year at the midpoint.

As a reminder, our revenue projections are subject to conversion rate movements predominantly between the U.S. and Canadian currencies. For our second quarter and full year guidance, we used a 73% conversion rate in our projections.

Let me now pass it back to Margi.

**Margi Tooth**

Thanks, Fawwad.

We enter our new strategic plan from a position of strength, with a clear strategy and disciplined focus on the highest return priorities to drive durable growth and long-term shareholder value. Speaking of which, this weekend we'll host our annual Q&A following the Berkshire Hathaway Shareholder meeting in Omaha. Each year this presents us with a rather unique opportunity to hold an open forum with a community of long-term like-minded investors. We hope to see many of you there.

With that, we'll open it up for questions.

**Operator**

Thank you. We will now begin the question-and-answer session. We request that you limit your questions to one, then rejoin the queue for follow-up. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question comes from Wilma Burdis with Raymond James.

**Wilma Burdis**

Hey, good evening, and looking forward to seeing you guys in Omaha. In the Shareholder letter, we noticed that the number of hospitals with Trupanion software increased 30% in '25 year-over-year. I think you noted in there that, I'm going to call it productivity, has come down a little bit, so seeing less new pets for those

new hospitals. Can you talk about why that pet count growth hasn't kept pace, and is that a good leading indicator? Thanks.

### **Margi Tooth**

Hi, Wilma. It's a great question. As I mentioned in the Shareholder letter, typically when we think about gross pet adds, we know that the higher that number goes, usually you get an increase in same-store sales, and actually hospital numbers go up. What we've seen over the last year is the change in same-store sales has come down, so that means consistency of introducing the concept of insurance has come down. However, the footprint has widened, and that's led to more software. This is as a direct result of the teams, the territory partners, really leaning into the solution we provide for people in a sense of leverage our software as a hospital team to help pet parents deal with the invoice when it comes through.

It's the start of what typically becomes an active hospital, then a same-store sale. We would expect to see that number, the same-store sales, down when pet count is lower. We expect to see it build over time. It's the constant juggling the territory partners have to do with going wide and going deep. I think they've done a fantastic job to see that growth in our software usage because what that does is it really underpins the core value proposition that we have. It means that we're helping more members by paying them directly, which we can see in the scale and efficiency across the business. I'd expect to see that number of active hospitals grow over time as we continue with that pet count add.

### **Wilma Burdis**

Thanks. As a bit of a follow-up on that, maybe you could talk about, is there a time frame for some of that to flow through? But I'd also just really like to hear a little bit more about the new product, and maybe you could explain the coinsurance and the deductible changes that you outlined in the Shareholder letter and just talk a little bit more about price point and just maybe give us some additional details on how that's going to work. Thanks.

### **Margi Tooth**

Yeah, sure. I will try and remember that. Starting with the time frame, the hospital channel is always a very, very strong channel for us. We'd expect it to, you get active hospitals go up, then same-store sales will come down. Then the team has to go back in and manage that. It's the constant of the territory partners, and that's really where we have that deep moat. It will build over time. Like I said, it tends to correlate with our overall growth per add number. We'll kind of update you as we go with that one.

In terms of, I think you asked about the new product, what we can say more about, I'd really stick to the details of the Shareholder letter, but at the highest level, the intention behind the two big initiatives we have for North America this year. One is expanding on our core product. This is the first time in 25 years that we will be expanding the coverage levels to offer broader price points. We do that through the flexibility with increasing deductible, as well as adjusting into different levels of co-insurance, which really does expand those price points quite significantly. We started to roll this out very late in Q1, and the early signs have been encouraging.

As I mentioned in my opening remarks, we've actually seen very little change in terms of the overall options selected by parents when they get to see and play around with a different copay and different deductible levels. It gives people more of an understanding of what's involved in the value proposition, which is great, and that's what our intention was, but also gives more optionality.

Then I think the third part of your question was around the brand new product, which, as I shared, is really designed to appeal to the new audiences that have been coming into the category. As pricing has risen from a cost-of-care perspective, we've seen a new generation of pet parents, the millennials and Gen Zs, who are looking to come into this space. They want to protect their pets. It is treated as part of the family, but sometimes that entry-level price point for any product out there can be too high. They're looking for

quality. They're looking for transparency. They're looking for vet direct pay, but they want a different solution to one that many offer, including Trupanion today.

We're leaning into the brand equity we have built over the 25 years, the trust in the vet clinics, the territory partners that enable that high retention rate to create something that is leveraging our data and leveraging the roots of the business, but creating something very unique. It will be, I'm not going to give too much away, but it's going to be a digital first product in the sense of everything will happen online. We're going to make it the product that people want it to be for them in the right space, meaning we're not going to direct them to a specific communication channel. It will be where they want to communicate, how they want to communicate, and it will be built in a manner that will allow them to have a lot more optionality than we have today, even with the new price point. We are very excited about it. We've got the teams working on it and we'll update you over the next few months as we go.

### **Wilma Burdis**

Great. Thank you. Looking forward to hearing more about it this weekend.

### **Margi Tooth**

Thank you.

### **Operator**

The next question comes from Josh Shanker with Bank of America.

### **Josh Shanker**

Yes, thank you for taking my question. In the Shareholder letter you talked about going forward, that the IRR disclosure no longer is meaningful because there's so many products, and so it means something different depending on the mix of products. Two questions. How should we think about the internal rate of return on various products if you've taken that away? It probably was a garbage number anyways. It didn't help us. But two, maybe it's worthwhile thinking about what the IRR is on the Trupanion flagship product as a way of understanding what incremental dollars of marketing are doing.

### **Margi Tooth**

Yeah. No, thanks, Josh. Thanks for the question. I'm glad you brought this up. There are a couple of reasons for us making this change. First and foremost, as you mentioned, and as I said in the Shareholder letter, the blended IRR metric is no longer relevant as it was at the beginning of when we first started sharing it, given the size and maturity of the core business today. That's because we have multiple products in multiple geographies that all create very different ARPUs, very different returns, with the same intention to get to the same guardrails. But it takes time to do that.

We're moving away from it to improve the clarity and focus on metrics that we believe more accurately represent the economics and the value of the business today. The most important one of those being AOI, Adjusted Operating Income. As I outlined in the Shareholder letter, IRR, for example, it assumes that newly enrolled pets that we get today behave the same way as the existing book of business. When you have over a million pets from the book, that becomes increasingly more complex. It becomes, therefore, less accurate as the business scales and the market penetrates more heavily.

Similarly, as I mentioned, you've got the products and the geographies which create further confusion. Just to give you a little bit more context around that, when we first started sharing IRR metrics, our Adjusted Operating Income at the time was \$5 million. It was a total the team had to spend to deploy. Today, it's over \$155 million, which naturally becomes far more dynamic and complex and is, therefore, significantly less suited to a single blended metric. It's also competitively sensitive.

To take the second part of your question, when we think about the core Trupanion product, from our perspective, we don't want to share the level of insight into what we're spending, where we're spending, because of the competitive sensitivity. But we are still adhering to those internally to those guardrails. We have not changed how we operate. The AOI that we're generating will demonstrate that we are enrolling pets that continue to have that higher margin, the right margin, we're priced appropriately, we're retaining them, and we remain committed to leveraging that internally, like I said. I will just say that with our IRR performance this quarter, it did improve sequentially, and we feel like this is the right step to give clarity to our audience.

### **Josh Shanker**

Thank you for that color. I guess dovetailing away from that, when you start a new business, there's obviously you have to spend to make it work, and you do have a number of new businesses. What tools should give us confidence about Landspath and Furkin and PHI Direct? I mean, early on, it was very hard for you to figure out whether or not those businesses could leave Canada, even, because they were still incubating. I think they're still there. You know, we know that Trupanion, the core product, works. What sort of signs can we look at that the newer, younger products are worth putting money behind them to get them to grow?

### **Margi Tooth**

Yeah, it's a great question. I think we are going to continue to provide the visibilities we have done today on AOI. As we deploy more of that, and obviously we'll be sharing how much we're deploying, we would expect to see that AOI grow commensurate with the investment we're making. I would say the transparency we've had, to your point, with early doors, PHI, Furkin, and any of the new products and channels we've introduced, it's not necessary for us to share the details on every single test we're doing, every single product. What we're trying to do is orientate people to the metric that we believe best captures all of those products and their performance over time. Because we want to get to a place where we are continuously investing that adjusted operating income with high levels of return, which we'll see as that compounds.

We've shown for the last couple of years that the rate of compounding has increased with AOI. Our goal is to continue to do that. As I mentioned in the Shareholder letter, we expect to generate well in excess of \$500 million. The reason we made that comment in the letter is to demonstrate there's a lot of fuel for us to continue to grow this business. We will do that with the varying products, the Landspath thing. One of them, we won't disclose how much we're putting into one versus the other, but we will continue to compound the AOI. That's our goal. That's our intention.

Fawwad, would you add anything to that?

### **Fawwad Qureshi**

Yeah, I think the only thing I would add is something we've been talking about. I mentioned it last time. It's just the versatility of AOI. It's a pool of capital that, to Margi's point, gives us optionality to invest in a variety of things. When we think about how we will get to mid-teens growth in sub-AOI over the next three years, I think we've proven there's multiple ways to drive AOI. We've clearly seen pricing out of necessity, but it's become, I think, something that we've honed and become proficient about over the last couple of years.

Retention. Retention continues to be resilient. It was up nine points in 2025 from a full-year basis. It was up quarter-on-quarter. It was also up year-over-year, about seven points. Then, of course, adding members. We added over a quarter of a million gross adds last year. We added, as Margi mentioned, 64,700 gross bets this quarter. Then operational efficiencies. I think one of the things that we're very excited about is just the ability to leverage technology. The Company was well ahead of the curve when it came to leveraging innovative technologies. In those days, it was machine learning. Now it's AI.

Our automation rate in the quarter jumped to 62%. That's up from 56% last year. That's great for everyone. It's a better experience for members. It costs us less in terms of processing the claims, the actual processing costs. You're seeing that in the loss ratio at 70.8% to start the year there. I think it's a strong position for us to be in, particularly given the first half, second half seasonality that we've seen. Yeah, I think when you look at AOI, that's the thing that I would pay attention to in terms of are we being judicious in deploying it?

**Josh Shanker**

Thank you for all the answers.

**Operator**

The next question comes from David Westenberg with Piper Sandler.

**Skye**

Good afternoon. This is Skye on for David. Thanks for taking the question. Just on the macro side, as it relates to pet adoption trends, how are you thinking about the growth in puppies and kittens? Are you seeing a shift in portfolio to cats? If so, how are you targeting cats? Does this have an impact on the timing of payouts? Thanks. I'll leave it there.

**Margi Tooth**

Yeah, thank you, Skye. We have definitely seen a shift in overall, I would say, lead volume coming from the vet channel. We've heard across the industry we're seeing sort of the downturn in terms of vet visits, wellness visits. I mean, from a lead volume perspective for us, we still see a healthy lead volume. It was flattish in Q1. It's actually shown an uptick in Q2, which is great.

I think, yes, we are seeing more cats. We noticed that two years ago when we started to see more kittens coming into the category. Overall, though, so in terms of the opportunity, it remains at least a million pets, 1.2 million pets approximately, that are entered into practice management systems every month. We have a lot of markets still to capitalize on. In terms of the opportunity there, we're not talking to all of those puppies and kittens at this point. Adoption trends do appear to be slowing, which is part of the pressure being put into the vet industry. But from our perspective, that just still gives us a long, long runway ahead of us.

Our channels tend to be breeder, vet, shelter, as well as our members referring their friends and adding pets. We're still seeing a healthy portion of that population doing that. It still remains one of our second biggest channels. Yeah, we'll continue to work with the veterinary industry to help them. We've helped show that through our costs, as you can see, that people are still taking their pets into the vet when they have Trupanion. It is a solution to the barrier that the veterinarians are seeing preventing people coming into the hospital.

We know that there's a long, long runway ahead of us. But overall, we added 64,700 pets in the quarter, as Fawad just mentioned and as I mentioned earlier. I think the margin of those pets is where it needs to be. From a cat point of view, we love all pets. We're not trying to target one over the other. We have a lot of cat activity going on. We also have a lot of dog activity going on. The goal is to continue to build on that number over time.

**Skye**

Great. Thank you very much. Thank you.

**Operator**

Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to Margi Tooth for any closing remarks.

**Margi Tooth**

Thank you.

I'd just like to say a big thanks to everyone for the questions today and your participation. Hopefully, we've come across to show that we're excited about the long-term opportunity ahead, which remains as significant as it has ever been. With demand continuing to grow, we are absolutely committed to executing with discipline against this opportunity, which means leveraging our strong adjusted operating income to invest where we see the highest returns and to help more pets access the care they need, as I just mentioned.

With that, we appreciate your time today and look forward to updating you on our progress in the next quarter. Thank you.

**Operator**

Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect. Thank you.