MORE OF THE SAME

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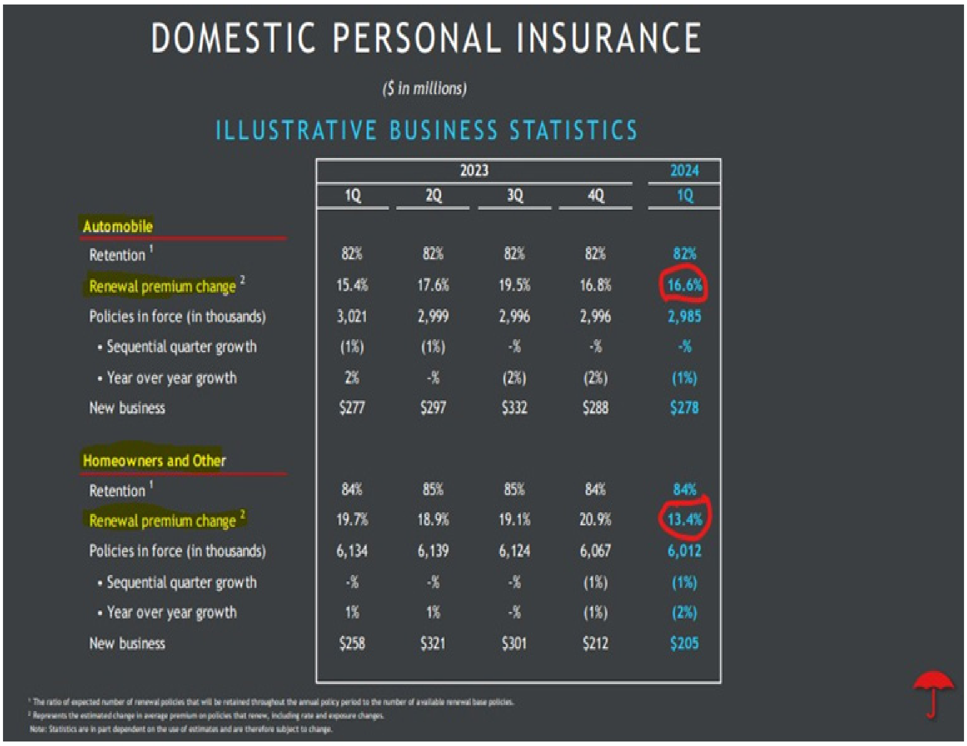
04/29/2024

It's early. Earnings season has only just begun. But a few meaningful themes are already beginning to emerge.

Travelers Investor Presentation


DOMESTIC PERSONAL INSURANCE

($ in millions)

ILLUSTRATIVE BUSINESS STATISTICS

	2023 1Q	2023 2Q	2023 3Q	2023 4Q	2024 1Q
Automobile					
Retention [1]	82%	82%	82%	82%	82%
Renewal premium change [2]	15.4%	17.6%	19.5%	16.8%	16.6%
Policies in force (in thousands)	3,021	2,999	2,996	2,996	2,985
• Sequential quarter growth	(1%)	(1%)	-%	-%	-%
• Year over year growth	2%	-%	(2%)	(2%)	(1%)
New business	$277	$297	$332	$288	$278
Homeowners and Other					
Retention [1]	84%	85%	85%	84%	84%
Renewal premium change [2]	19.7%	18.9%	19.1%	20.9%	13.4%
Policies in force (in thousands)	6,134	6,139	6,124	6,067	6,012
• Sequential quarter growth	-%	-%	-%	(1%)	(1%)
• Year over year growth	1%	1%	-%	(1%)	(2%)
New business	$258	$321	$301	$212	$205

[1] The ratio of expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies.
[2] Represents the estimated change in average premium on policies that renew, including rate and exposure changes.
Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

Source: Travelers, as of 4/17/24.

Travelers Earnings Call

Jon Paul Newsome

Maybe just a couple of quick personal lines questions. Is it fair to say that the renewal premium change for both auto and home, given what you've already filed and the fact that you're getting to closer to -- or you've got more states to adequacy that we should see that decelerate fairly meaningfully in the next couple of quarters? And just any thoughts about that so that we aren't surprised.

Michael Frederick Klein

Sure, Paul. It's Michael. So I would separate auto and home. So for auto, you'll see RPC moderate as we go throughout the year. I wouldn't suggest it's going to be a sharp decline. One of the things that I think is important to to think about as you think about RPC over time for us is we write mostly 12-month policies in auto. And so while someone who writes about a 6-month policy is going to see RPC accelerate quickly on the front end, they're going to actually see it decelerate more quickly on the back end.

Ours is going to be a more gradual increase and then a more gradual decrease because we filed a rate in May of 2023, we're still renewing policies at that same higher rate in April of 2024. So just a little bit of context for why I say it's going to be more of a gradual deceleration in auto RPC.

In property RPC, we don't anticipate a deceleration. We're going to continue to drive rate into the property portfolio in response to increased loss costs and I would expect RPC to remain relatively consistent through the balance of 2024 in property.

Source: Travelers.

If it is rate cuts you want, Travelers is not your friend. Services have been a headache for the FOMC, and that is not going to rapidly dissipate. Travelers sees no meaningful deceleration in renewal premium changes for property insurance from the current *checks notes* 13.4% in 2024. Auto insurance? There will be only a “moderation” from 16.6%. When it comes to inflation, this is a primary example of how sticky certain portions can be under the surface. This stickiness insures no rate cuts until late 2024.

Then there is the consumer. For all the mixed signals, there is a modicum of clarity coming through. Retail sales are lying. The U.S. consumer remains fine.

United Airlines Earnings Call

In other words, we're seeing near-term acceleration. Premium revenues were up 14% year-over-year on 10% more capacity, and we estimate that United's premium revenue streams lead the industry. While our largest focus is on growing premium revenues, we also believe our rollout of Basic Economy is a critical competitive tool and important to attracting customers of all types in our core geography. Basic Economy sales trends in Q1 were up 35% year-over-year.

Andrew P. Nocella

I'll add one incremental effect, Helane. The growth in Polaris load factors has been pretty significant year-over-year. And the growth in premium load factors across the board at United Airlines, our paid premium load factor was up 9 points year-over-year in the quarter, which is amazing. But as we revenue manage all of that, we kept all of the premium leisure kept passengers in their seats as we added more corporate into their seats.

So we were able to do both. And that is one of the reasons for the great execution in the quarter is that we see corporate rebound in, but we see the desire for premium products by leisure customers continue to be strong.

Mary Schlangenstein

Do you expect to set another record for this summer for passenger numbers?

Andrew P. Nocella

Yes, I think we will, as an airline and as an industry.

Source: United Airlines, as of 4/17/24.

Costco Monthly Sales Report

Comparable sales excluding the impacts from changes in gasoline prices and foreign exchange were as follows:

	5 Weeks	31 Weeks
U.S.	7.4%	4.3%
Canada	7.3%	8.5%
Other International	8.4%	7.9%
Total Company	7.5%	5.3%
E-commerce	28.0%	14.5%

Source: Costco, as of 4/10/24.

Ulta Beauty at J.P. Morgan Retail Round-Up

What we're seeing right now as we're 2 months into our fiscal year, we have seen a slowdown in the total category. The category has grown -- we came into the year and we talked about this on our call a few weeks ago with expecting the category to moderate it as I said, several years of very strong growth. We did not anticipate that it would continue at the rate that it's been growing. So we have planned for moderation in total category growth to kind of the mid-single-digit range.

What we've seen so far is a slowdown in the total category across price points and segments. That's a bit earlier and a bit bigger than we thought. Still growing, still a lot of engagement, all those things that I've had, but we've seen this growth rate come down probably faster than we anticipated.

Source: Ulta Beauty.

There are certainly puts-and-takes. United Airlines benefitted from accelerating demand in the first quarter, with both premium (high-end consumer and business travelers) and basic economy (lowest fare) up nicely from a year ago. Confidence in the future? In spades. That should not be shrugged off. The good start to the year is set to continue. Consumer demand for premium tickets? That is strong, too.

Ulta has other things to say. At a glance, it would appear that the beauty business is falling off a cliff. That is not entirely the case. The “beauty boom” is waning, but

Ulta is guiding to positive comparable sales. That is a slowing of sales growth, not a disaster. A growth of 4% to 5% in comparable growth for the year is not an indication of the death of the consumer. For its part, Costco saw its sales accelerate in March.

United Airlines Earnings Call

Andrew P. Nocella

As I said, I mean, corporate was strong across the board, not actually some lead to try to be clear. We saw strength domestically and around the globe. So it's great to see. We saw, I think, 9 of our top 10 corporate booking days this year in our history, which is also really strong. So really across the board, the strongest industries are professional services, tech and industrials. but every -- I think just about every sector was up in the numbers this year.

Source: United Airlines.

Not to mention, United Airlines called out the return of business travel as a tailwind for the year as well. That will spiral into the broader hospitality industry, further bolstering the services economy.

ASML Earnings Call

The ASML call was intriguing for numerous reasons. Did ASML miss orders? Yes. Was that the primary takeaway? No. ASML makes the machines that make the chips for AI and other applications. There is no doubt about the optimism surrounding AI and its associated opportunities. But there was an interesting twist to the narrative from the ASML call.

The fabrication facilities being built across the globe—particularly in the U.S.—will go online in the coming years. AI is not driving a single-year type of tailwind. It is a multiyear build-out of capacity that provides visibility into longer-term demand. Even with the headwinds from U.S. restrictions on technology sales to China, the 10% to 15% hit is not overly meaningful to the outlook. The kicker? The long-awaited development of the internet of things (IoT) is more likely given the AI boom and the need for data. That takes more chips. More chips equals more ASML machines.

Why does any of this matter? For a few reasons. The consumer is not dead, and neither is the economy. That's good news. But the insurance premium problem is not going away. Services inflation is ensuring that the FOMC does not cut in the near term. Insurance is a significant component of that equation, and the guidance is not in the Fed's favor. If ASML is to be believed (and it should be), AI investment is not a short-term thing. The CHIPS Act and other policy initiatives are ensuring that more fabrication facilities are built, and those take time and equipment to build and operate.

It is early. There will be more lessons to be learned. So far, earnings are telling us it's more of the same. Inflation remains sticky, the consumer is alive and AI has a longer-than-expected reach.

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