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PRESENTATION

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Mr. Kevin Strain, welcome to the stage. For those of you who don't know or can't read, Kevin is the President and CEO of Sun Life Financial. Welcome back.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer, Director*

Thanks, Gabe. Gabe and I have known each other for a long, long time.

QUESTIONS AND ANSWERS

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Too long, maybe. Let's start with a year in review type of question. And 2025 ended on a strong note. Q4 was a very good quarter, in particular because of some of the improvement in that U.S. stop-loss business. But if we look back on the year, what did you learn about the business? And was there anything you felt could have been done differently?

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer, Director*

I don't even think it was just a good close to the year. It was a good year in total. If you step back and look at our earnings per share growth was 12%, and we have a target of 10%. The ROE was just over 18%, which is tracking well to our 20% ROE target.

We've got some significant new leadership positions in P&L roles. Manjit's running -- Manjit Singh's running Asia now, and Asia had a really, really strong year last year, and I think he's making a big difference there. Jessica Tan, we brought in to run Canada, and Canada had a fantastic, fantastic year. Ted Maloney at MFS, and we announced Sonny coming in at SLC, and we announced Tom Murphy in his new role in over Asset Management and then David Healy in the United States. So I feel like we took a big step getting the leadership team set.

And then we saw Canada, Asia do really well. SLC for the year hit its Investor Day target, we have put forward five years ago, which was 235, we were just over 240. MFS had a tough year for flows, but a decent year for income, and of course, cash flow back to us. And then the U.S. was a bit more volatile. And clearly, the structural change to the U.S. healthcare system had impacts and it had impacts in different quarters. The stop-loss business was pretty good for the full year, and I'm pleased with the bounce back it had from 2024, in particular, [Q4] (added by company after the call) 2024, where it had a bad quarter.

And then on the dental business, we also saw some volatility there. And I think David is doing the right things to build that out. So you had -- and this is life, right? And it's part of having a broad-based resilient business that's half asset management, roughly, a little less than half, but a goal of half asset management, half insurance, global in nature, some of the businesses outperformed and some of them didn't.

And we did see some quarters where we had some volatility. And in particular, I think last year, we started to see the shaping up of how the U.S. healthcare system, and in particular, Medicare and Medicaid, were going to perform.

And we reset our goal. You would have heard us talk on an investor call, and we sort of pulled that back of hitting \$5 billion in premium, 5% margin. So a goal of \$250 million for the dental business. And when we had set that goal, we were thinking that state business might be 75% of that goal and commercial might be 25%.

You know, the state business, I think, is going to have persistent challenges. I think the U.S. healthcare system in many ways, probably had to go through some adjustment. So as we step back and think about our goal for that business, we still have a goal of \$5 billion in premium. It may take a little bit longer than what we were expecting.

But I would like to see the state business, Medicare/Medicaid business be more like half of that. And I think that that half, I mean, one of the learnings is, that half isn't going to reach 5% margins. The pressure that's there is going to hold that margin down below 5%. And we need to take steps to build out the commercial business to grow that. And to grow that -- because we know the commercial business and it's a very competitive business as well, but it will make more than 5% and if we can get the \$5 billion combined.

And today, we sit at just under \$3 billion in premium, almost \$2.5 billion is state and \$500 million is commercial. And I've really given David the ability to say, David Healy in the U.S. to say, listen, that \$2.5 billion don't worry about growing it, leave it about half of the 5% we need, but optimize it. Try to find the states who want to partner, the states who want to recognize the good role we're doing, the states where we can create the most efficiency and can get us close to the 5% and concentrate your other efforts on building out the commercial. So I think we learned a lot about where the Medicare/Medicaid business was going and how to optimize that.

But we also learned the importance of this diversified business to deliver that 12% growth and that 18.3% ROE. And so, I think overall, it was a strong year. It had some volatility quarter-to-quarter. We know what that volatility was driven by, and we're taking steps to fix that.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

I should have prefaced that question with, it was a tough year, but you still had...

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer, Director*

Good result?

Gabriel Dechaine - *National Bank Financial Research - Analyst*

A pushing 20% ROE. But...

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer, Director*

You can put it in a report.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

The dental business, let's talk a bit about the nature of that. I'll admit we're learning as we go a little bit about this business, but you talk about giving David the mandate to focus on the state businesses that make more sense, where there's more of it. One element of that is some of your business with the states is intermediated, some of it's direct.

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

Yes.

Gabriel Dechaine - National Bank Financial Research - Analyst

Is it doing more of that direct business or what else? Probably that, but some other stuff?

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

I think when you think about the state business, it's going to be a combination of things. If the intermediary, again, wants to recognize the job we're doing and have margins that we think are sustainable and proper, then we'll work with the intermediary. That is hard for them right now because you can see the pressure that the healthcare companies are under. So it would lead you to more conversations that are direct to the states.

But the beauty is, we know there's growth opportunities out there, and we know that there are states that want to work the way we want to work. And David doesn't have to be overly aggressive to get those, right, because he's already at 2.5%. We're not saying grow that, we're saying optimize it. And I think that that's a powerful tool.

If you're running a business and your boss says optimize versus grow, you do different things. And so, I think it's a powerful tool. It's -- there's a -- David is a perfect guy to run this. He ran the employee benefits business. So he knows the commercial side. He ran Operations and IT -- IT and Operations. I mean, it's 32 million Medicaid/Medicare members. It's a massive operations business, and he ran the dental business for a year/1.5 years. So I really like the way he's stepping into this.

It's really about making the right strategic and operational choices. We've given them a big powerful tool on the state side. He's got a lot to do to build out the commercial side, but because of his background and his success, he had employee benefits and the -- and the knowledge he has from running dental. I think he's well positioned to create that success. And we're going to give him time to do it on a sustainable basis.

So it's going to take a number of years. I mean, like I said, it sits at \$500 million. So in essence, it's got to grow significantly, but that is a big space. But we also got to recognize that there's -- there's big competitors there that also want to keep their market share.

So we do -- we know all the brokers, we know many of the sponsors, we do other benefits for them. And to be fair, the DentaQuest business, it's brought a lot of tools we can use to sell. It's brought dental networks, it's brought a lot of dental knowledge that we can use to sell to the commercial side.

Gabriel Dechaine - National Bank Financial Research - Analyst

And just the last one on dental because we got a few to go through. But when you say optimize, one of the things I think of when it's a group product is claims management...

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

Claims management...

Gabriel Dechaine - National Bank Financial Research - Analyst

Is that a thing that -- in dental?

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

That's exactly right. Claims management and how we interact with the states. And then eventually, how we interact with more and more plan sponsors, but that's exactly right. It's part of a digital transformation for that business.

Gabriel Dechaine - National Bank Financial Research - Analyst

Okay. So moving to the other part of the U.S. business, the stop-loss. Things have gotten better. Now you've got another round of repricing that kicked in on 2/3 of the book, I guess, on Jan 1. So is growth sort of locked in this year for stop-loss?

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

I think stop-loss -- so we've gone through two consecutive years of very significant price increases, 14% and 17%. We continue to run roughly mid-70s claims, and we continue to run at profit margins that are in excess of what we've given for the total employee benefits, which was 7%. And we had the issue in 2024, which came through in the fourth quarter, even after that issue in 2024, for the full year, the stop-loss business ran in the mid-70s. So we've consistently performed there.

We have scale. We have data. We've added capabilities on top of it to help manage it like PinnacleCare. So we've added this capability for people are going through a significant health event to manage and navigate the U.S. healthcare system. So I feel pretty confident. And then we sold a record number, January 1 this year, a business that we just gone through 31% pricing and claims adjustment increase, significant increase.

In fact, we were getting so much volume that we were able to even be choosing at the end because we thought, you know what, this is maybe even bigger than we want to. So we were more selective at the end even, so we thought we were getting it. We added some -- so all things being equal, you would expect this to be a pretty good year based on that.

And historically, it created a lot of noise for us for two reasons. One, the fourth quarter of 2024 looked really bad. But you had first quarter that was hitting our margin, so I said slightly north of 7%. Second quarter, we were hitting our margin. Third quarter, we were hitting our margin. And then fourth quarter, right at the end of the year, we had a lot of severity that dropped us below our margin, but still close to the margin for the full year, but it basically wiped it all the profit in the fourth quarter. So the year looked fine, but the fourth quarter did it.

At the same time, some of our competitors were having issues. So it's become a bit -- it's not quite even resonating with me sometimes when I hear the amount of issues that people have and the amount of time it takes on the call.

Like we've done this business for 40 years. We've seen price increases for healthcare running up for as long as I've been on the executive team, which is close to 15 years, and we were able to reprice for that. So I think that that business, I know that competitors are having issues, but when you have expertise and when you have scale, and we've shown, we've demonstrated for many years, the ability to run this in a proper way.

In fact, we took some heat off sales in 2024 when we saw that Q1 2025 was a lower sales year because we saw what was happening. So I think we're well positioned this year, and things can -- the world changes fast these days, so things can change fast, but we feel like we're well positioned.

Gabriel Dechaine - National Bank Financial Research - Analyst

So you said that you've got a lot, I don't know if you say record, but lots of volume in stop-loss...

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

Lots of volume.

Gabriel Dechaine - National Bank Financial Research - Analyst

What was driving that? Because it seems like...

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

I think competitors were having to price up more than we were. So if you were a competitor in your -- some of our competitors were mid-90s, we're mid-70s. So if we're increasing by 17%, then they should be increasing by probably 37%, right?

So I think that brokers knew us, they've seen us. Sponsors knew us, they've seen us. We were able to sort of manage that price increase a little differently probably than some competitors of that broad scale. We've even heard there was a reinsurance company that was looking to come in and they decided not to. Like if you don't have scale and the expertise, you probably shouldn't be in the business.

Gabriel Dechaine - National Bank Financial Research - Analyst

High level for the U.S. and if we group all the group businesses together, if I look over the past few years, there have been a lot of fluctuations, the post-COVID phase, where claims disappeared, not exactly, but claims were quite low and ROEs went into the mid-teens. And then last year or so, we've been in the low teens. What's a sustainable ROE for that business?

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

I think driving towards that business and the growth in the earnings should grow the ROE, and it should be an important part of us getting closer to our 20%. I would see ROE in that business being -- because it's a light capital user. It should grow alongside the earnings into the higher teens sort of thing. It should be part of that getting to the 20% is seeing that grow.

Gabriel Dechaine - National Bank Financial Research - Analyst

Got it. Asset management business. There's a lot of stories in there. So MFS is the mature one. It's been in outflows for a long time, but it's all very cash generative.

I've always looked at MFS as having this secular challenge, but you've planted a bunch of seeds that are saplings now on the SLC side. Is the vision to have MFS, on my words, slowly declines, whatever, and SLC will offset that?

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

We don't see MFS declining. I think MFS is going to grow. If you step back, we are an asset management and an insurance company. You had Nick up here from Brookfield right before this. We compete with Brookfield on the asset management side. We're an asset management and insurance company.

And we think that being a full-service asset management company across public equities and public fixed income, which is primarily MFS for us. And through the alternative asset management classes creates the strongest asset management business. We sit at \$1.6 trillion in assets under management and different cycles are going to hit at different times.

So I think public equity and public fixed income isn't always going to be in a down cycle. It's been a long down cycle for flows, but things will change over time. The alts have been on a high. I think having both is really good. Today, the bulk of our income comes from MFS, but SLC is going to grow at 20% CAGR. We've talked about that, and that's over time, we're going to see that become a bigger and bigger piece.

I can see us deploying some capital into bolt-ons as well in SLC. I don't think we need to do big capabilities, but there's bolt-on capabilities we could add. MFS, we're not going to be doing M&A. They're not interested in doing M&A. We're not interested in having them do M&A. So we're perfectly aligned.

But I do think you'll see MFS grow. And when cycles are different, you're going to see that happen. They're good money managers. They know how to manage money; their clients understand what they're doing. There's been a trend in the last 10 years for sure, 5 years. But these trends change, and I think having an asset management business that crosses all of those things, is really important.

We also sometimes forget that we're a massive wealth management business. In Canada, our DC GRS business has \$175 billion in assets under management. We're one of the larger players in MPF players in Hong Kong. We have -- most of our business we write in Asia is wealth business. So we have opportunities to use our wealth management even more to align with our asset management business. And that's part of Tom's role is to find ways to unlock more of that. But I see MFS as being a critical piece of our overall asset management strategy.

And sometimes people say, well, they're only doing public equities and public fixed income. And I say, yes, that's their job. Our job is to diversify that, and that's what we've done with SLC. And I think that the two balance off together and I think having Tom at the top really unlocks that for us.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

You touched upon Canada and Asia. I want to get into that, but before doing so, SLC, just to wrap it up, the buyouts of BGO and Crescent are taking place soon. Is there anything -- it's a matter, of course, type of thing.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer, Director*

It's -- well, it was -- the deals have been structured since we did the deals. So we always knew that we would buy a certain percentage there'd be earn-outs, the earn-out ratios were set. They were based on performance.

Of course, there's always little negotiations. When you get to EBITDA performance with an asset manager, should this expense be included or should this one not. So that's what they've been working through, but that's all at the edges. So we're close. It will roughly align with what we talked about, that's what we had in the put/call.

The put/call will be paid for by the debt that we already issued. So the accounting now is, I'm going to say, a little bit strange because it all happens at the time of when we did the transaction. That's when all the goodwill was set up. It was set up for the full amount, you set up the put/call. So I think that's all pretty straightforward.

We've also been -- we also really believe that in asset management, particularly in alts, that management needs to own a significant percentage of the company. So we talked about that on the call last time. Part of what we're doing is getting ready to structure that, to set the leadership team, because if you're buying alternative asset management, we have \$260 billion in third-party money. If you're buying that money, you don't have the right leadership team, it can be very painful. So setting up the management equity plan and we expect

management to own 20% to 25%, setting that up, establishing it, getting buy-in from management. And there's three ways they're getting that management equity plan.

The founders are rolling some of their share ownership into SLC, which we think is great. It's an indication that the founders are saying, we still think this is going to grow and you're taking the right steps. We did staking grants for critical people. And then we've created an equity program that management could buy into.

It's a leverage program, but the management can buy into it, and that's how we're going to get to the 20% to 25%. And we think that that's really important that if we have the right -- having the right team there, having the right investment capabilities but having the right leadership capabilities will drive that business forward.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Now the Canadian component of the questions. Group, and I think about, it's more of a macro sensitive business that we have stalled job growth in Canada. I don't know if you have much in the way of -- I shouldn't say that publicly, public employee plans. But are these challenges going to stall growth in that business? Or how do you grow in that type of environment, I guess, is another way of asking?

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer, Director*

We used to have a very big public health services plan that you might have seen in the newspaper that one of our competitors took. It's -- of course, we're going to get impacted. If there's a slowdown in the economy that means that there's less people working, anybody in the employee benefits space is going to get hit by that. And if you look at the employee benefits space in Canada, we're just under 25%, but that's about the same place as Manulife and Great-West Life are.

And when it comes to GRS, we're closer to 40%. So we are going to get -- if there is -- now the GRS business and a little bit on the employee benefits business, we do keep a significant amount of rollovers. So when people leave those plans and their assets, and that's actually a really good business for us. So there's a bit of an inherent offset there. But if there's less people working, you're going to have less revenue, and it's going to be aligned to what everybody else has.

Now over the long term, will there be less people working through AI? Probably. Will there be new jobs that come up? Yes. And I think aligning to some of those new industries and thinking about where those opportunities are going to be is actually really good. And we've been talking about where those are coming, national defense or the Arctic or whatever it might be, like how do you line up to some of those changes that are coming.

But we -- I think -- actually, I think the Canadian industry in general, runs a very good employee benefits and GRS business. And we have good technology. We have a good ability to take rollovers. And I do think the Canadian economy will be resilient. I think there'll be hits, but there will also be opportunities.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Then Asia, we can spend more time on that, but we have to be cognizant of time. The Asia business, if I go back to, I don't know, 15 years or so ago, it was kind of a business we thought of too much as it relates to Sun Life because it was 5% of earnings, then they brought on some whipper snapper, who brought it up to 10%, 15% of the company's earnings, and we start caring about it.

And then in the past year, we've seen the ROE increase a couple of hundred basis points. Are we at an inflection point for Asia? By the way, he was running it. And now Manjit is, of course.

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

Manjit's doing a great job. We've -- well, I'll tell you a quick story. But we're going to run out of time, but I'll try to tell this quickly. When I moved to Asia, we were \$100 million in income. We're close to \$900 million today, and I met with all of the key competitors. And one of the big competitors said to me listen, there's only going to be five regional players. Prudential, AIA -- so you know which one he came from. Prudential, AIA, Manulife are going to be three. They're big players.

I don't know about you guys, I don't know about anybody else. Kevin, you need to decide whether you're going to be a big player or not. And I remember thinking that's very direct, but he's not wrong. There's not enough there for -- there's 30 companies in Hong Kong. I could walk around the block and bump into every insurance company in the world, but there's only 4 or 5 that are doing really well.

And we made that commitment, and Dean made it with me to make that leap. And making that leap was really important to us to create scale. And we're doing fantastically in Hong Kong, in India. We have scale in the Philippines. We have scale in our high net worth. And we've built out this ability to build scale in all of our other markets by having bancassurance, agency, brokerage and some digital in every market. So we have the ability to get scale.

So Manjit calls them four scaling markets, which are the other four markets. We have scale in these four, and we're in the right places, right? So I think we have that ability to really drive that forward. It should be an important part of our overall company ROE growth by growing the earnings alongside of it.

Gabriel Dechaine - National Bank Financial Research - Analyst

Yes. So the -- like what we saw in 2025, the...

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

Step in that direction.

Gabriel Dechaine - National Bank Financial Research - Analyst

Yes. So what about the M&A question. You've been pretty public about, well, there's not much in Canada to buy, not much -- well, maybe many opportunities in Asia. And then in the US, you want to get the DentaQuest sorted out before doing anything big. However, something in Asia might become available or might it be available. I'm wondering what...

Kevin Strain - Sun Life Financial Inc - President, Chief Executive Officer, Director

I think our focus is really on -- the businesses we already -- we think are in the right places. We have a good mix of businesses. We have a chance for organic growth. I want to see the team take those steps forward on our organic growth.

We know our shareholders value the buyback. And I think a strong, sustainable buyback program that contributes to earnings growth each year, we can get 1.5%, 2% earnings growth from the buyback, and I think that's important for us to do, which then starts to limit the M&A opportunity to more bolt-ons.

And honestly, we could -- I could see some places, some bolt-ons in Asia, and bolt-on for me would be under \$500 million. Some bolt-ons in Asia that might make sense. There's some bolt-ons in SLC that might make sense. But we'd also be careful for that because I do think sustaining that -- creating that sustainable buyback picture, which we've done the last few years and which we intend to continue to do, is actually valuable for our shareholder base and it's valuable for the way we run the business, and it's a valuable discipline for the business. The same way we look at dividend growth, right? So I think that's increasingly how we look at it.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

All right. Kevin, we're slightly into overtime, but don't regret a thing.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer, Director*

Thank you.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Great -- great update and I look forward to the next time.

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