

Hippo Holdings Inc. NYSE:HIPO

FQ1 2025 Earnings Call Transcripts

Wednesday, May 7, 2025 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(1.65)	(1.94)	NM	(0.10)	(1.22)	NA
Revenue (mm)	106.70	110.30	▲ 3.37	114.73	463.20	NA

Currency: USD
Consensus as of Apr-11-2025 6:20 AM GMT

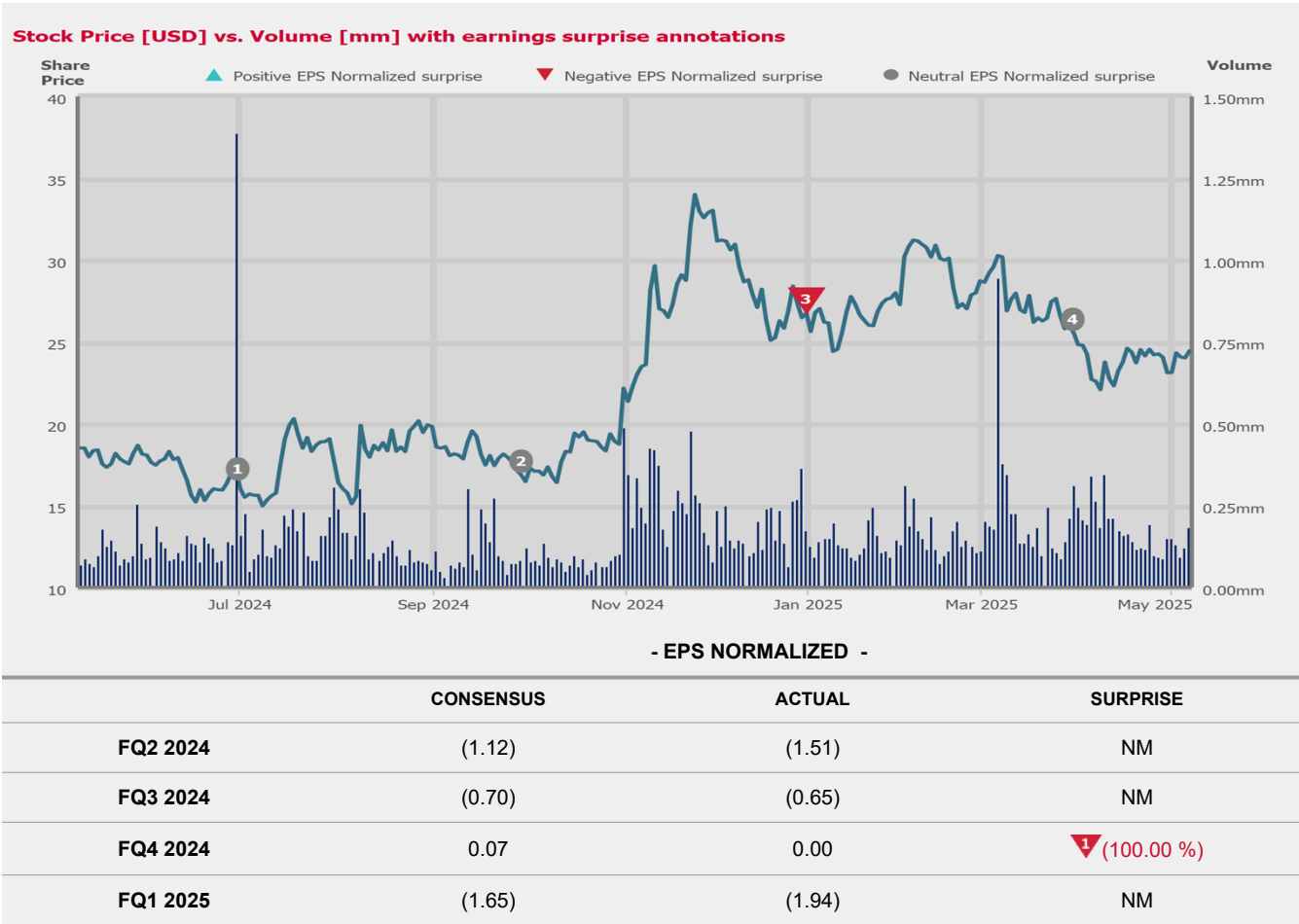


Table of Contents

Call Participants		3
Presentation		4
Question and Answer		7

Call Participants

EXECUTIVES

Guy Zeltser
Chief Financial Officer

Mark Olson

Richard Lyn McCathron
President, CEO & Director

ANALYSTS

Andrew E. Andersen
Jefferies LLC, Research Division

Unknown Analyst

Presentation

Operator

Good afternoon. Thank you for attending the Hippo First Quarter 2025 Holdings Call. My name is Cameron, and I will be your moderator for today. [Operator Instructions] And I would now like to pass the conference over to your host, Mark Olson, Director of Communications. You may proceed.

Mark Olson

Thank you, operator. Good afternoon, and thank you for joining Hippo's 2025 First Quarter Earnings Call. Earlier today, Hippo issued a shareholder letter announcing its Q1 2025 results, which is available at investors.hippo.com.

Leading today's discussion will be Hippo President and Chief Executive Officer, Rick McCathron; Chief Financial Officer, Guy Zeltser; and Stewart Ellis, Chief Strategy Officer. Following management's prepared remarks, we will open up the call to questions.

Before we begin, we'd like to remind you that our discussion will contain predictions, expectations, forward-looking statements and other information about our business that are based on management's current expectations as of the date of this presentation. Forward-looking statements include, but are not limited to, Hippo's expectations or predictions of financial and business performance and conditions, and competitive and industry outlook. Forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from historical results and/or from our forecast, including those set forth in Hippo's Form 10-Q filed today.

For more information, please refer to the risks, uncertainties and other factors discussed in Hippo's SEC filings, in particular, in the section entitled Risk Factors in our Form 10-Q. All cautionary statements are applicable to any forward-looking statements we make whenever they appear. You should carefully consider the risks and uncertainties and other factors discussed in Hippo's SEC filings. Do not place undue reliance on forward-looking statements as Hippo is under no obligation and expressly disclaims any responsibility for updating, offering or otherwise revising any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

During this conference call, we will also refer to non-GAAP financial measures such as adjusted EBITDA. Our GAAP results and description of our non-GAAP financial measures with full reconciliation to GAAP can be found in the first quarter 2025 shareholder letter, which has been furnished to the SEC and is available on our website.

And with that, I'll turn the call over to Rick McCathron, our President and CEO.

Richard Lyn McCathron *President, CEO & Director*

Thanks, Mark, and good afternoon, everyone. Thank you for joining us. During Q1, we delivered on 2 of our most important objectives as a company. We proactively supported our customers in the aftermath of the Los Angeles wildfires as we do in all catastrophic events and further advanced the key drivers of long-term value in our business. As we discussed last quarter, Hippo's financial results were impacted by the fires in Los Angeles that affected the broader homeowners insurance industry.

However, when we look beyond the short-term impact of these fires, our Q1 results reveal remarkable progress in our business, and we remain on track to generate net profit by the end of the year. Our Hippo Homeowners Insurance program saw a 35% year-over-year increase in gross written premium from our homebuilder partners. New homes are built to modern codes, making them more resilient and better equipped to withstand catastrophic events, which is why this channel has had such compelling underwriting results. These homes, which have accounted for most of the new business we have been writing in California over the past few years, were not impacted by the fires.

We continue to reduce HHIP written premium from existing homes in cat-prone areas versus prior year to help reduce weather-related volatility in the portfolio, and I'm happy to report that these efforts are now largely complete. With greater confidence in our geographic footprint, rate adequacy and improved deductible structure, we are now preparing to expand new business in this program. We will share more detail about the plans for growth in HHIP at next month's Investor Day.

Written premium outside of HHIP increased 21% year-over-year. We view these other lines of business, which are available to us because of the quality of our Spinnaker platform, as an important source of diversification going forward. They are additive to our underwriting profit while lowering the volatility of that profit, a true win-win. Spinnaker has proven its ability to build relationships

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

with quality underwriters over the past 10 years and the consistent profitability of this portion of our business is a testament to its value.

We believe so strongly in the value of this platform that we decided to raise additional risk-based capital to further support its growth and signed an agreement to raise a \$50 million surplus note in April, pending regulatory approval. This incremental capital will support further growth in these diversifying product lines without diluting our consolidated equity base, another win-win.

Finally, we continue to gain operating leverage during the quarter by reducing fixed expenses through further investments in our infrastructure and automation while boosting our top line revenue. These investments will support continued operating leverage improvements in future quarters.

I'm extremely proud of the progress we made this quarter and excited to share our 3-year road map and long-term financial targets at our upcoming Investor Day on June 12, 2025, in New York City. The team's hard work preparing the company for sustainable growth positions us well for continued and accelerated success in 2025 and beyond.

Now I'd like to turn the call over to our Chief Financial Officer, Guy Zeltser, to walk through the highlights of our first quarter 2025 financial results as well as our expectations for the remainder of 2025.

Guy Zeltser
Chief Financial Officer

Thanks, Rick, and good afternoon, everyone. In the first quarter of 2025, we achieved a meaningful improvement in all the main underlying drivers of value in our business versus a year ago. We drove solid premium revenue growth, diversified our premium base, improved the attritional gross loss ratio and continued to demonstrate our scalability through additional fixed cost leverage.

The only drag on our Q1 results were the Los Angeles wildfires, but as Rick mentioned, none of these losses were related to our new homes channel, which has represented a substantial majority of the new business we have been writing in California over the past few years. Looking ahead to the rest of 2025, we expect our key financial metrics to continue to improve both year-over-year and quarter-over-quarter, and we're now guiding to finish 2025 at an annual run rate of more than \$500 million of revenue and generating net profit.

In Q1, revenue grew 30% year-over-year to \$110 million, up from \$85 million in Q1 of last year. The growth was driven primarily by our Insurance-as-a-Service and Hippo Home Insurance Program segments. Insurance-as-a-Service revenue grew 91% year-over-year to \$39 million, up from \$20 million in Q1 of last year. This was driven by a 27% year-over-year growth in gross earned premium, which was achieved through strength in existing programs as well as high risk retention at select programs where the risk profile and underwriting profitability were attractive.

HHIP revenue grew 12% year-over-year to \$62 million, up from \$55 million in Q1 of last year. This was driven by improvements to our reinsurance structure, which raised net earned premium as a percentage of gross earned premium to 85% in Q1, up from 58% a year ago. Over the course of 2025, this year-over-year comparison will become a smaller factor in our financials as the prior year period converge to current levels. The HHIP revenue growth was offset by a 20% year-over-year reduction in gross earned premium, driven by the final stages of our efforts to reduce exposure in cat-prone areas for non-new homes, which was offset by growth in earned premium from our new homes channel.

In Q1, the HHIP gross loss ratio increased 41 percentage points year-over-year to 121%. This increase was primarily the result of the wildfires in Los Angeles, which by themselves resulted in a 56 percentage point year-over-year increase in the HHIP gross loss ratio. The impact of the fires was offset by an improvement in our HHIP non-PCS loss ratio, which declined 6 percentage points year-over-year to 53% driven by the portfolio transformation we underwent in 2024, which included rate increases, structural changes to our coverages and other underwriting actions.

The HHIP net loss ratio increased 33 percentage points year-over-year to 133%. Again, this increase was primarily the result of the wildfires in Los Angeles, which by themselves resulted in a 57 percentage points year-over-year increase in the HHIP net loss ratio.

In Q1, we continue to deliver top line growth while reducing our operating expenses as a percentage of revenue and on an absolute dollar basis. Relative to Q1 of last year, our sales and marketing, technology and development, and general and administrative expenses collectively declined by \$7 million, a year-over-year decrease of 18%. When combined with the increases in our revenue over the same period, these costs fell from 48% of revenue in Q1 of last year to 30% of revenue this quarter.

Q1 net loss came in at \$48 million, a \$12 million increase versus Q1 of last year with \$45 million of expense related to the L.A. wildfires. Without the impact of the L.A. wildfires, our net loss would have improved by \$33 million year-over-year. This underlying

improvement was supported by top line growth due to higher premium retention at Insurance-as-a-Service and HHIP, attritional loss ratio improvement due to pricing and underwriting actions taken in 2024, lower fixed expenses due to continued progress driving operational efficiencies and restructuring expenses we incurred in Q1 of last year that did not reoccur this year.

Our Q1 adjusted EBITDA loss came in at \$41 million, a \$21 million increase versus Q1 of last year with \$45 million of expense related to the L.A. wildfires. Without the impact of the L.A. wildfires, our adjusted EBITDA would have improved by \$24 million year-over-year. The same drivers of the net loss improvement also benefited adjusted EBITDA, except for the effect related to last year's restructuring expenses, which does not impact adjusted EBITDA.

Q1 ending cash and investments decreased quarter-over-quarter by \$42 million to \$528 million. This decrease was driven primarily by payment of losses related to the L.A. fires and seasonal working capital changes associated with payments to reinsurers.

On April 30, 2025, Spinnaker Insurance Company, a wholly owned subsidiary of Hippo, entered into an agreement to issue a surplus note in the aggregate principal amount of \$50 million to several initial purchasers. The closing of the transaction is subject to the approval of the Illinois Department of Insurance. As of today, regulatory approval has not been obtained and no proceeds have been received under the agreement.

In Q1, we made significant progress in the key drivers of long-term value in our business. We can, therefore, reiterate our previous guidance that we will generate net profit by the fourth quarter of 2025. The key assumptions behind our guidance are: revenue growth driven by higher premium volume, coupled with higher premium retention in our risk businesses; HHIP non-PCS loss ratio improving throughout the year as underwriting and pricing actions, which have already been implemented, continue to work their way into our financials; HHIP PCS cat loss ratio to follow the seasonal pattern where it peaks in Q2 and trends lower throughout the remainder of the year; fixed expenses to be consistent with Q1 dollar levels, even as our top line continues to grow, enabled by the scalability of our infrastructure and additional investments in automation.

Additional details on our guidance can be found in our Q1 '25 shareholder letter, but at a high level, we expect revenue of between \$465 million to \$475 million for full year 2025, adjusted EBITDA loss of between \$35 million and \$39 million for full year 2025, net loss of between \$65 million and \$69 million for full year 2025, annual run rate by Q4 '25 of more than \$500 million of revenue and generating net profit.

And with that, operator, I would now like to open the floor to questions.

Question and Answer

Operator

The first question is from the line of Tommy McJoynt with KBW.

Unknown Analyst

This is [Jane] on for Tommy. My first question is on the surplus note. With regards to the note there being raised, what will be the cost of that note? Any detail you can provide?

Richard Lyn McCathron
President, CEO & Director

Thank you. Thank you for the question. We're actually quite excited about raising the note for a couple of different reasons. One, I think this demonstrates our confidence in the Spinnaker platform and the ability for us to continue to grow the Spinnaker platform, both from a size perspective and a risk participation perspective. The rate that we are getting on this is approximately 9.5%. So we think that the marginal rate on that and the use of that capital and the cost of capital is something that's quite favorable.

Unknown Analyst

Got it. Makes sense. Just a follow-up on that. You mentioned that it will be -- the capital will be used to fund the growth in Spinnaker. I'm just wondering, the HHIP program or the -- in the [fronting business] or both. Like can you talk about the decision, tap into the surplus [note] versus contributing cash from the holding company?

Richard Lyn McCathron
President, CEO & Director

Yes. No, this is Rick. I'm happy to answer that, too. And then if Guy has anything he wants to add, he certainly will. The primary driver on the desire to raise the note is to fund the Spinnaker side of our business and the Spinnaker platform, both as a combination of necessary surplus to maintain our AM Best rating but also for risk participation in the programs we choose to participate in.

One valuable aspect of the Spinnaker platform is we can participate in risk and at what amount dependent on our view of the quality of the underlying program. So we believe we have a portfolio of positively selected underwriting business in which we want to continue to take risk and likely take more risk as time goes on based on the historical performance of those particular programs.

If you look at Spinnaker excluding Hippo, the performance -- the loss performance of those programs historically has been below 40%. Even when you include the California wildfires for the non-Hippo portion, it's sub-60%. So we are very excited to use those proceeds predominantly to grow the Spinnaker portfolio.

That said, we are going to grow the HHIP portfolio now that we have substantially derisked the business or reduced the risk of volatility in the HHIP business. We have rate adequacy. We've diversified some of the concentration of exposures. Hippo policies are written on Spinnaker paper. So for all intents and purposes, you can consider pooling that amount to help both Spinnaker third-party business and Hippo. But we're excited that this will help fund growth without the need to raise equity capital.

Operator

Your next question is from the line of Andrew Andersen with Jefferies.

Andrew E. Andersen
Jefferies LLC, Research Division

Can you maybe just talk about how you're thinking about tariffs whether it be on material inflation or just kind of new home sales?

Richard Lyn McCathron
President, CEO & Director

Yes. Andrew, it's Rick. I'll go ahead and take this one. When we think about homeowners insurance specifically, unlike some other types of product lines, essentially, the cost built into replacing homes in the event of total loss are built in to the coverage A and premium charged for those. So our ability to raise coverage A and the commensurate premium is automatic at each renewal's -- each policy's renewal. Therefore, you're never really more than a year behind on any particular policy. It's sort of inherent within coverage

A and pricing of our policy. Those changes do not require regulatory approval, and our technology platform allows us to really adjust those almost real time as each renewal is approaching.

The other aspect by that flexibility that we have is making sure that we are providing adequate and ample coverage for the protection of policyholders. Our ability to go ahead and increase the coverage A when there's a total loss event makes sure that even when tariffs have impacted, both labor and materials on those particular costs, the customer has the right level of insurance. So it's automatic for the most part, and it ensures protection for our customers.

Andrew E. Andersen
Jefferies LLC, Research Division

And then just on the guidance piece, I think I heard net income profitable for 4Q '25, and you had given EBITDA guidance for full year '25. But how are we thinking about kind of getting to EBITDA profitability? Is that something in -- for full year '26? Because it seems to be improving throughout the rest of 2025, is what I'm getting at.

Guy Zeltser
Chief Financial Officer

Andrew, this is Guy. Happy to take this question. So first of all, as you mentioned, first of all, I'll start by saying, so if you look at the shareholders letter, guidance we provided, you can see that we do expect all the key drivers to improve throughout the year. And you heard correctly. We are guiding specifically for Q4 '25 to be net income profitable as well as adjusted EBITDA profitable. And I'll say beyond the guidance for 2025, we're going to have our Investor Day in New York next month in June, and we're going to provide guidance or more longer-term guidance around that.

Richard Lyn McCathron
President, CEO & Director

Yes, Andrew, I'll go ahead and add one little -- one thing to it. So if you look at the guidance range we did for adjusted EBITDA, it was minus \$39 million to minus \$35 million. The L.A. wildfires contributed minus \$45 million to that number, and that's baked into the guidance. So minus the L.A. wildfires, we would have had full year adjusted EBITDA profitability for 2025.

Andrew E. Andersen
Jefferies LLC, Research Division

How much of the -- if I'm reading it correctly, the EBITDA loss includes the assessment from the FAIR Plan. I guess, one, is that correct? And two, are you able to tell us how much the assessment was?

Guy Zeltser
Chief Financial Officer

So Andrew, this is Guy. I'll take this one. So the \$45 million number includes the FAIR Plan assessment. We -- what we have said in the past, and I just want to reiterate, of the \$45 million, \$12 million belongs to the Spinnaker non-Hippo programs, and then the rest belongs to the Hippo. And again, it does include the FAIR Plan assessment.

What I will say is that we do expect some benefit in the future to that number because we have the ability to charge back some of the FAIR Plan cost back to the policyholders. For accounting reasons, we cannot include this amount right now, but it will give us some benefit to that amount in the future.

Richard Lyn McCathron
President, CEO & Director

Yes. Just to summarize that, Andrew, we have baked into our numbers the entire assessment, our belief of the entire assessment, but we have not baked into the numbers any recoupment we get from policyholders. So we're being -- we're fully loading it and not taking a discount of any potential recoupment.

Andrew E. Andersen
Jefferies LLC, Research Division

Okay. That's helpful. Are you able to share how much the assessment was?

Richard Lyn McCathron
President, CEO & Director

I don't think we're sharing that number just at this juncture. There's a couple of different components. Remember, a portion of it is obviously the Hippo Home Insurance Program. There's also a portion of it that are Spinnaker-fronted business. So that data is still being gathered. But we think we've put a conservative number in there that we think is likely.

Operator

There are currently no questions registered. [Operator Instructions] There are no additional questions waiting at this time. I would now like to pass the conference back over to Rick McCathron for any closing remarks.

Richard Lyn McCathron
President, CEO & Director

Well, I just want to thank each of you for joining us this evening, and we are very excited about our Investor Day. Again, that's on June 12 in New York City. We are hopeful that you can attend, and we'll have a lot more to talk about both at that event and in subsequent quarters. So thank you very much. Have a great evening.

Operator

That concludes today's call. Thank you for your participation, and enjoy the rest of your day.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.