



**Fourth Quarter 2024
Earnings Call Transcript**

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

Jamie Lillis, *Managing Director, Solebury Strategic Communications*

Ryan Caswell, *President*

Bryan Coy, *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

John Campbell, *Stephens*

Ian Zaffino, *Oppenheimer*

Kenneth Lee, *RBC Capital Markets*

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

Operator

Good afternoon, ladies and gentlemen, and welcome to the Cannae Holdings Fourth Quarter 2024 Financial Results Conference Call.

During today's presentation, all parties will be in a listen-only mode. Following the Company's prepared remarks, the conference will be open for questions, with instructions to follow at that time.

As a reminder, this conference call is being recorded, and a replay is available through 11:59 p.m. Eastern Time on March 10, 2025.

With that, I would like to turn the conference over to Jamie Lillis of Solebury Strategic Communications. Please go ahead.

Jamie Lillis

Thank you, Operator, and all of you for joining us.

On the call today, we have Cannae's President, Ryan Caswell, and Bryan Coy, our Chief Financial Officer.

Before we begin, I would like to remind listeners that this conference call and the Q&A following our remarks may contain forward-looking statements that involve a number of risks and uncertainties. Statements that are not historical facts, including statements about Cannae's expectations, hopes, intentions or strategies regarding the future, are forward-looking statements. Forward-looking statements

are based on Management's beliefs, as well as assumptions made by, and information currently available to, Management. Because such statements are based on expectations as to future financial and operating results and are not statements of fact, actual results may differ materially from those projected. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise. The risks and uncertainties which forward-looking statements are subject to include, but are not limited to, the risks and other factors detailed in our quarterly shareholder letter, which was released this afternoon, and in our other filings with the SEC.

Today's remarks will also include references to non-GAAP financial measures. Additional information, including a reconciliation between non-GAAP financial information to the GAAP financial information, is provided in our shareholder letter.

I would now like to turn the call over to Ryan.

Ryan Caswell

Thank you, Jamie.

On this call one year ago, we laid out a long-term strategic plan designed to increase the net asset value, or NAV, of Cannae and narrow the discount to intrinsic value that our shares trade. The plan consisted of improving the performance and valuation of our portfolio companies, making new investments, primarily in private companies that will grow NAV, and returning capital to our shareholders. We believe this plan will drive an increase in our stock price, and I would like to highlight significant actions we have taken in each area, before going into a more detailed review of select portfolio companies. I will then turn the call over to Bryan Coy to go through our financials.

First, we continue to work closely and actively with our existing portfolio companies and management teams to improve their operations, cash flows and long-term positioning.

For example, we worked with Alight on the \$1.2 billion sale of its payroll and professional services divisions, which simplified the remaining business and provided capital to allow the company to significantly de-lever, repurchase shares and initiate a dividend. We also worked with Alight on the transition to a new CEO and added four new experienced Board members, all of which we believe better position the business for future success.

Another example is we spent significant time with Black Knight Football and AFC Bournemouth, with a specific focus on increasing commercial activity and cash flow, improving the on-field performance and managing infrastructure improvements. From a commercial perspective, AFC Bournemouth's revenues increased nearly £20 million, or 14%, in fiscal year 2024, and are expected to increase again in 2025. From a sporting perspective, AFCB sits in sixth place in the Premier League, its highest ranking ever, has achieved the longest unbeaten streak in club history, and topped traditional Premier League contenders in Arsenal, Tottenham, Manchester City, Newcastle and Manchester United. And from an infrastructure perspective, next month, we will open a new world-class first team training facility.

We are optimistic about our portfolio and its ability to drive future value creation and grow NAV.

In 2024, we made several new private investments which we believe will both generate high returns on our investment and provide interim cash flows to Cannae. One of these investments was a 20% equity interest in JANA Partners, that we believe has significant upside, provides cash distributions, and is strategic for Cannae in terms of working with JANA on potential investments, as well as JANA's ability to help source and create new investment opportunities. Since our initial investment, we worked with JANA

on our first public opportunity and continue to collaborate on multiple live situations regarding potential investment targets. We are optimistic about our partnership and investment opportunities going forward.

We also acquired a majority stake in The Watkins Company, a 150-year-old, flavoring products company, with a strong brand that has demonstrated consistent long-term growth and profitability. The Company ended 2024 with sales up in the mid-single-digits and EBITDA in the high-single-digits and expects 2025 results to improve. Additionally, we have received cash distributions related to our preferred securities. We are also excited about Watkins' prospects going forward.

Lastly, we returned significant capital to our shareholders through share repurchases and our quarterly dividend, which was instituted in 2024. In the second quarter of 2024, Cannae repurchased 9.7 million Cannae shares in a Dutch Auction, returning approximately \$222 million to shareholders. The newly initiated quarterly dividend has resulted in returning an additional \$23 million to shareholders in 2024, and this dividend will continue in 2025.

Finally, in 2024, we internalized our external manager and brought Bill Foley back as the CEO of Cannae. As part of the internalization, key management are now compensated primarily with Cannae shares. We believe these actions further align our management and Cannae's shareholders.

Going forward, we plan to continue to rebalance our portfolio away from some of our public company investments and plan to prioritize share buybacks as a use of capital that is recovered from these public company share sales. Additionally, we plan to use proceeds to pay down outstanding debt and invest the capital in new and existing portfolio companies that we believe hold outsized return potential for our shareholders and will drive growth and NAV.

Collectively, the Cannae management team and Board hold more than 12% of Cannae shares, and we remain laser-focused on executing our plan to increase the NAV of our portfolio and close our share price discount to NAV.

I'm now going to talk about a few of our portfolio companies in a bit more detail, starting with D&B.

Dun & Bradstreet reported revenue of \$632 million, equating to less than 1% constant currency organic growth, compared to the prior year's fourth quarter. Adjusted EBITDA was \$260 million for the fourth quarter of 2024, down \$0.6 million to the prior year's fourth quarter. While these numbers were below consensus, D&B Management noted that the quarter was affected by delayed timing of certain deals, a decision to exit unprofitable partnerships, and the ongoing strategic process. For the full year 2024, D&B achieved 3% organic revenue growth and expanded Adjusted EBITDA to \$927 million, which is up from the \$569 million at the time of our take private. The company also improved its capital structure by reducing net leverage to 3.6 times and adjusting their fixed versus floating rate debt. Finally, the company announced that strategic discussions were ongoing and expects to share the outcome of those discussions in the first quarter of 2025.

Turning to Alight, which posted total revenue from continuing operations of \$680 million for the fourth quarter of 2024, a 0.3% decrease from the 2023 fourth quarter. Adjusted EBITDA was \$217 million in the fourth quarter of 2024, a 5% increase to the fourth quarter of 2023. Alight's net leverage at quarter end was 2.8 times, which reflects a \$740 million debt paydown. Alight also provided their 2025 outlook and expects mid- to high-single-digit growth in Adjusted EBITDA and double-digit growth in free cash flow.

Computer Services, or CSI, had another solid quarter of growth, following record growth in the first half of fiscal year 2025. On a pro forma basis, integrating recent acquisitions, the company grew revenue in the high-single-digit range, and continues to sign new logos, building its annual recurring revenue pool.

Adjusted EBITDA grew in mid-single-digits, with higher revenue offset by one-time non-personnel expenses.

Minden Mill Distillery also continues on plan, as it developed, launched and began successfully selling its initial products. In the second half of 2024, the company launched Minden Mill Nevada Bourbon, Minden Mill Nevada Rye Whiskey and Evil Bean Coffee Liqueur, following High Ground Vodka's release earlier in 2024. These products have seen acclaim in both receiving high points ratings of 92 to 99, and several Gold and Best of Class Awards. Sales are also starting to track, and we expect significant growth in 2025, as the products hit market.

I'll now turn the call over to Bryan to touch on our financial position.

Bryan Coy

Thanks, Ryan.

Cannae's fourth quarter total operating revenue was \$110 million, or 8% lower than the 2023 comparable, primarily on lower restaurant revenue. The aggregate decrease in restaurant revenue reflects store closures in both prior year fourth quarter and in '24, as well as general headwinds in the casual dining sector, as many brands continue to fight for their portion of a shrinking food-away-from-home budget. Notably, the 99 brand, which is much more concentrated geographically, achieved an increase in same store sales, as their average guest check exceeded the guest count headwinds, resulting in a slight increase in same store revenues for the fourth quarter of '24.

Turning to operations, restaurant operating expenses in the fourth quarter of '24 were \$107 million, or 81% of the total operating expenses, and approximately 300 basis points lower than the fourth quarter of 2023. Cost of restaurant revenue of \$92 million comprises 89% of restaurant revenue, a 20-basis-point improvement over the prior year fourth quarter, but, importantly, a 200-basis-point improvement from the third quarter of 2024.

Our team at the Restaurant Group are focusing on menu rationalization and streamlining staff to further reduce costs at the store level. Management also continues to scrutinize and find savings in brand support and administration costs, including recently negotiated an early exit in 2025 from the support center location. We expect these savings to be more apparent in 2025.

Personnel costs of \$18 million for the 2024 fourth quarter reflect the winddown of our external management agreement, and you'll note the lower management fees reported in other operating expenses.

Cannae recognized a \$12.5 million gain on that early exit from the restaurant support center office, noted above. This was offset by losses from the sale of 12 million shares of Alight in December and 917,000 shares of PaySafe, from which Cannae harvested significant tax losses and avoided tax payments from the sale of Dayforce shares in '24, and allowing Cannae to carry back against gains from Dayforce sales in previous tax years.

Net losses from equity method investments were \$12 million in the fourth quarter of 2024, a material reduction from the prior year, which included significant losses from System 1 and Alight, which were not repeated in the current year period, as well as improved results at Black Knight Football.

In 2024, we sold select public securities totaling \$470 million and received \$16 million in dividends from D&B and Alight. Additionally, Cannae received \$14 million, or two times costs, from the sale of a division of Wine Direct and still retains its 21% ownership in the remaining fulfillment business.

Today, Cannae has over \$108 million in corporate cash and short-term investments, \$101 million on our margin loan and \$60 million on the FNF note, or approximately \$60 million of net debt at a weighted average rate of 7.35%. We also have \$49 million of undrawn capacity on our margin loan and hold \$1 billion of listed securities. Our aggregate net asset value of approximately \$1.9 billion equates to \$29.78 per Cannae share on an after-tax basis, and Cannae shares closed at \$19.19 today, or a 36% discount to NAV.

I'll now turn the call back to the Operator to begin our question and answer session.

Operator

The first question comes from John Campbell from Stephens. Please go ahead.

John Campbell

Hey, guys. Good afternoon.

Ryan Caswell

Hey, John. How are you?

John Campbell

Hey, I'm doing well, thanks. Maybe starting here on Bournemouth, it's been a great season so far. It looks like you guys are just a single point outside of the top five. It looks like the EPL is in a good position to get, it looks like, maybe five Champions League placements this year. I know there's a lot of season left, you don't want to get ahead of yourself, but just assuming you guys stay where you're at or maybe bump up into the top five, just maybe talk to the impact you'd expect to see, maybe starting off with the prize or monetary award for the Champions League or Europa League placements, and then also just higher level what those European qualifications can mean for the club over time.

Ryan Caswell

Yes, thanks for the question, John. I think, as you stated, Bournemouth has obviously been performing exceptionally well. We are in the mix for all the European competitions. I think those will—they could have a significant financial impact. There's multiple different leagues and each could have a significant financial impact, from a revenue perspective, on the club, both in terms of media, additional media dollars that they would receive, as well as match day revenues from hosting the additional matches. I think that's all good. Obviously, that's only for one year. I think the bigger question, at least as how we think about it, is just what it means from an enterprise value and from the value of Bournemouth and Black Knight Football. We think showing the trajectory and the ability to play in European competition, again, assuming that we can get there, and there's a lot of season to go, we think it really lends and shows credibility of the plan and our view of Bournemouth being kind of a mid- to upper-table consistent in the Premier League, which we think has a lot more value than what we've paid or have invested in the team. So, we're really excited about what the team has done, but there's obviously a lot more work and a lot of season to go, we don't want to get ahead of ourselves on that, but regardless, really impressed with the entire team over there.

John Campbell

Yes, that's great color, I appreciate that, and then two quick ones here on just capital allocation as a whole. It looks like you've got about \$30 million or so kind of earmarked for the dividend annually. Maybe

starting there, out of the dividends you have from some of your holdings and then just operating cash, how close are you to funding that through cash flow?

Ryan Caswell

In the prepared remarks, as we think about investments and as we think about allocating capital and managing the investments that we have, generating cash flow to the holding company is really important, we think, both to cover the dividend, but also just as a way for people to think about the cash flow that our investments produce. We are still a ways away from covering—I put the dividend and the operating cash, or the operating expenses together, right, and so we still have some more room that we need to work on there, but we are—it is a focus of ours.

This wasn't exactly your question, but I think the other point just to flag is we're definitely—as we go through this year and as we look at the portfolio and potentially kind of rebalancing our portfolio away from some of our public companies—thinking about how we use that capital and return it to shareholders, primarily in the form of stock buybacks.

John Campbell

Yes, that's great, and that's kind of where I was going with the second question. I think you guys reported \$108 million or so of cash and short-term investment balance, you got \$30 million on the dividend, so you've got some dry powder on that front, and I guess it just really depends on how active you get on the monetization efforts, but I'm hoping you might be able to expand a little bit on the appetite for buybacks. I don't know if it's something you've considered as a certain level you're looking to get to this year. Is it all just kind of contingent on where the stock sits. Just a little more thoughts on that front.

Ryan Caswell

Yes, it's definitely something that we have considered, and are considering. I think part of it is going to be—we do have some holding company cash, we also have some debt, right, but we are definitely prioritizing, and we will prioritize, using our capital for share buybacks. We continue to think that the stock is cheap. I think the size of those depends on some of the potential monetization events of some of our biggest holdings. We obviously, on a couple quarters, now have talked about Dun & Bradstreet and its ongoing strategic review, which they said there should be an outcome within the first quarter. So, can't really speak more to it than that, but I think we are very aware and we want to over time monetize some of our public company investments and use a significant portion of those proceeds to buy back stock. Now, exactly what that means and how much, it depends on Cannae's stock price, it depends on other things that are going on, but share buybacks are something that is definitely a priority for us, as it was last year.

John Campbell

Okay, great. Thanks for the time, guys.

Ryan Caswell

Thank you.

Operator

The next question comes from Ian Zaffino from Oppenheimer. Please go ahead.

Ian Zaffino

Okay, thank you very much. As far as Black Knight Football, maybe you could help us think about capital funding for it and maybe what that could look like. Thanks.

Ryan Caswell

I think there are a couple of key levers in the capital funding—some of them are somewhat dynamic, but probably the biggest that we have funded thus far is the investment in AFC Bournemouth—well, the acquisition and investment. As we've talked about on this call historically, we believe—and we saw this last year in the improvement of the financial performance of AFC Bournemouth— AFC Bournemouth is dependent on players that we sell, in addition to their ongoing commercial revenues. We continue to believe we have developed very high-quality, saleable assets. We don't necessarily want to sell them, but we think that we've created a lot of value there. So, that is a lever as we think about the capital needs of AFC Bournemouth, and the other one is kind of the infrastructure, which is stadium and the training facility. Those are kind of the big needs, and we have some of the other teams, but those are much smaller in comparison.

We do believe that we will look to put some more capital into AFC Bournemouth going forward. It will be less than what we have done historically, but we want to make sure that from a sporting perspective, we are continuing to perform and grow the enterprise value of the team. While I don't have a specific number for you, we are very conscious around trying to reduce, or kind of reduce the size of what that capital need is, and we'll manage kind of the P&L appropriately to do that.

Ian Zaffino

Okay, thanks, and then maybe a question on Alight. Maybe walk us through why, you know, Bill stepped down, you know, and how are you're thinking about your position in the company, maybe the company its self is buying back, or is there an opportunity to do something like that, or do you have sell it in the market, or, alternatively, maybe have like a strategic sale, or something along those lines, to kind of monetize the stake. Thanks.

Ryan Caswell

Bill stepped down from the Chairman role at Alight; however, he is still on the Board of Alight and is very involved with Alight. Some of the new Board members are people that Bill and the team have known and we believe will be very value-additive to kind of the long-term strategic positioning and growth of Alight.

In terms of how we think about the investment and how we think about what are the options going forward, I think there was a press release that—in Bill's press release in stepping off the Board, he noted we continue to be supporters of Alight. We don't particularly like where the stock of Alight is today.

In terms of is there a strategic transaction or something else that they can do, that is probably a question that is better answered by them, but we believe that with the change in the management team, with some of the additions, and changes of the Board, that strategically the business is very well positioned to basically succeed in what it has set up. We obviously sold the payroll and processing business last year, which simplified the business. So, we think everything is set up for them to continue standalone and be very successful.

Ian Zaffino

All right, thanks for the color, guys. Thank you very much.

Operator

As a reminder, if you have a question, please press star, one.

The next question comes from Kenneth Lee from RBC Capital Markets. Please go ahead.

Kenneth Lee

Hey, thanks for taking my question, just one on the JANA partnership. I think in the prepared remarks, you mentioned that there are some discussions on some potential live deals there. I wonder if you could just give a little bit more color in terms of how would you characterize the level of discussions and activity, how active is it in the current environment here. Thanks.

Ryan Caswell

Thanks, Ken. I would say discussions with them are very active. We speak to the principals at JANA regularly. We believe that there are some very—a few very specific targets and situations that we have been discussing with them. Again, I don't want to get into the specifics of what they are, but we think some of them could be incredibly additive for Cannae, and so we are in very active and ongoing dialog with them. Again, we're optimistic that as we move forward, we will find a material transaction for Cannae.

Kenneth Lee

Got you, and then one on the Black Knight FC there. You mentioned to the previous question around a potential for maybe some incremental capital investment there. Would that be specifically in relation to, for example, player transfers for the upcoming summer window, or are there any other areas that you're looking to for capital needs there? Thanks.

Ryan Caswell

Yes, the only other area—you hit on, obviously, operating cash flow. There is—if you recall, we do own 40% of Lorient in League 2. We have a put-call arrangement with them going forward, such that there's a possibility that this summer we could buy an additional 40% of the business. We've also looked at a couple other—or one other, in particular, smaller team in another league, much smaller capital dollars. But both are, we believe, strategic to Black Knight Football, where we've been investing a lot of time in developing—you know, hiring the right management team and developing the right infrastructure that connects the teams better together, that we believe will drive better performance across all the clubs and reduce the costs at AFC Bournemouth.

So, those are the two others, and I think the third one, you didn't say, I know I alluded to it earlier, is just around infrastructure, stadium. This is something that we've been thinking about, whether we redevelop, whether we do a new stadium. So, we continue down that path, as well. Again, some of those are more near term than others, but those are the other buckets, besides what I'll call the operating cash flow of the teams.

Kenneth Lee

Got you, and that last one, the stadium plan there, potentially, for AFC Bournemouth. How early are you in the stages there in terms of the planning and the potential financing that's going to be? Is it still relatively early in the stage there? Thanks.

Ryan Caswell

Yes, it is. I think that the first, the big question is do we redevelop the existing stadium or do we build a new stadium, and we're honing in on an answer to that question, and then once you determine that, the planning and the actual construction, there's a long runway, but I would guess within kind of the next—on our next call, we'll have a better view of whether we're building a new stadium or whether we're redeveloping the existing one, and then I think the rest kind of fall off from there.

Kenneth Lee

Got you, very helpful there. Thanks again.

Ryan Caswell

Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Ryan Caswell for closing remarks.

Ryan Caswell

Thank you, Operator.

In conclusion, we are excited with the opportunities ahead and confident in our strategy, which we believe will deliver value to our shareholders. We look forward to speaking with you again on our first quarter 2025 earnings call in May. Thank you again for your time today.

Operator

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