



**First Quarter 2025
Earnings Call Transcript**

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CORPORATE PARTICIPANTS

Jamie Lillis, *Managing Director, Solebury Strategic Communications*

Ryan Caswell, *Chief Executive Officer*

Bryan Coy, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Kenneth Lee, *RBC Capital Markets*

Ian Zaffino, *Oppenheimer*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Cannae Holdings, Inc. First Quarter 2025 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 opened for questions with instructions to follow at that time. As a reminder, this conference call is being recorded and a replay is available to 11:59 p.m. Eastern Time on May 26, 2025.

With that, I would like to turn the call 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 Chief Executive Officer, 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 statement. 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 statement, whether as a result of new information, future events or otherwise. The risks and uncertainties which forward-looking statement 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 the 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.

Given the executive management succession announcement from earlier today, I would first like to start by welcoming Bill Foley to his new role as Vice Chairman and Doug Ammerman to his new role as Chairman. More importantly, I want to thank Bill for his mentorship and all that he has provided to Cannae and its portfolio of companies. Under Bill's leadership, we have made great progress and have significant opportunities in front of us to increase shareholder value. I look forward to continuing to work with Bill and Doug in their new roles and the entire Board as we continue to position Cannae for long term success as a permanent capital vehicle.

We remain committed to creating long term sustainable shareholder value through the execution of our strategic plan, including: one, rebalancing the portfolio away from current public investments and opportunistically investing in attractive companies with positive cash flows; two, returning capital to shareholders; and three, improving the operational performance of Cannae's portfolio of companies. I am excited to report that we continue to make progress on all fronts.

In late March, our largest public investment, Dun and Bradstreet, announced a definitive agreement to be acquired by Clearlake Capital in an all cash transaction valuing DNB at \$4.1 billion of equity, from which at closing, Cannae will receive \$632 million of proceeds. This capital provides Cannae with significant flexibility and allows us an ability to return a meaningful amount of capital to our shareholders.

As previously announced, post transaction closing, we expect to use at least \$460 million of these proceeds for share repurchases, dividends, and debt repayment, of which at least \$300 million will be used to repurchase shares, \$101 million to repay Cannae's margin loan, and we will retain \$60 million to pay future dividends. These actions will provide significant capital to our shareholders and we believe will help close the stock price discount to NAV. We are grateful to the entire DNB team for their hard work since our initial take private of the business and know that they will perform well with their new partners at Clearlake. The transaction is expected to close in the third quarter of this year.

With the expected sale of DNB and the 2024 share sales of Dayforce, Alight, DNB and Paysafe, we will have sold approximately \$1.1 billion of our public portfolio stakes since the beginning of 2024 and expect to utilize approximately \$730 million as either a return to shareholders through repurchases and dividends or as a debt repayment. We believe this demonstrates our commitment to our strategy of rebalancing our portfolio and returning a significant amount of capital to our shareholders.

Today, we announced the expansion of our strategic relationship with JANA Partners, an investment firm focused on creating value through shareholder engagement. Cannae has entered into an agreement to acquire an additional 30% stake in JANA for \$67.5 million with potential further payments of up to \$26

million contingent on JANA's future assets under management. Post closing, Cannae will have total ownership of 50%.

This additional investment in JANA broadens the scope of our partnership established in February 2024, enhancing and expanding Cannae's ability to allocate capital towards proprietary acquisitions and investment opportunities that complement JANA's strategy and investment activities. The widened strategic relationship also provides Cannae with additional ownership and cash distributions from a high performing private company and represents another aspect of Cannae's strategy to rebalance its portfolio to attractive companies that produce cash. We are excited to continue our partnership with Barry, Scott and the JANA team. The transaction is expected to close in the third quarter of this year.

Also, today, Cannae appointed Bill Royan and Woody Tyler to its Board effective as of June 1, 2025. Both individuals bring strong track records in investment management, having successfully worked at both public pension and private investment funds where each oversaw and managed multibillion dollar portfolios across a variety of strategies.

Furthermore, each has extensive experience working with portfolio companies, public and private boards, and other stakeholders to make strategic decisions that drive future value. We expect that Bill Royan will serve on Cannae's Corporate Governance and Nominating Committee and Related Person Transaction Committee, and Woody will serve on Cannae's Related Person Transaction Committee. We are delighted to have them both and believe that they will add significant value to Cannae's business.

I would now like to go through a few of our portfolio companies.

DNB reported revenue of \$580 million which represents 3.6% constant currency organic growth compared to the prior year's first quarter. Adjusted EBITDA was \$211 million for the first quarter of 2025, \$9.6 million above the prior year's first quarter. Notably, both revenue and Adjusted EBITDA were above consensus expectations. Also, the Company's Adjusted EBITDA margin increased 70 basis points to 36.4% in the first quarter of 2025.

Alight reported total revenue from continuing operations of \$548 million for the first quarter of 2025, a 2% decrease from the first quarter of 2024. Adjusted EBITDA was \$118 million for the first quarter, a \$2 million increase compared to the first quarter of 2024. Both of these results were ahead of consensus estimates. Management also affirmed their previous guidance for the full year 2025 with the midpoint for revenue of \$2.36 billion and Adjusted EBITDA of \$633 million. Alight's leverage now sits at 3.1 times Adjusted EBITDA.

The Company also had their Investor Day and Management provided midterm targets of 4% to 6% organic revenue growth and 30% Adjusted EBITDA margins by 2027, while expecting \$1 billion of cumulative free cash flow generation between 2025 and 2027. We were excited to see these financial targets and are hopeful that as Alight continues to show operational improvements and delivers on guidance, the market will recognize the embedded value in the business.

Turning to Black Knight Football, we made significant progress over the quarter. Starting with the holding company, Black Knight Football Club raised approximately \$133 million of new capital in the first quarter, half of which has already been funded and the other half will be funded later this year. As part of the capital raise, Cannae will contribute \$50 million of which \$25 million has already been funded. And the remaining capital will come from Bill and a group of third party investors. This capital provides Black Knight with significant strategic flexibility as we look to continue investments in the team, infrastructure and holding company.

During the quarter, we continued to build out the management team, data capabilities and connectivity between the holding company and respective clubs with the goal of optimizing player development and pathways and commercial opportunities amongst our teams. While we are still in the early stages, we are excited about the progress to date and the potential impact.

Moving to the individual teams. At AFC Bournemouth, we made significant progress in the quarter from an infrastructure perspective. First, we opened our new world class performance center for the first team and the academy. The facility is over 66,000 square feet with four new grass pitches, one full size outdoor artificial pitch, and a full size indoor artificial pitch. We believe this facility is one of the best in the world, highlights our ambitions as a club, and will be a critical tool for player development and recruiting, which in turn is critical for AFC Bournemouth's continued success on the field.

Second, on April 25, we announced the signing of an agreement to acquire Vitality Stadium, AFCB's home since 1910. This transaction is expected to close later this week, and we are far along in working on expansion and redevelopment plans. We are currently looking at a two phased approach that when complete will nearly double capacity at Vitality to approximately 20,000 seats. We are looking at modular construction, which will provide a significant upgrade to the stadium, but do so in a cost effective way with higher returns on capital. We will provide updates as we move forward and the plans are finalized.

AFCB also continues to perform well on the pitch, as they have set a new points record in the Premier League with 53 points and have two matches to go. The Cherries were selected to be one of four teams to represent the Premier League in the U.S. in the 2025 Summer Series and will play matches in New York, Chicago, and Atlanta between July 26 and August 3. Additionally, AFC Bournemouth will field a team in the TST soccer tournament that takes place in North Carolina in June. We believe these global opportunities demonstrate the improving brand and commercial opportunities at AFC Bournemouth.

Lastly, we are excited to note that for the first time ever, AFC Bournemouth was recognized in Sportico's list as the world's 50 most valuable soccer clubs. Sportico valued AFC Bournemouth at US\$630 million. The valuation utilized Bournemouth's 2023 season revenue of \$203 million and represents a 3.11 times multiple of revenue. The Sportico valuation represents equity appreciation of more than 40% when compared to the total amount of capital BKFC has invested in AFC Bournemouth today.

Turning to FC Lorient. Last Saturday, the team was crowned champions of Ligue 2 and earned promotion back to Ligue 1, the highest division in French football.

This is a significant accomplishment for FC Lorient, and with the team returning to Ligue 1, it provides significantly more strategic value to Black Knight football. I would also like to note that one of the key players responsible for their success was Eli Jr. Kroupi, who AFC Bournemouth acquired in January and kept on loan at FC Lorient for the remainder of the season. This player transaction between clubs again demonstrates the value of multiple teams and player pathways within the group.

Hibernian F.C. has also achieved great results as they currently sit in third place in the Scottish Premiership League, which would allow them entry into the European competition. During the year, Hibernian went on an 18-game streak where they were unbeaten in 17 of the 18 matches, equaling a 77 year old club record.

Lastly, earlier in the month, BKFC announced a strategic affiliation with Orlando City SC of the MLS. This partnership gives BKFC its first direct connection to professional soccer in North America. This agreement will benefit BKFC by giving it another player development pathway, an additional scouting channel and expanded commercial opportunities to offer sponsors of BKFC clubs.

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

Bryan Coy

Thanks, Ryan.

Cannae's first quarter total operating revenue of \$103 million was 7% lower than the prior year, on lower restaurant revenue. Notably, there were five fewer stores or 3%, in the 2025 period compared to the prior year. Although the aggregate same store sales were down, this was almost entirely attributable to the O'Charley's brand, as same store sales for the 99 Restaurants brand were nearly even at a 0.3% drop. This is a big testament to the 99 brand, as the casual dining industry experienced a very tough quarter and several weather incidents and unstable macroeconomic conditions. On a same store basis, the 99 brand has equaled or outperformed the Baird Casual Dining Index in each of the last 16 four week periods.

At the operating expense level, aggregate operating expenses were \$125 million in the first quarter of 2025 or \$27 million below the prior year. Restaurant Group reduced quarterly expenses by \$7 million reflecting the drop in top line and attention to corporate and brand support expenses. A significant portion of the decrease also relates to \$10 million of ISIP payments in the prior year period, as well as \$5 million lower manager expenses. The remaining improvement represents lower corporate operating expenses.

Specifically with regard to the operating expenses of the Restaurant Group, we have continued to make significant changes. The O'Charley's brand implemented a significant SKU reductions last month, along with other store level improvements aimed at reducing labor and enhancing the guest experience. We also have a new President, a new Chief Operating Officer, and a new Chief Financial Officer in place. Next month, the Restaurant Group will move from its longtime headquarters to a new location that's approximately 20% the size of the current space. This change alone will cut more than 7 figures annually from the Restaurant Group support costs. New management has also performed a detailed review of all locations and has identified changes that we expect to improve store level and regional operating costs.

Cannae had net recognized gains of \$7 million in the first quarter of 2025 compared to \$5 million in the prior year. The current quarter figure includes non-cash fair value losses on Paysafe and Rapid7, offset by gains from the sale of Wine Direct's e-commerce business. On that, our initial investment of \$10 million in Wine Direct was in 2017, and with this year's sale of their e-commerce division, Cannae realized a \$15 million gain in Q1, received \$14 million in cash, and still holds its interest in the remaining fulfillment business.

A significant change in our financial statement presentation is that Dun and Bradstreet is no longer included in equity method investments on the balance sheet and earnings from unconsolidated affiliates on our P&L. With the signing of the agreement to be acquired by Clearlake and Cannae's entry into a voting to support agreement, GAAP requires us to present them as assets of discontinued operations on the balance sheet and their results as loss from discontinued operations in the P&L and statement of cash flow. All prior period balances were reclassified to conform to this presentation.

Our equity and earnings and losses of unconsolidated affiliates posted a \$2 million net loss in Q1 2025 compared to \$18 million gain in the prior year. The 2024 figure included a large gain from CSI offset by losses posted by Alight and Sightline. Unlike most of our investments, the CSI partnership is marked to fair value once per year and their growth this year resulted in an additional \$16 million gain in the fair value of our holding and follows the \$41 million gain reported last year in the first quarter. This means Cannae has received \$37 million of cash distributions and its remaining ownership has a fair value that is 120% of Cannae's original investment.

After our sale last week of 9 million shares of DNB for \$81 million, Cannae has \$188 million in corporate cash and short term investments, offset by \$149 million of debt. On that, during the quarter, we amended our FNF note, repaying \$12.2 million, lowering the interest rate by 200 basis points and extending the maturity to 2030.

That concludes our prepared remarks, and we'll be happy to take your questions now.

Operator

Thank you. We will now begin the question and answer session. To ask a question, you may press star, then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two.

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

Kenneth Lee

Hey, good afternoon. Thanks for taking my question and congrats Ryan on your new role. Just one on the JANA Partners. Now that there's a plan to be a 50% owner, could you talk a little bit more about the revenue and earnings profile of the business? Perhaps also as well, just remind us again the assets under management of the business? Thanks.

Ryan Caswell

Hey, Ken. This is Ryan. First off, thank you. I'm just trying to think what—I think at a high level—I don't want to get into revenue and earnings figures, but I think at a high level the business has significantly higher AUM than we originally invested. It's north of \$2 billion and it's been performing very well from a financial profile.

So, we are very excited about the investment. I think when we look at the deal value, we think it's at an attractive price and we're really optimistic around what we can do with JANA going forward. And I think it shows how we're trying to—we will try and prioritize new investments with them that we think could be very impactful with Cannae in addition to our investment in their business, which we think is also—will be very positive for the Company.

Kenneth Lee

Got you. And then just a brief follow-up here. Are there any longer term plans to potentially increase the ownership percentage of JANA Partners sometime down the line? Thanks.

Ryan Caswell

There are no—at the current time, there are no plans to increase the ownership percentage. We think the structure that we have today works very well.

Kenneth Lee

Okay. Very helpful there. And just one more follow-up, if I may. Have there been any subsequent or recent discussions with the investor Carronade Capital? And any kind of thoughts around some of the recent actions that you've taken there? Thanks.

Ryan Caswell

In terms of the dialogue, I think that you can look publicly and see what's out there. We obviously have a view of what we are doing in our strategic plan, and we continue to move forward on that plan. We're open to discussions with them or any other investors as we move forward about how we create shareholder value.

Kenneth Lee

Got you. Very helpful there. Thanks again.

Operator

Once again, if you have a question, please press star, then one.

The ext question comes from Ian Zaffino with Oppenheimer. Please go ahead.

Ian Zaffino

Hi. Thank you very much. So, I just wanted to delve a little bit into the Vitality Stadium acquisition. Help us understand the opportunity there, some of the economics there, and what's kind of going on. Thank you.

Ryan Caswell

The deal hasn't closed yet, so I want to be sensitive around some of the specific financial metrics. But at a high level, we think that it's a very attractive—the stadium investment and redevelopment is an incredibly attractive proposition for the team. First off, as we talked about on the last call, we've been looking at whether we do a new stadium or whether we do a redevelopment. And as we looked at the financial analysis, we believe that it was much more compelling from a financial perspective to do a redevelopment. Look, the fans have been in the stadium since 1910, so there's an identity with the stadium.

But we're also able to significantly improve the brand, the look of the stadium, the feel, and get a lot more fans in there. But we think that just looking at the return on assets will be for the total investment, the EBITDA that can generate and through both phases - as I mentioned in my prepared remarks, there'll be a Phase one and Phase two - but it'll be a mid teens type return without thinking of any financing or other ways. So we think it's both a great opportunity for the club, the brand, and we think it's attractive financially as well.

Ian Zaffino

Okay, thank you. And then also, when you think about, like incremental capital that you plan to deploy going forward on M&A, how are you thinking about that? Because I know you talk a lot about Black Knight being a big kind of source of maybe some acquisitions you could do or something else. But is that kind of how you're thinking about it now? And that you want to create more of these kind of network effects of owning multiple teams? Or do you think we're kind of done with that and we're going to deploy capital elsewhere? Thanks.

Ryan Caswell

Well, I mentioned on the call that Black Knight raised a bunch of capital that Cannae participated in. I think in the short term, that's not going to be a focus of capital but for the additional \$25 million that I referenced on the call. Look, I think the JANA deal is obviously an area that we've invested some capital.

We obviously looked at walk ins last year. But how we're thinking about capital more broadly is we obviously are returning a significant amount of capital related to the DNB transaction and share repurchases, dividends, then paying down some of the margin loan. But at the same time, we need to also be mindful of, we will opportunistically make investments in businesses or situations that we think can deliver an attractive return.

But clearly, in the short term, we're using the majority of our capital to buy back stock.

Ian Zaffino

All right. Thank you very much.

Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Ryan Castle for any closing remarks. Please go ahead.

Ryan Caswell

Thank you. In conclusion, we believe there remains significant embedded value in Cannae's portfolio and upside in our stock price as we continue to execute on our strategic plan and position Cannae for long term success as a permanent capital vehicle. Thank you for your time.

Operator

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