Q1 2021 Earnings Call

Company Participants

- Derek Bulas, Associate Vice President
- Peter Clarke, Chief Operating Officer
- V. Prem Watsa, Chairman and Chief Executive Officer

Other Participants

- Analyst
- Jaeme Gloyn, Analyst
- Mark Dwelle, Analyst
- Tom MacKinnon, Analyst

Presentation

Operator

Good morning and welcome to Fairfax First Quarter Results Conference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Your host for today's call is Prem Watsa with opening remarks from Mr. Derek Bulas. Mr. Bulas, please begin.

Derek Bulas

Good morning and welcome to our call to discuss Fairfax's 2021 first quarter results. This call may include forward-looking statements. Actual results may differ, perhaps materially from those contained in such forward-looking statements as a result of a variety of uncertainties and risk factors, the most foreseeable of which are set out under risk factors in our base shelf prospectus, which has been filed with Canadian securities regulators and is available on SEDAR, and which now include the risk of adverse consequences to Fairfax's business, investments and personnel resulting from or related to the COVID-19 pandemic. Fairfax disclaims any intention or obligation to update or revise any forward-looking statements, except as required by applicable securities law.

I'll now turn the call over to our Chairman and CEO, Prem Watsa.

V. Prem Watsa {BIO 1433188 <GO>}

Thank you, Derek. Good morning, ladies and gentlemen. Welcome to Fairfax's 2021 first quarter conference call. I plan to give you some of the highlights and then pass the call to Peter Clarke, our Chief Operating Officer, to comment on our insurance and reinsurance operations and some additional financial details. Peter will be on all future calls. Unfortunately, Jen Allen could not be with us today because her mother-in-law passed away in the last few days, but she will be back with the second quarter conference call. She is very much in our thoughts impress [ph].

Fairfax's net earnings were $806 million in the first quarter of 2021, which equates to net earnings per diluted share of $28.91. Fairfax's book value per share in the first quarter increased by 6.1% adjusted for the $10 per share common dividend paid in the first quarter to $497 per share. Net earnings of $806 million reflected both strong underwriting results and net gains on investments. Our net loss in the first quarter of 2020 of $1.3 billion primarily from the effects of the pandemic have reversed with net earnings of $2.3 billion in the last 12 months and book value is up 18%.

Our net loss on investments of approximately $1.5 billion at the end of the first quarter of 2020 completely reversed in 2020 with net gains that you will remember of $313 million. And then it increased further in the first quarter of 2021 by $842 million. In 35 years, we have never experienced swings in stock prices like we did in 2020, but stock prices have rebounded extremely well. Most importantly, our total float increased by 12% to $25 billion and float per share increased by 13% to $949 per share in the last 12 months. This is in the last 12 months.

We think we are now in a virtuous cycle. Growth in gross premiums written, underwriting profits and value investing were coming to the core, working well. It is still early days. Our insurance and reinsurance companies produced consolidated combined ratio of 96% in the first quarter, which included above average catastrophe losses of $211 million or 5.7 combined ratio points. Excluding cat losses, the consolidated combined ratio was 90.3% with 17% growth in gross premiums written on the back of a strong pricing environment. All of our major insurance companies generated combined ratios of less than 100% despite a higher level of cat losses in the first quarter. More on this from Peter Clarke.

In the first quarter, operating income was strong at [ph] million. Net unrealized gains on investments were $802 million with gains on net equity exposure of $1 billion, partially offset by net unrealized losses on bonds from rising interest rates. The net gains on equities included gains on Blackberry, Bank of America, Stelco and BDT.

In accordance with IFRS rules, not included in the net gain number, its mark-to-market movement on our investments in non-insurance associates and certain consolidated investments, which increased significantly in the first quarter by approximately $1.1 billion. Any gains or losses in these securities will typically only be accounted for when they are so. We have provided a table in our MD&A on Page 59 and 60 that provides the unrealized gains or losses on these securities.

Net losses on our bond portfolio were $166 million due to increasing interest rates, primarily on our corporate bonds at the purchase in the first and second quarters of 2020.

Unrealized losses were mitigated through net sales of $1.8 billion of our corporate bonds in the first quarter of 2021 at a yield less than 1% realizing gains of $145 million.

As we mentioned in our annual meetings and in our annual reports and quarterly calls with IFRS accounting that stocks and bonds are recorded at market and subject to mark-to-market gains or losses, quarterly, annual income will fluctuate, investment results will only make sense over the long term. As I've said previously, long-term value investing has gone through a very difficult time for many years now. Valuations of value, oriented stocks versus growth stocks, particularly technology, have never been so extreme exceeding even the extremes of the dot-com era in 2000.

As the economy normalizes, we expect a reversion to the mean with value oriented stocks coming to the core. After the vaccine was announced last November, we started to see this taking place. Few examples will make it better for you and I mentioned this in the AGM that we had a few weeks ago, Fairfax India was selling at $9.60 per share at the end of 2020 while its book value was more than $16 per share. Today its up to $12.50 per share and book value is about $18 per share. We think it's only a matter of time that Fairfax India exceeds its 2020 high and does exceptionally well as the Indian economy recovers from COVID-19. The Indian Government, as I said at our AGM, came up with an exceptional business friendly budget recently. Last few days, recognizing the tough times in India due to the spread of COVID-19, we decided to donate $5 million to India and also through Dexterra, our 49% owned company, to help them build emergency field hospitals in the country. Our thoughts and prayers are with the people of India as they battle this wave of COVID-19 infections. That was a Fairfax India.

The second example is Atlas Corp, formerly Seaspan, run by David Sokol and Bing Chen, closed 2019 at $14 a share, went down to $6.30 a share in March and today it's back to $14. Atlas is financially very strong, has expanded significantly recently, as I mentioned, in our annual report and has great management. So we think it's only a matter of time before it exceeds its previous high. We expect a significant return on our common stock portfolio as the economy continues to normalize.

In early March 2021, Farmers Edge completed an initial public offering of CAD1.44 million in exchange for approximately 8.5 million common shares of Farmers Edge. Prior to the IPO, Fairfax exercised with warrants and converted its convertible debentures for common shares, resulting in the Company's controlling equity interest at Farmers Edge, increasing to almost 60% on completion of the IPO and capital transactions. Farmers Edge now has no debt and a lot of cash on its balance sheet. Farmers Edge continues to be consolidated in our statements with the carrying value of $213 million while the market value was $354 million on March 31.

On March 24, 2021, Boat Rocker completed an IPO for CAD170 million in exchange for about 19 million shares of Boat Rocker. Prior to the IPO, the Company converted its convertible debentures, just like Farmers Edge, for subordinate voting shares of Boat Rocker. Boat Rocker converted its preferred shares to subordinate voting shares and issued additional subordinate voting shares through a third party resulting in Fairfax having an economic and voting interests in Boat Rocker, 45% and 36% on completion of the IPO and capital transactions. Boat Rocker also has no debt now and lots of cash on its balance sheet. Boat Rocker continues to be consolidated in our statement with a carrying value of $105 million while the market value was $173 million on March 31.

We continue to have approximately $1.4 billion at the holding company predominantly in cash and short-term securities. Please note our cash in the holding company is to meet any NFC [ph] that Fairfax might face in this uncertain period. We are not making any long-term investments with this cash other than to support our insurance and reinsurance operations. With the closing of the Riverstone Barbados transaction in the second quarter, we expect to continue to have $1.3 billion in cash and investments at the holding company with our credit facility fully paid off.

At March 31, 2021, the Company's insurance and reinsurance operations held approximately $17.5 billion in cash and short-dated securities, representing approximately 40% of portfolio investments, comprised of $14.7 billion of subsidiary cash and short-term investments and $2.8 billion of short-dated U.S. treasuries. Our investment portfolios will be largely unimpacted by rising interest rates as we have not reached for yield. As we've said in the past, this may well be the big risk in the economy today. In fact, if interest rates go up, we would benefit because we have a lot of short term -- short-dated securities.

We continue to invest with Kennedy Wilson in the first -- in first mortgages with a term less than five years with a run rate of approximately $22 million in gross premium and our insurance subsidiaries growing significantly, a huge focus on underwriting discipline, a portfolio of over $40 billion and HWIC operating in a stock pickers market. It's what we think we are in now. All grounded on our fair and friendly culture built over 35 years, we expect to generate a 15 percent return for our shareholders over time. In the past 35 years, we've had many years when our book value has gone 40% to 50% and our stock prices increased 150%. In our minds, the best is yet to come.

I will now pass the call to Peter Clarke, our Chief Operating Officer, to comment on our insurance and reinsurance operations. Peter.

Peter Clarke {BIO 15243793 <GO>}

Thank you. Prem. Our insurance and reinsurance companies have had a great start to 2021. We grew by 17% over the first quarter of 2020 generating gross premiums written of $5.4 billion. We also produced a combined ratio of 96% and $149 million of underwriting profit despite above average catastrophe losses for the first quarter. By comparison, underwriting profit in the first quarter of 2020 was $103 million.

On the underwriting front, Northbridge and Zenith reported the lowest combined ratios being 87% and 88% respectively. All of our major companies produced combined ratios below 100% and, in fact, with the exception of Bryte in South Africa, all our stand-alone companies had combined ratios under 100%.

As mentioned previously, our gross premiums for the quarter was up 17% or $800 million from the year before. This growth has been made possible by favorable market conditions that prevail in many of our markets, but particularly in North America. Allied

World grew its premiums by 28% with growth especially strong in Directors and Officers and Excess Casualty segment.

Odyssey Group's gross premiums were up 24% with expansion in both its insurance and reinsurance segments. And in Canada, Northbridge's topline expanded 19% in U.S. dollar terms as it continues to register double-digit rate increases. While these three posted the most impressive growth among our major companies, Brit, Crum & Forster and Zenith were all able to expand their businesses this quarter as well. Of note, Brit launched its innovative follow on syndicate Ki in the first quarter, which contributed to its growth rate of 10%.

Growth was strong in many of our international operations as well. Fairfax Brazil's gross premium grew 32%, our other Latin American companies grew 22% and Bryte grew by 8%. Overall, our international companies grew by approximately $100 million year-over-year. We expect growth to remain strong as overall price levels continue to rise at double-digit pace, our global footprint and exceptional management teams gives us the ability to generate significant organic growth. In the first quarter, we absorbed 5.7 loss ratio points from catastrophes, largely due to the extraordinary winter freeze event in Texas and approximately one point -- or $46 [ph] million of additional COVID losses.

With respect to COVID, our inception to date losses now total at $718 million of which approximately half is held in IBNR. Based on knowledge today, we expect these provisions to be adequately cover our exposure, at the same time, the pandemic is ongoing as is much litigation and therefore there remains a degree of some uncertainty. In the quarter, we recorded favorable reserve development of $43 million, our reserve position continues to strengthen as our companies expand with today's well priced business.

Another important fact, we are experiencing is the reduction in the expense ratio component of our combined ratio. Premiums are growing faster than our underwriting expenses and nowhere is this more apparent than at Allied World, whose expenses -- whose expense ratio dropped a full 2.4 points from 2020.

In summary, we are very pleased with the quarter and our prospects going forward. Our decentralized system allows our companies to respond quickly to opportunities in their markets in times when conditions are improving such they -- such as they are now, this gives us an important advantage.

Now some comments on our investment results, our non-insurance companies performance and overall financial position, which Jen Allen would have made if she could have been with us here today. Interest and dividend income of $168 million in the first quarter of 2021 was down from $218 million in the first quarter of 2020 and primarily comprised of interest in income earned on high quality U.S. corporate bonds and first mortgage loans that are secured by high level -- high quality real estate in the U.S. and Europe, this is primarily in partnership with Kennedy Wilson, and also dividend income from common stock and long equity total return swaps. We continue to hold the significant portion of our investment portfolio in cash, short-term investments and other short-dated fixed income. This position dampens interest income in the short term, but protects us from rising rates and inflation, a trade-off we are willing to take today.

Net gains on investments of $842 million in the first quarter of 2021 were primarily comprised of net gains of $1 billion on long equity exposure, partially offset by net losses of $166 million on bonds due to higher interest rates and foreign exchange losses of $37 million. Most of our equity gains were unrealized, and as Prem said, included unrealized gains on Blackberry, Bank of America, Stelco and BDT to name a few. Our net losses on investments of $1.5 billion in the first quarter of 2020 have completely reversed in the last 12 months with net gains on investments of approximately $2.7 billion over this time period.

Now turning to the results of our non-insurance companies. In the first quarter of 2021, our non-insurance consolidated companies had operating losses of $85 million compared to losses of $34 million in the first quarter of 2020. The first quarter of 2020 -- '21 included a performance fee accrual of $56 million by Fairfax India versus a performance fee reversal of $48 million in the first quarter of 2020. Both these intercompany amounts are eliminated in Fairfax corporate overhead. Excluding the impact of the performance fees, operating losses for our non-insurance consolidated companies decreased to $29 million in the first quarter of 2021 from $82 million in the first quarter of 2020, a significant improvement.

Many of our non-insurance consolidated companies have been affected significantly by the effects of COVID-19, especially our restaurant and retail businesses, Thomas Cook India and others. They have done an outstanding job navigating through the pandemic and we believe will rebound strongly when we get through this. Please note the excess of fair value over carrying value of our non-insurance associates and certain non-insurance subsidiaries increased by $681 million and $397 million respectively for a combined increase of approximately $1.1 billion in the first quarter of 2021. The excess is not reflected in our book value per share. We disclosed this in our annual report and we'll continue to disclose it in the MD&A of our interim reports going forward.

And finally, a few comments on our financial position. Our total debt to total capital ratio, excluding the consolidated non-insurance companies, increased to 30.2% at March 31, 2021, up from 29.7% at December 31, 2020, primarily reflecting increased total debt principally related to our $600 million U.S. bond issue. The proceeds of our CAD850 million bond issue was immediately used to pay down our 2022 and 2023 maturities, so had no effect on our ratios. Excluding the remaining $500 million on our credit facility, which we plan on repaying at the closing of our RiverStone Barbados transaction, our total debt to total capital ratio drops to 28.6%. Additionally from the proceeds of our $600 million U.S. debt issue, we are going to pay off additional debt in the second quarter, which will further reduce our leverage ratios.

We expect our total Holdco insurance debt of approximately $7 billion to drop closer to $6 billion in the second quarter. And we are focused on lowering our financial leverage over time. The liquidity position of the Company remains strong. Our cash and marketable securities at the holding company was $1.4 billion at the end of the first quarter of 2021. And at the close of the RiverStone Barbados transaction, our cash and marketable securities at the holding company will be approximately $1.3 billion with our credit facility paid off in full and no significant maturities until 2024.

And now, I will pass the call back over to Prem.

V. Prem Watsa {BIO 1433188 <GO>}

Thank you, Peter. And look forward to answering your questions. Please give us your name and your company name and try to limit your questions to only one, so that it's all fair to everyone on the call. Amanda, we are ready for your questions.

Questions And Answers

Operator

Thank you (Operator Instructions). Our first question comes from Junior Rob [ph] with private investor. Your line is open.

Q - Analyst

Good morning, congratulations on a wonderful quarter. Question for you guys, did you guys increase your total return swaps in 2021 for Fairfax? It seems like it grew by $500,000.

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah, we had the ability to do that, Junior and still continue to look at it. We think it's a great investment for Fairfax and we will continue to look at it as we go forward.

Q - Analyst

Okay, so that's maybe about like 7% to 8% of the outstanding shares, is that right I think?

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah, they look about (inaudible) about 2 million shares on '26, right.

A - Peter Clarke {BIO 15243793 <GO>}

Yes, that's what it is, yeah.

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah. That's what it is.

Q - Analyst

Okay. Thanks a lot.

A - V. Prem Watsa {BIO 1433188 <GO>}

Thank you Junior. Next question, Amanda.

Operator

Thank you. Our next question comes from Tom MacKinnon with BMO Capital. Your line is open.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Yeah, thanks very much. Just following up on the --

A - V. Prem Watsa {BIO 1433188 <GO>}

Hey, good morning, Tom.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Yeah, morning, Prem. Just following up on the long total return swaps, is the total notional that you have in this and these investments over $2 billion, is that correct? And would that mean -- I think, that you -- now that you've increased in Fairfax, it would be nearly a third of that is associated with the Fairfax stock. Is there any color you can give us to what other instruments are in or other stocks or indices or whatever are in the remaining $1.5 billion or so in terms of what you have in terms of total return swaps long notional?

A - V. Prem Watsa {BIO 1433188 <GO>}

Yes. So in terms of Fairfax shares as we've seen in the press release, right, we have about $730 million, 2 million shares that's approximately $372. This is all US dollars. $730 million is the total return swaps on Fairfax. And, of course, it's already doing well. And the others, on an opportunistic basis, we've looked at buying some common shares, Tom, but they're not long term and they're the ones that we've bought. Quite a bit, we've already sold. And so we continue to look at a (inaudible), but it's in short-term, meaning we are going [ph] hold these for a long compared to time.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Okay, that's great. And if I could just squeeze another, 40% cash, where do you think you would want to deploy that? As I understand, what you have in terms of your equity holdings that include like your investments in non-insurance companies and investments in associates, I think you're kind of at your internal max there. So would we think that if you were to deploy that cash, it would more than likely go into fixed income as opposed to equities?

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah. So, Tom, big risk today -- I'd said this many times, in the 1980s, Tom, interest rates are very high, inflation was very high and nobody expected to come down. This is in the 1981-1982. Long treasuries were like 14%, long Canada's was 16% and nobody expected to come down, inflation was high. Today is the opposite. Long 10-year treasuries in the

United States are lower today than they were in the great depression and the only exception was last year. Last year they went down to like a 0.5%, then back to about 1.65%. But the 1.65% is lower than in the great depression and nobody sees inflation picking up. You heard the Federal Reserve, the Fed says it's transitory. And you look at commodities. Copper price is at the highest price it's been, a record high. Lumber prices are record high. Steel prices are very close to record high. Corn prices, (inaudible) gamble is increasing prices.

So there is all sorts of price increases taking place. And and then you've got the economy coming back. You've got pent-up demand. You got all the supply problems that takes place still fixed normalize. And so the big risk in our mind is inflation increasing and we can say how fast it increases and interest rates increase. We saw in the last year, two year rates in the United States or less. I mean, two-year, one year, six months have been flat, but 10-year rates have gone from 0.5% 10-year rates to, as I said, 1.65%. And -- but that's -- that could go further a little back to pre-COVID that to in some -- in the 2% area -- 2.5% area. And so that's a big risk we see. So we broaden that debt capital loss. We think the bond markets today have no margin of safety, seem to be very, very careful and so we -- for no interest and dividend income -- interest income purposely with an easy buy longer bonds and get a higher interest rate, but we think this is acting for capital loss, so that would be (Technical Difficulty)

Q - Tom MacKinnon {BIO 2430137 <GO>}

Okay, thanks for the color.

A - V. Prem Watsa {BIO 1433188 <GO>}

Perfect. Thank you very much, Tom. Amanda, next question.

Operator

Thank you. Our next question comes from Jaeme Gloyn with National Bank Financial. Your line is open.

Q - Jaeme Gloyn {BIO 19737597 <GO>}

Yeah, thanks, good morning.

A - V. Prem Watsa {BIO 1433188 <GO>}

Hey, good morning, Jaeme.

Q - Jaeme Gloyn {BIO 19737597 <GO>}

First question, it's great to see the leverage commentary and that starting to trend downward. On the flip side, I'm seeing the premiums to surplus ratio tick up nicely as you think about your -- the harder markets. Just wondering if you could talk about your capital position in terms of being able to continue to drive those premium growth rates in line with the hard markets?

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah, I'll take a crack at it and then pass it on to Peter. But as the markets are hard, the markets are -- Jaeme, price increases are taking place across the board, pretty well across the world. And our companies are exposed to property casualty insurance across the world and they're taking advantage of it. And who knows how long it will last. But if history is any guide that will -- should last for few years. We have the ability to expand. We have the capital to expand. Our companies are very well capitalized. And as Peter said, we've got the $1.2 billion at the holding company. But Peter, your response, anything if you like to add Peter to them?

A - Peter Clarke {BIO 15243793 <GO>}

Sure. Thanks. Hi Jaeme. I think, last year we put some capital into our insurance and reinsurance operations, so they started the year well capitalized and their premiums are growing, but they're growing profitably. So they're generating some significant earnings, add to that the investments bouncing back. I think the earnings within the operations will fund the growth going forward. So, I think, generally right across the group, we're quite satisfied on where we are on the capital front.

A - V. Prem Watsa {BIO 1433188 <GO>}

So to add to what Peter said, Jaeme, I mentioned this in our comments on the call, this is a virtuous cycle. This means there are times and the last time (inaudible) really there is of any significance was in 2001 after September 11. The premiums are growing. Prices are -- rate increases are taking place. You're growing your premium. Underwriting profit and reserves are -- big redundancies buildup in reserves that you only see over time. And so the cycle, it's virtuous right now. And the presidents (inaudible) build them and seen them and they've saw some of them in our AGM and they're all experienced veterans in the marketplace. They know how to take advantage of the business and get paid. Basically you are getting paid for the risk that you're taking and insurance is a risk business. So you need to get paid and if you don't get paid, they you will, like I have seen it, then you keep premiums flat till you come down as they have been because there been rate decreases in workers compensation and (inaudible) has done a tremendous job.

But this is a virtual cycle and on top of that sort of not different from 2001 because you remember the peak for the dot-com boom was in 2000. And in 2000, if you look at our Annual Reports, 2000 to 2002, 2003, stock markets all over the world led by the dot-com, led by Nasdaq, dropped by 50%. And Nasdaq dropped by something like 75%. Our portfolios -- our stock portfolios went up 100%, that's 100%, because value investing came back into the form and lasted for many, many years after that. We see a lot of similarities today when we look at the companies that we own. And so, we think, not only as the insurance business in a virtual cycle, but it's back, as Peter was saying, by the fact that value investing is making a comeback. Jaeme?

Q - Jaeme Gloyn {BIO 19737597 <GO>}

Yeah, that's great. Thank you. And my next question is around the expense ratio and the commentary around that coming down, can you just give me a little bit color, is still like the sustainability of that expense ratio or is that driven by any initiatives or changes in the operations or is it more just a benefit factor of the hard markets in the higher premiums earned?

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah, so, Jaeme, like this is advantage, as Peter mentioned in his comments, which I will ask him to add after I did say this, but when premiums go up and up, one of the things we did in last year with our presidents, we said you cannot use COVID-19 as a reason to reduce staff, to fire people. We would -- these are our loyal employees who've been with us for a long time. And so we said to each of our presidents, you cannot use COVID-19 to reduce staff. So we had no reduction in staff at all and our employees appreciated that. And so now we are increasing our premiums, but we're not adding staff, right, Jaeme. So it's not any restructuring or any of that type of thing because these are all our loyal staff, but we're not adding to them and they're working hard that we are adding more premium, but Peter?

A - Peter Clarke {BIO 15243793 <GO>}

Yeah, I think the only thing just sort of add to what you've already said Prem is that it's really when the premium -- a lot of the expense ratio benefits coming from the premium side and especially when it's through pricing, right. Our premiums going up because an increased rate. You don't need additional expenses to support that. So that's where the biggest benefit comes -- is coming from. I should point out that all our companies are very cost conscious and focus on the expense ratio as well. And we have benefited in the past 12 months to -- from some lower expenses generally related to travel and entertainment as everybody has been working from home and really travel has been non-existent.

A - V. Prem Watsa {BIO 1433188 <GO>}

That's well said, Jaeme. What Peter is saying it's because of rate increases, like our 17% growth of that first quarter is mainly rate increases as opposed to volume and so the expense ratio, allied being a great example, dropped almost by 2.5 points. Any other question, Jaeme?

Q - Jaeme Gloyn {BIO 19737597 <GO>}

That's great. Thank you very much.

A - V. Prem Watsa {BIO 1433188 <GO>}

Thank you, Jaeme. Amanda, next question please.

Operator

Thank you (Operator Instructions). Our next question comes from Ken McNeil with Richardson [ph]. Your line is open.

Q - Analyst

Thank you. My question is around Blackberry. Are you restricted from selling Blackberry? If you aren't, when it hit 36, did you sell any? And if you didn't, why wouldn't you?

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah, thank you for the question. I think in the annual meeting, we discussed this and I made the point that we were restricted. We were restricted from September last year to March 1. And the restriction was because our conversion price went from $10 to $6 and what the SEC rules, the short swing rule, if you transact in Blackberry Securities or any securities that we had issued to you and they consider the convertible to be a new issue, you'll have to give all the profits back to the company. So we were restricted that with no way [ph] we checked it 10 times (inaudible) checked it once. And so we had no option, but to wait. And after we waited, as you know, the stock price came down significantly. So that's where we are today.

Q - Analyst

Thank you.

A - V. Prem Watsa {BIO 1433188 <GO>}

Thank you for your question. Amanda, next question.

Operator

Thank you. Our last question comes from Mark Dwelle with RBC Capital Markets. Your line is open.

Q - Mark Dwelle {BIO 4211726 <GO>}

Yeah, good morning. A couple of questions.

A - V. Prem Watsa {BIO 1433188 <GO>}

Hey, good morning, Mark.

Q - Mark Dwelle {BIO 4211726 <GO>}

Good morning, Prem. I wanted to get an update on a couple of the transactions that are outstanding, the RiverStone Barbados and the partial sale of shares in Brit to OMERS. Particularly on the Barbados transaction, that seems like it's been delayed quite a bit from where it is -- when it was originally expected to close. I was just curious what seems to be the hold up or what the timing is it looks like at this point.

A - V. Prem Watsa {BIO 1433188 <GO>}

Sure. But this is dealing with the regulatory bodies. And you are right, we expected to -- we expect to be completed in the first quarter, but CVC is very much the buyer of obviously on UK, very much wants to buy it. And it's -- discussions that CVC is having with the regulatory body, which is the PRA in London. And we expect that it will happen sometime in the second quarter. But you're right, that's been delayed some.

Q - Mark Dwelle {BIO 4211726 <GO>}

And then on the OMERS and Brit transaction, is that still on track to close in the second quarter as well? I think that was what the original timeline was.

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah, they are simultaneous right now. So they are -- they close at the same time because, of course, the close of CVC (inaudible) depends on UK, the OMERS gets paid I think $100 million plus for their investment and --

Q - Mark Dwelle {BIO 4211726 <GO>}

Is that right below 600,000 [ph]?

A - Peter Clarke {BIO 15243793 <GO>}

That's correct. Yes.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay. That makes perfect sense. I don't think I saw the (Multiple Speakers)

A - V. Prem Watsa {BIO 1433188 <GO>}

Yeah, so they go together. We have the recent (Multiple Speakers) update close together.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay, very good. The second question I wanted to ask about was the long equity total return swaps related to the Fairfax shares. We increased the total amount in the quarter. I guess, I had understood when those were originally taken out late last year, the notion was an opportunistic play on this Fairfax share if you were a little bit cash constrained with some debt and trying to get this transaction closed. I guess, this quarter, we also bought back stock just in the ordinary course. I was curious why to continue increasing the size of the notional on the swaps rather than just direct that same cash flow to ordinary repurchases.

A - V. Prem Watsa {BIO 1433188 <GO>}

So we are -- Tom -- so, Mark, when you look at straight, will be buying back stock, our first thing financially sound. Second thing is to make sure we take full advantage, full advantage of the insurance marketplace, which we did in the first quarter, we expect to continue in the next few years. So those are very, very important. Then we look at our stock price and we think it's very attractive. We think we're in the midst of a virtuous cycle. We talked about in terms of the insurance business, which you are very familiar with. What perhaps people are less familiar with is value investing coming back in spades. So you're seeing that in, I gave the example of Fairfax India and Atlas, but Eurobank, Eurobank's book value next year will be above $50.

And I've said this before and I'll say it again, the Greek Government is perhaps the best government in Europe and they're doing all the right things with getting on tremendous store season, tremendous investment, tremendous attraction for capital investment. They understand that and they (inaudible) EUR500 million, I think it was euros, at 2% for five years to six years. And so Eurobank is selling at, I don't know, a little less than $0.80 and it's got tremendous prospects. I go on to Bank of America, Stelco, Resolute and on and on and on and Page 59, 60, we talked about that. I mean these are big decisions that we had that in 2019 and at the end of the year, you could see it coming back. And then COVID-19 came in early 2020. No one can forecast these things. It happened. And in our minds, all that delay was going to take place, which is interest rate as the economy expands and inflation, interest rates pickup. I mean, Mr. Biden has been also to programs, on top of the economy recovering significantly. And so as inflation picks up, interest rates pick up, the economy produces a huge amount of profits for all the companies that I just mentioned and interest rates go up and we've got a ton of cash that will benefit from higher income and they won't take capital losses, which people will reach for yield or will do.

So we think our company is really well positioned with that tremendous management and so we're very excited. So our stock -- we think or stock, I've said this many times about stock myself, but we think our stock is where we put value for long-term investors, which a lot of the people on this call are long-term investors. And so that's why we continue to add to it, Mark, because we think it's going to be a fairly good investment and already has, but we think it's just early days.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay, I appreciate the insights. Thanks very much.

A - V. Prem Watsa {BIO 1433188 <GO>}

Thank you very much, Mark. Amanda any more questions.

Operator

Thank you (Operator Instructions). And at this time we have no further questions on the audio line.

A - V. Prem Watsa {BIO 1433188 <GO>}

Thank you very much, Amanda. There are no further questions. We thank you for joining us on this call and we look forward to talking to you after the second quarter. Thank you, Amanda.

Operator

Thank you. That concludes today's conference. Thank you for participating. You may disconnect at this time.