S&P Global
Market Intelligence

Assurant, Inc. NYSE:AIZ

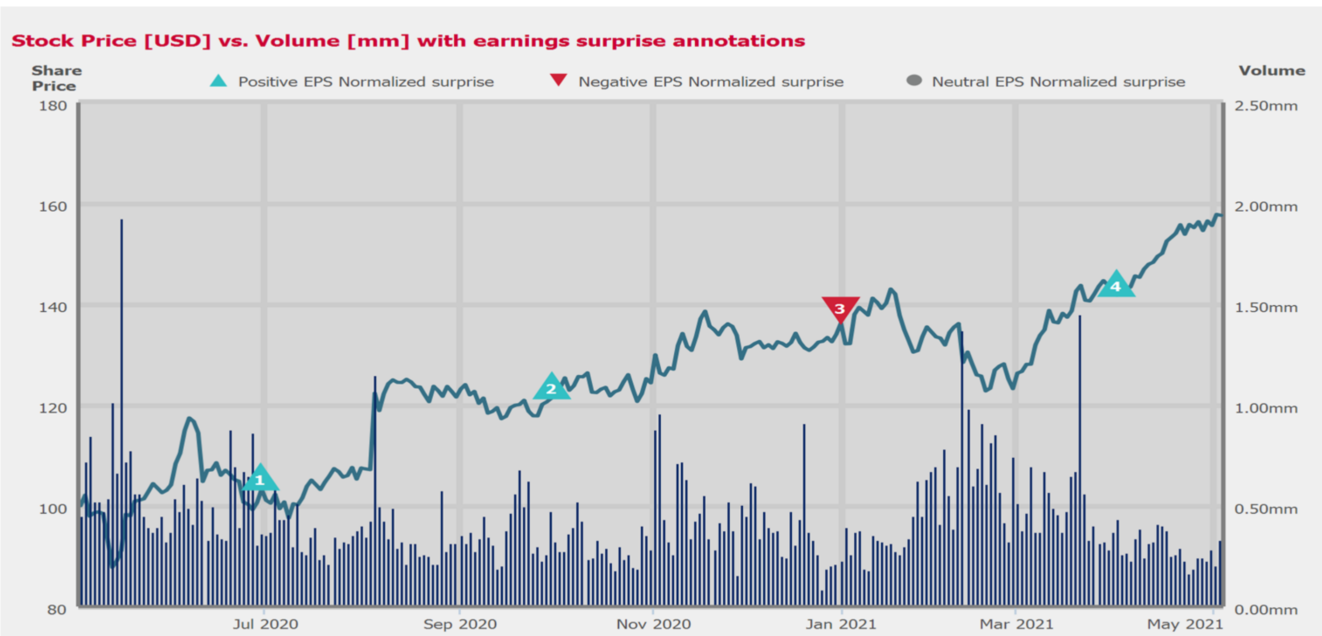
FQ1 2021 Earnings Call Transcripts

Wednesday, May 05, 2021 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-		-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	GUIDANCE	CONSENSUS
EPS Normalized	1.94	2.47	▲27.32	2.38	9.49	NA	NA
Revenue (mm)	2273.90	2432.60	▲6.98	2121.28	8746.68	NA	NA

Currency: USD
Consensus as of May-04-2021 8:07 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	2.12	2.75	▲1 29.72 %
FQ3 2020	0.99	1.41	▲2 42.42 %
FQ4 2020	2.08	1.82	▼3 (12.50 %)
FQ1 2021	1.94	2.47	▲4 27.32 %

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Call Participants

EXECUTIVES

Alan B. Colberg
President, CEO & Director

Richard Steven Dziadzio
Executive VP & CFO

Suzanne Shepherd
Senior Vice President of Investor Relations

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Gary Kent Ransom
Dowling & Partners Securities, LLC

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Michael Wayne Phillips
Morgan Stanley, Research Division

Thomas Patrick McJoynt-Griffith
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

Operator

Welcome to Assurant's First Quarter 2021 Conference Call and Webcast. [Operator Instructions]

It is now my pleasure to turn the floor over to Suzanne Shepherd, Senior Vice President of Investor Relations. You may begin.

Suzanne Shepherd
Senior Vice President of Investor Relations

Thank you, operator, and good morning, everyone. We look forward to discussing our first quarter 2021 results with you today. Joining me for Assurant's conference call are Alan Colberg, our President and Chief Executive Officer; and Richard Dziadzio, our Chief Financial Officer.

Yesterday, after the market closed, we issued a news release announcing our results for the first quarter of 2021. The release and corresponding financial supplement are available on assurant.com. We will start today's call with brief remarks from Alan and Richard before moving into a Q&A session.

Some of the statements made today are forward-looking. Forward-looking statements are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contemplated by these statements. Additional information regarding these factors can be found in yesterday's earnings release as well as in our SEC reports.

During today's call, we will refer to non-GAAP financial measures, which we believe are important in evaluating the company's performance. As we continue to shift to a more fee income, capital-light business mix, we introduced adjusted EBITDA as part of our restated financial statement in April. This is another important financial metric for the company, reflective of our go-forward Global Lifestyle and Global Housing businesses.

In addition, as of January 1, Global Preneed and the related entities included in the sale are considered discontinued operations and no longer included in our continuing operations, as reflected in the earnings press release and financial supplement. For more details on these measures, the most comparable GAAP measures and a reconciliation of the 2, please refer to yesterday's news release and financial supplement.

I will now turn the call over to Alan.

Alan B. Colberg
President, CEO & Director

Thanks, Suzanne. Good morning, everyone. We're very pleased with our results for the first quarter. We delivered double-digit earnings growth driven by favorable non-catastrophe loss experience, including improved underwriting in Global Housing, as well as continued profitable growth in our Global Automotive, Multifamily Housing and Connected Living businesses.

Once again, results demonstrated the attractiveness of our market-leading specialty P&C and lifestyle offerings distributed across multiple channels. This is in addition to the compelling growth opportunities emerging across mobile, auto and renters. Together, these businesses represent what we refer to as the Connected World. In 2020, our Connected World offerings represented 2/3 of our net operating income, excluding catastrophes and in combination with our specialty P&C businesses, will enable us to continue to expand our innovative offerings and deliver a superior and seamless customer experience.

Generating over $1 billion of adjusted EBITDA in 2020, our business portfolio is well positioned to sustain above-market growth and strong cash flows over time. And as we look ahead, we are continuously investing to bring innovation to market to build a more sustainable future for all of our stakeholders. To that end, we recently published our 2021 social responsibility report, highlighting the many ways we are delivering on our commitment as a purpose-driven company.

We are continuing to advance our ESG efforts, specifically within our strategic focus areas of talent, products and climate. Further integrating ESG within our business operations will be critical as we look to create an even more diverse, equitable and inclusive culture that promotes innovation, enhances sustainability and minimizes our carbon footprint for the benefit of all stakeholders.

Recent notable examples include: We are increasing all U.S. hourly wages to at least $15 per hour by July, which supports the financial well-being of our employees. We've launched an assessment of our carbon footprint, including our investment portfolio and supply chain as a critical step to setting a future, long-term carbon emissions reduction goal. And we've further integrated sustainability into our offerings, such as rolling out electric vehicle products globally and extending the mobile device life cycle through trading services. With HYLA, we recently passed a significant milestone, repurposing our 100 millionth device. This has extended the life of devices, put billions of dollars back into consumers' hands and prevented additional e-waste from ending up in our landfills, supporting global sustainability.

We are pleased with our progress and are proud of the recognitions we have received, including our inclusion in the Bloomberg Gender-Equality Index and America's Best Employers for Diversity by Forbes as well as being awarded the Best Place to Work in several of the key markets we operate.

Sustainability and innovation go hand in hand. Recently, we surpassed $100 million invested through Assurant Ventures, our venture capital arm. This quarter, several high-quality investments in our portfolio announced SPAC transactions, including Cazoo, a fully digital U.K. car sales company; and SmartRent, a smart home automation provider. Given current attractive valuations, these investments have the potential to generate strong returns while also providing strategic insights that support our Connected World businesses, creating value-added partnerships and piloting new innovations.

Now let me share some first quarter highlights for each of our operating segments. We continue to see strong growth in Global Lifestyle, increasing earnings by 7% year-over-year. Over the years, we continuously invested in mobile capabilities, such as same-day local repair or come-to-you repair for mobile devices, which provide another opportunity to drive value for our clients and the end consumer.

Most recently in Connected Living, we've further strengthened our product capabilities and customer experience through the acquisition of TRYGLE in Japan. TRYGLE develops and operates a mobile phone app that allows consumers to manage the life cycle of their devices and centrally organizes digital product manuals for all connected products.

Collectively, all of our investments have helped lead to 15 new client program launches since 2015. This includes partnerships with several U.S. cable providers, including XFINITY and Spectrum, as well as large mobile carriers in Japan, like KDDI and Rakuten.

Recently, we've expanded our global partnership with Samsung through the launch of Samsung Care+, a smartphone protection program, in Brazil and Mexico. We expect to further extend this partnership globally. We will continue to build on the strong momentum we have with our global, multiproduct and multichannel strategy, bolstered by the additional investments we are making.

As an example, HYLA Mobile added scale and technology capabilities to our global trade-in and upgrade business and has been performing even better than our initial expectations. We're now providing over 30 trading programs around the world. The acquisition positions us to benefit from favorable tailwinds in the global mobile market, including the upcoming 5G smartphone upgrade cycle and new client relationships.

In Global Automotive, we continue to benefit from our scale and expertise as we now cover over 50 million vehicles. Already this year, we've seen a significant increase in auto production versus pre-pandemic first quarter levels. In the year since acquiring AFAS, we've combined our award-winning training programs to create the Automotive Training Academy by Assurant. Its expanded in-person and virtual programs will allow us to scale faster and adapt to the changing needs of dealers and automotive professionals.

Within Global Financial Services, we've added a number of embedded card benefit clients recently, including the previously announced partnership with American Express. We look forward to enhancing these partnerships and building on our existing suite of products.

Moving to Global Housing, net operating income, excluding reportable catastrophes, grew 17% as we benefited from favorable non-cat loss experience, including improved underwriting results. Within our lender-placed business, we continue to play a vital role in supporting the mortgage industry as we track over 31 million loans. The business remains well positioned, and we expect to benefit from investments in our superior customer platform over the long term.

Multifamily Housing increased policies by 9% year-over-year to almost 2.5 million as we continue to grow through our affinity partnerships and PMC channel, including 7 of the top 10 largest PMCs in the U.S.

We've also continued to grow our sharing economy offerings, which include car sharing, on-demand delivery and vacation rental. Over the last 2 years, through our partnership with market leaders in on-demand delivery, we tripled the number of deliveries we protect to over 1 billion deliveries. While it is too early to gauge whether the pandemic has fundamentally changed consumer demand for these services, we're encouraged by our momentum and the potential for future products and services in the gig economy.

Now let's move to our first quarter results and our 2021 outlook. Net operating income, excluding cats, grew by 13% to $182 million. And earnings per share increased 16% to $3.03, demonstrating improved results in Global Housing and continued momentum in Global Lifestyle.

Given our strong performance in the first quarter and current business trends, we are increasing our full year outlook for 2021. We now expect 10% to 14% growth in operating earnings per share, excluding catastrophes, versus our initial expectation of 9% EPS growth. EPS expansion from the $9.88 in 2020 will be driven by high single-digit earnings growth, mainly from Global Lifestyle, and a lower corporate loss. Results will also benefit from share repurchases, including the completion of our 3-year $1.35 billion objective and the initial return of net proceeds from the Global Preneed sale.

Our increased outlook largely reflects Global Housing's favorable non-catastrophe loss experience in the first quarter. As such, housing's earnings are expected to be down only modestly year-over-year from what was a strong 2020.

Looking at adjusted EBITDA, excluding catastrophes, the first quarter generated $302 million, an increase of 15% year-over-year. We expect adjusted EBITDA will grow at a modestly higher rate than net operating income in 2021.

Turning to capital. We ended March with $332 million of holding company liquidity after returning $80 million to shareholders through common stock dividends and buybacks during the quarter, and we expect to deliver on all of our commitments, sustaining our strong track record of capital return. In addition, throughout the year, we will continue to make strategic investments in our portfolio to position us well for sustained, long-term growth.

I'll now turn the call over to Richard to review first quarter results and our 2021 outlook. Richard?

Richard Steven Dziadzio
Executive VP & CFO

Thank you, Alan, and good morning, everyone. As Alan noted, we are pleased with our first quarter performance as our results across Global Lifestyle and Global Housing remain strong. Before getting into first quarter performance, I want to provide a quick update on the sale of our preneed business.

In March, we announced our plan to sell the business for $1.3 billion to CUNA Mutual Group. Since signing, we have completed the necessary regulatory filings, and we remain on track to close the transaction by the end of the third quarter.

Now let's move to segment results for Global Lifestyle. This segment reported net operating income of $129 million in the first quarter, an increase of 7%, driven by Global Automotive and Connected Living.

In Global Automotive, earnings increased $7 million or 18%. Results included a $4 million onetime benefit as well as a gain on investment income related to a specialty asset class from our TWG acquisition, which we don't expect to recur. Year-over-year, underlying performance was driven by another quarter of global organic growth from U.S. TPA and international OEMs as well as some favorable loss experience.

Connected Living grew earnings by 3%. However, this was muted by a $7 million favorable client recoverable within extended service contracts in the prior year period. Underlying performance was driven by mobile subscriber growth in Asia Pacific and North America, higher trading results from increased seasonal volume and contributions from our HYLA acquisition.

For the quarter, lifestyle's adjusted EBITDA increased 11% to $193 million, 4 points above net operating income growth. This reflects the segment's increased amortization related to higher deal-related intangibles from more recent acquisitions in Global Automotive and Connected Living. IT depreciation expense also increased, stemming from higher investments.

Lifestyle revenue decreased by $85 million. This was driven mainly by a $98 million reduction in mobile trading revenue, primarily due to the contract change we disclosed last year. Excluding this change, revenue for this segment was flat. For the full year, we continue to expect lifestyle revenues to be in line with last year at approximately $7.3 billion.

As expected, overall trading volumes, which flow through fee income, increased year-over-year and sequentially. This was driven by 4 elements: new phone introductions last year, greater device availability, carrier promotions and contributions from HYLA. While the first quarter did benefit from strong mobile trading volumes, we do expect it to be a high watermark for the year given historical seasonal patterns.

Since year-end, we've increased covered mobile devices by 600,000 subs, driven by continued growth in North America and Asia Pacific. This year, we continue to expect covered mobile devices to grow mid-single digits compared to 2020 as we grow subscribers in key geographies like the U.S. and Japan. As a reminder, we expect the growth rate of earnings to exceed the growth rate of covered mobile devices over time as we benefit from offering additional products and services to our clients and their end consumers.

For 2021, we still expect Global Lifestyle's net operating income to grow in the high single digits, compared to the $437 million reported in 2020. Growth will come from all lines of business, particularly Connected Living. Adjusted EBITDA for this segment is expected to grow double digits year-over-year.

Moving now to Global Housing. Net operating income for the first quarter totaled $67 million compared to $74 million in the first quarter of 2020. The decrease was largely due to $22 million of higher reportable catastrophes, mainly related to the extreme winter weather, particularly from areas like Texas. Excluding catastrophe losses, earnings increased $50 million or 17%. More than 2/3 of the increase was from favorable non-cat loss experience, mainly in our specialty offerings, including sharing economy products. We estimate that approximately half of the favorable loss experience in the first quarter was from underwriting improvements, with the remainder of the benefit driven by favorable loss experience, which we don't expect to recur.

In addition, we saw continued growth in Multifamily Housing. Lender-placed results were up modestly. Higher premium rates and favorable non-cat loss experience were mostly offset by decline in REO volumes from ongoing foreclosure moratoriums. Looking at the placement rate, the modest sequential increase to 1.6% was attributable to a shift in business mix and is not an indication of a broader macro housing market shift.

Revenue decreased 2% related to a reduction in our specialty product offerings, which included the impact from the exit of small commercial as well as lower REO volumes. This decrease was partially offset by growth in Multifamily Housing, which grew 8% year-over-year, driven mainly by our affinity partners.

We now expect Global Housing's net operating income, excluding cats, to be down modestly compared to 2020. This reflects our stronger first quarter and the assumption of a modest increase in our expected non-GAAP loss ratio to more normalized levels for the remainder of the year. We are also monitoring the REO foreclosure moratoriums and any additional extensions that may be announced. As we position for the future, we will continue investments in the business to sustain and enhance our competitive position.

At Corporate, the net operating loss was $22 million, which was flat year-over-year. For the full year, we continue to expect the corporate net operating loss to improve to approximately $90 million as we eliminate enterprise support costs associated with Global Preneed. As we think about the remainder of the year, for all of Assurant, we are beginning to plan for a phased reentry of our workforce post COVID. And we are evaluating our real estate footprint to align with new business and employee needs as we adapt to the future of work. This may result in additional expenses throughout the year.

I also wanted to provide a quick comment on our investment portfolio. With preneed moving to discontinued operations, our investment portfolio is now approximately $7.9 billion, excluding cash and cash equivalents. Given preneed's relatively longer average duration of around 10 years compared to the rest of our business, following the sale of preneed, our go-forward duration will drop to between 4.5 to 5 years. As a result, our interest rate sensitivity will be reduced by approximately 2/3.

Turning to holding company liquidity. We ended the first quarter with $332 million, which is $107 million above our current minimum target level. In the first quarter, dividends from our operating segments totaled $183 million. In addition to our quarterly corporate and interest expenses, we also had outflows from 3 main items: $42 million of share repurchases;

$43 million in common and preferred stock dividends; and $10 million mainly related to the acquisition of TRYGLE and Assurant Ventures investments.

Also, in January, we redeemed the remaining $50 million of our March 2021 notes. And our mandatory convertible shares converted to approximately 2.7 million common shares during the quarter. For the year overall, we continue to expect dividends to approximate segment earnings subject to the growth of the businesses and rating agency and regulatory capital considerations. We've now completed over 70% of our $1.35 billion capital return objective from 2019 to 2021 and remain confident that we will meet this objective by the end of this year.

In addition, we expect to begin incremental buybacks prior to closing the preneed transaction in the third quarter. The total buybacks associated with the net proceeds from the sale are expected to be returned within 1 year of the transaction close. In the second quarter through April 30, we repurchased an additional 95,000 shares for $14 million.

In summary, our first quarter results demonstrate the strength of our business and our capital and liquidity position. We remain focused on completing the sale of Global Preneed and delivering on our 2021 financial objectives.
And with that, operator, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is coming from Bose George of KBW.

Thomas Patrick McJoynt-Griffith
Keefe, Bruyette, & Woods, Inc., Research Division

This is actually Tom McJoynt on for Bose. Yes, and so the first question is really just kind of about sizing of the rebound and contribution of the trade-in volumes. I know there's a lot of moving pieces with the contract change, the HYLA contribution, and it sounds like 1Q was a high watermark. So maybe you just help us kind of frame how we should think about the contribution for trade-in volumes going forward.

Alan B. Colberg
President, CEO & Director

Yes. Maybe I'll start, and then Richard certainly add on. If you think about our trade-in and buyback business, we're now a very strong player after the acquisition of HYLA. We mentioned in the prepared remarks we have 30-plus programs that we operate around the world.

You're right Q1 tends to be the seasonal high for trade-in, really driven by the launch of new phones late in the prior year. We expect activity to moderate through the balance of the year. But again, that business, well positioned, growing strongly. And we have a lot of opportunity as the 5G wave develops, which is still very early. And we expect that to develop later this year and into '22 really as the driver. But Richard, anything you'd add on that?

Richard Steven Dziadzio
Executive VP & CFO

Yes. I think, I mean, overall, we're in a really good place. And as Alan said, Q1, we're looking at it as a high watermark. But on the other hand, we have 30-plus trade-in programs. So we are encouraged by the momentum of the business and also what HYLA is adding to the mix of the lifestyle business as well.

Thomas Patrick McJoynt-Griffith
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And so just kind of thinking about the balance of the year, there are some easy comps, obviously, with volumes having been depleted kind of and starting in 2Q '20. So as we kind of think of the fees and other income line within Global Lifestyle, is it reasonable to think of it being somewhat flat year-over-year even after considering the contract change, which will hit the next 2 quarters?

Richard Steven Dziadzio
Executive VP & CFO

I don't think we've given a total revenue outlook for lifestyle, but we have said that when we look at lifestyle this year, we will be looking at net operating income being in the high single digits. So hopefully, that should help you.

Thomas Patrick McJoynt-Griffith
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Yes, that will. And then just a second question. Could you just talk about the growth in subscribers in terms of how much contribution is coming from T-Mobile and Sprint versus some of the other kind of providers, including our cable providers, which would seem to have been gaining share in subscriber count?

Alan B. Colberg
President, CEO & Director

Yes. And again, just to frame that for everyone. So what we've said for this year is we expect subscriber growth in mobile to be mid-single digits. And that's really being driven by growth in North America, which is coming from many different programs, including the ones you mentioned as well as growth in Asia Pacific. We are seeing a bit of a drag in Europe. That's been ongoing as Europe has been more severely impacted by COVID lockdowns.

Also in Q2, we're going to lose a small program in Europe. We're having a banking program in mobile that's going to transition to another provider. That's going to be a reduction of about 750,000 subs but will have no impact on our bottom line. So we factored that into that outlook as well of mid-single-digit growth for the year.

Operator

Our next question comes from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Alan, I wonder if you could talk a little bit about -- we're getting closer to the midyear reinsurance renewal. What that looks like? And specifically, any additional thoughts with respect to trying to convert the lender-placed insurance business more to an MGA model? And maybe specifically, you can kind of get into what are the challenges and impediments in actually going to that type of a model?

Alan B. Colberg
President, CEO & Director

Yes. No, happy to talk about that. I think it's important when we talk about housing now, to start with it's a really good business that's performing well. You saw the very strong 2020, good start to this year. Over the last 5 or 6 years, we've really fine-tuned the lender-placed business. We're now in a good position if there is housing market weakness. So I think that's an important backdrop.

Now we have been taking many actions over the last few years to reduce volatility. So one of those was bringing retention down to $80 million per event. That has now made -- if we do have a severe cat season, it's not a business risk to the company at all. It's just a onetime kind of earnings impact. We've also done things like moving to a multiyear tower. I think as of January, we're up to 52% of the towers are now multiyear. That also smooths out the volatility. And then we've been trimming exposure in areas where we don't feel like the risk/return tradeoff is attractive for true risk businesses, like our exit of small commercial.

And with that backdrop, we've been on a journey to become more credit-light. It's something we look at every year. We look at all of our businesses every year. The challenge with it, it's harder to see how the economics work with reinsurance, given where we're already buying down to. So you need to come up with other structures. Those require a lot of earnings give up. And so it's not straightforward how you would actually do that and make sure that it was a good outcome for our shareholders.

The other way we've been addressing it is just growing the rest of our company. And so if you look at today our non-cat exposed businesses are now something like 75% of our earnings and growing much faster. And so over time, that's a dramatic shift in our exposure to whatever might happen with cat. So we'll certainly continue to work on it, but we feel like we've made great progress on it. And we're not going to do anything that isn't really positive for our shareholders.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then second question, just curious on the auto warranty business. What are your thoughts here as we progress through in 2021 on that business? Obviously, some pretty solid growth given what we've seen with respect to used car sales.

Alan B. Colberg
President, CEO & Director

Yes. We're well positioned, first of all, in auto. After The Warranty Group acquisition and then the addition of AFAS, we're a clear, significant leader in that business. We're now up to 50 million covered autos. We've seen production for our business recover fully and then some to pre-COVID. We've mentioned, I think, Q1 '21 better than Q1 '19 in a significant way. So we feel good about that.

And what we're trying to also do, in addition to just consolidating and gaining share through our differentiated offerings, we mentioned the Training Academy, for example, on the call. That's another way that we can gain share over time. So we're seeing good results already, strong underlying growth. Most of the benefit of that will be in future years as we realize the new cars converting out of warranty to our product. But well positioned, good momentum.

And one of the other things we're looking at is how do we bring some of our other differentiated capabilities, like what we do with premium tech support. As cars become increasingly connected, we have a real opportunity to innovate and bring really differentiated solutions into the market.

Operator

Our next question comes from Mark Hughes with Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

On the multifamily, real strong acceleration in growth this quarter. Could you talk about what drove that?

Alan B. Colberg
President, CEO & Director

Yes. There are really 2 things, maybe 3 things going on there. One, we have a series of strong affinity partnerships that we've built over the years, and we're continuing to gain share with those affinity partners. So that's one driver. Second, in our property management company channel, we're still early in the rollout of Cover360, which is our new capability, to make it much easier to attach our product.

And then third, we've been investing heavily the last few years in digital and CX. And our experience now, we believe, is as good or better for the consumer to anyone in the market. All of those factors, the 9% growth in policy year-on-year, we're still gaining share. And we're up to, I think, almost 2.5 million policies now.

So we've invested there. We're going to continue to invest. We see enormous convergence coming between some of our mobile capabilities around the connected apartment and connected home. Early days for that, but we see strong growth just from what we're already doing and then a significant opportunity to innovate and drive growth in the future.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

In the mobile business, you talked about Europe being a drag. Any signs of life there? And I think also South America or Central America has been a laggard for you. Any signs of movement?

Alan B. Colberg
President, CEO & Director

Yes. I think Europe is still struggling with the COVID and the lockdowns of COVID. It's been more challenging than certainly the U.S. market for sure. Latin America, we're starting to see some rebound, but it's still measured and nowhere near back to kind of what we've seen in Latin America pre-COVID.

So I think, again, what's really been driving our mobile growth in the last year or so has been our strength and position and our very diverse set of clients in North America and Asia Pacific. But at some point, Europe, you would assume will begin to recover, and that will be a tailwind at some point, but we're not seeing the same kind of strengthening in Europe yet that we see elsewhere and that we're starting to see in Latin America.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then on the embedded card agreement, you talked about American Express. How are the economics on those sort of agreements versus your other relationships? You mentioned the Samsung Care and other programs. How do the economics look?

Alan B. Colberg
President, CEO & Director

Yes. No, let me maybe back up just a little bit to provide some broader context there. So when we acquired The Warranty Group, they had recently established a new relationship in the embedded card space with one of the big U.S. card issuers. So that got us into that business. And then we leveraged our capabilities as Assurant with that entree to begin to reposition some of our legacy debt deferment and credit capabilities into this business. So that's what allowed us to go out and win new clients like American Express.

Broadly, the way to think about that portion of our business, which rolls up through financial services, is they're fee income. We're effectively administering programs for our partners. We're playing a role in adjudicating claims. But the risk, there's no risk for us. So it's fee income, not significant to our earnings yet, but certainly an opportunity over time to grow and then leverage these relationships to drive some of our other products into those companies and their customers. So we're excited about the early progress there of repositioning, but a long way to go to have that be a meaningful contributor to our company.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Suzanne said I had to tell you the story that I went to Verizon to have my phone fixed, and they were no help whatsoever. And they pointed me to the little place down the street, which I went to, and it turned out to be CPR. Had a very good experience, and I actually realized I'd forgotten that it was your business. But it was a godsend when my phone blinked out. So anyway, I wanted to let you know.

Alan B. Colberg
President, CEO & Director

Mark, I appreciate that. Maybe just a quick comment on that. One of the opportunities we see over time is to support what's called same-unit repair, which is either in the store like you just saw there. We acquired CPR about a year, a little over a year ago. The other place we see an opportunity over time to really deliver superior customer experiences, to do repair at your home or office. And we acquired Fixt last year, which gives us that platform.

So again, these are early. But as we think about creating growth opportunities for the future that really differentiates the customer experience, the example you just gave of CPR is exactly what we're trying to do.

Operator

[Operator Instructions] Our next question comes from Michael Phillips of Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Listen, my question is one that gets asked every quarter or talked about in the quarter. But just curious like what really changes consumers' attitude towards a trade-in? Is it I've paid off my phone. It's time to get that new fancy one? Or is it really, hey, there's 5G out there now. I want to get that fastest thing.

So does this conversions of 5G really spur any kind of incremental speed up in trade-ins than otherwise happens in the course of a year? And I ask that as a -- I've been called a dinosaur. 4G seems good enough for me. So I'm not racing out the door to go get 5G. But maybe because I'm Tyrannosaurus rex or something. Who knows? But does it really spur? What is it that really kind of makes a catalyst for people to come in and trying to trade in their phones?

Alan B. Colberg
President, CEO & Director

Yes. I think from a consumer perspective, we're still very early in the 5G cycle. The average consumer doesn't yet see a compelling use case or a benefit. There are strong benefits of 5G, like speed and latency improvement, which really will create new businesses. But what really has happened so far, it's not consumers broadly saying I have to have 5G yet. It's -- the carriers have been aggressively promoting the new phones more than they've done in recent years, and that's linked off into an upgrade.

So what we've seen so far is more, I think, market-driven activity, not the consumers yet saying, I have to have 5G. If I was to speculate, I think we believe 5G is very disruptive longer term, but it's going to take time for use cases to come to where you really need that new phone as opposed to being fine on 4G.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. More higher level here. I guess, can you talk about any impacts to any of your businesses on just the uptick in inflation rates?

Alan B. Colberg
President, CEO & Director

A couple thoughts. And then, Richard, you should certainly comment on the investment portfolio. Although as you mentioned in your prepared remarks, that's much smaller than it used to be with the sale of Global Preneed.

Our business is going to perform well no matter what the macro environment is. So if we get into a slowdown in the economy caused by whatever, and inflation could cause a slowdown, we have businesses that are countercyclical and will grow.

We also just have embedded growth. If you think about our mobile programs and the 15 new programs that we've launched in the last 3 years or so, most of those are not mature. We also have embedded growth in our auto business with all those policies sold on new cars. They haven't started to earn yet. So I don't think from our business, we're going to see a significant impact just given how we're set out to perform whatever happens. But Richard, what would you say on the investment portfolio or other effects?

Richard Steven Dziadzio
Executive VP & CFO

Yes. No, I think I -- it'll obviously be a positive impact on the overall investment portfolio. And as Alan referred to the earlier comments, with the sale of preneed, our overall interest sensitivity is going down about 2/3. So our overall duration is going to be 4 to 4.5 to 5 years.

Having said that, you know that today, our overall yield on the historic portfolio, if I can put it that way, is above current interest rates. So to the extent that current interest rates rise and the books rolling over the next 5 years, higher interest rates will actually be beneficial to us from that respect.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. That's very helpful. Last one, Rich, just real quickly. Any impact to you guys on any -- from the chip shortages that have been impacting other parts of the economy?

Alan B. Colberg
President, CEO & Director

No. Not really is the answer. If you think about our auto business, where that's been one of the areas that you see a lot of press on the chip shortages, we're well positioned on car sales. If there are fewer new car sales -- which isn't what we're seeing yet, by the way. But if there are fewer new car sales, used car sales will pick up. And we benefit from that mix shift in the short term.

In terms of repairs and maybe increased cost of repairs, for most of our auto business, we're administering the repairs for our clients. And the clients realize the benefit -- or the challenges of parts shortages. So at the end of the day, not really material to us. And as we mentioned earlier, we're seeing pretty strong momentum in the underlying growth of auto at the moment.

Operator

Our next question comes from Gary Ransom of Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

I wanted to ask about the EBITDA. Thank you for giving us those numbers. How are you using that internally? Is that a way that you're managing the business? Is it a compensation metric? I wonder if you could just remind us how that's -- what you use it for.

Alan B. Colberg
President, CEO & Director

Yes. Let me maybe start, and then Richard, you can certainly comment more on EBITDA. Today, it's not a compensation metric. Our primary compensation metrics are things like total shareholder return, operating EPS, things like that. But it is a complement to net operating income.

And in particular, as we think about M&A and growing in fee income businesses, it allows us to help the market better understand the real growth that we're setting up for the future, which is a bit obscured when you look at the accounting of an acquisition of a fee company. But those businesses we've been acquiring, like we mentioned, CPR and Fixt earlier, on an EBITDA basis, it really sets up and helps the market understand better the growth that we expect in the future. But Richard, what would you add?

Richard Steven Dziadzio
Executive VP & CFO

Yes. I think, as Alan mentioned, first, is the valuation issue of it and the market being able to compare apples and apples in terms of other companies' EBITDA and ours. So that's the first part. I also look at it as from an operating point of view. It's a better operating point, a better operating metric in my perspective than NOI because we add back purchased intangibles.

So those are purchases that are made. They're running out. It's a noncash issue. So adding things like that back or taxes back gives us internally just a better view on the operations of the business from period to period, particularly in the lifestyle business.

Alan B. Colberg
President, CEO & Director

Yes. And to your question, we're going to assess over time how best to link it to things like compensation. We don't know yet if we will or won't. But we do think it provides a better view of the underlying profit and momentum of our business, particularly as we're now largely shifted away from traditional risk businesses to being driven by the Connected World businesses.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Okay. That's helpful. I also wanted to ask about the macro reopening of the economy. And are there areas where they might have been depressed last year, where there's perhaps pent-up demand that might come through as part of the growth? Or anything you're seeing? I know you've talked a little bit about automotive. But are there other areas that -- where there might be some pent-up demand that would come through as we reopen economies this year?

Alan B. Colberg
President, CEO & Director

Yes. I think broadly, you saw last year how resilient our business was even in a very disruptive environment with COVID. But there are a few areas where pent-up demand is still really true. One is travel. We do some of the card benefits, for example, linked to travel. And so with travel being very depressed, that obviously is an area that, as it rebounds, will have some link for us and benefit for us.

In-store traffic has been lower. But we push very hard on digital, even pre-COVID, which I think helped mitigate that. We mentioned earlier we are seeing still some depressed activity in Europe. So that's an opportunity.

But I think I wouldn't look at -- we were that impacted by COVID in terms of what was happening. And so therefore, growth in the economy is obviously a positive. People buy things. That gives us new chances to attach and sale. But as I mentioned earlier, we feel confident whatever happens in the external environment that we're going to grow and outperform.

Gary Kent Ransom
Dowling & Partners Securities, LLC

All right. And one of the other things I noticed that -- as an insurance analyst, I like to look at book value. And I know you -- I see the equity, the book value per share calculation was gone. Can you comment on that change?

Richard Steven Dziadzio
Executive VP & CFO

Yes. I think, Alan, maybe I'll jump in there. Yes, I think when we look at the company, and we look at the evolution of the company growing more toward a capital-light-type business, fee-based, service-based business, we look at it and book value as much less important than it used to be in terms of an overall indicator of the company.

I mean you can get there from the math. We give the balance sheets and the equity and the shares. So it's still a calc out there for you. But things like EBITDA, NOI ex cats, net operating income ex cats, those are more meaningful to us in terms of the profitability and the ongoing profitability and the growth over time of the business. So they're better value indicators in our minds.

Operator

Our last question comes from Mark Hughes of Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

just a couple of things. Richard, you mentioned maybe some incremental real estate costs. Could you maybe size those? And are those going to be broken out separately, not included in adjusted earnings?

Richard Steven Dziadzio
Executive VP & CFO

Yes. Thanks for the question, Mark. In terms of facilities, it's very early days. What we did want to signal to the market today is we are looking at our facilities footprint geographically across the world globally. And we think as we go back to the workplace, we can be thoughtful about the future at work and how our staff can work and how we can work more productivity -- productively over time.

So very early days with that. We have attached no numbers to it as of yet. We just want to signal that we'll be looking for it. And it's one of the reasons why when we look at the first quarter and we look at how strong the first quarter is and we give outlook for rest of the year, we don't want to surprise the market by coming in with a facility expense.

In terms of where it will be when we do, if and when we do incur it, we'll obviously call it out to the market. We haven't decided yet, depending on what it is and where we go geographically, where it would go. If it really would be a part of operating income or it would be something a little bit different than that more of a onetime nonrecurring thing. So to come in the future.

Alan B. Colberg
President, CEO & Director

And Mark, what I would add is broadly with COVID and then the changes that are going to happen, we're trying to think through what is the best way to set up our business and our employees to be as successful in the future and as we work to attract talent. We had a head start that we had about 30% of employees virtual before COVID, and had been a path that we've been working on anyway.

But the world is changing, and we just want to be really thoughtful about how do we create advantage through the way we structure so that we create the best possible future workplace environment. And as you saw in Q4, we had a little bit of that last year with some leases that were about to expire. So again, as Richard said, we don't know exactly what it's going to be, but we know we will have some changes at some point this year likely.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then on the multifamily, you mentioned your digital capabilities. You think they're very good in the market. Are you doing any direct-to-consumer? Does that create channel conflict? Is that even something you're interested in? Just a refresher on that.

Alan B. Colberg
President, CEO & Director

Yes. The way to think about that is, today, we are almost entirely B2B2C. So we work through our partners. We embed in our partners. What we're particularly focused on as we think about innovation in the future is how do we combine some of our capabilities to create even a better offering. So for example, in multifamily, working through our PMC partners, our affinity partners, can we include mobile into the bundle? Can we add capabilities for mobile?

So we don't have any real plans to go to direct to consumer. We are always looking for alternative channels. And what I mean by that is our strategy has been to support the consumer wherever the consumer wants to go to get products that we sell. And so we're always looking at alternative channels, but our primary focus is that B2B2C and how we leverage our capabilities, which are pretty differentiated across auto, mobile and rental to create kind of new opportunities for growth.

All right. Thanks, everyone. We appreciate your time today and for participating in today's call. We had a very strong first quarter, and we continue to look forward to closing on the sale of Global Preneed later this year. In the meantime, please reach out to Suzanne Shepherd and Sean Moshier with any follow-up questions. Thanks, everyone.

Operator
Thank you. This does conclude today's teleconference. Please disconnect your lines at this time, and have a wonderful day.