S&P Global
Market Intelligence

Fairfax Financial Holdings Limited TSX:FFH

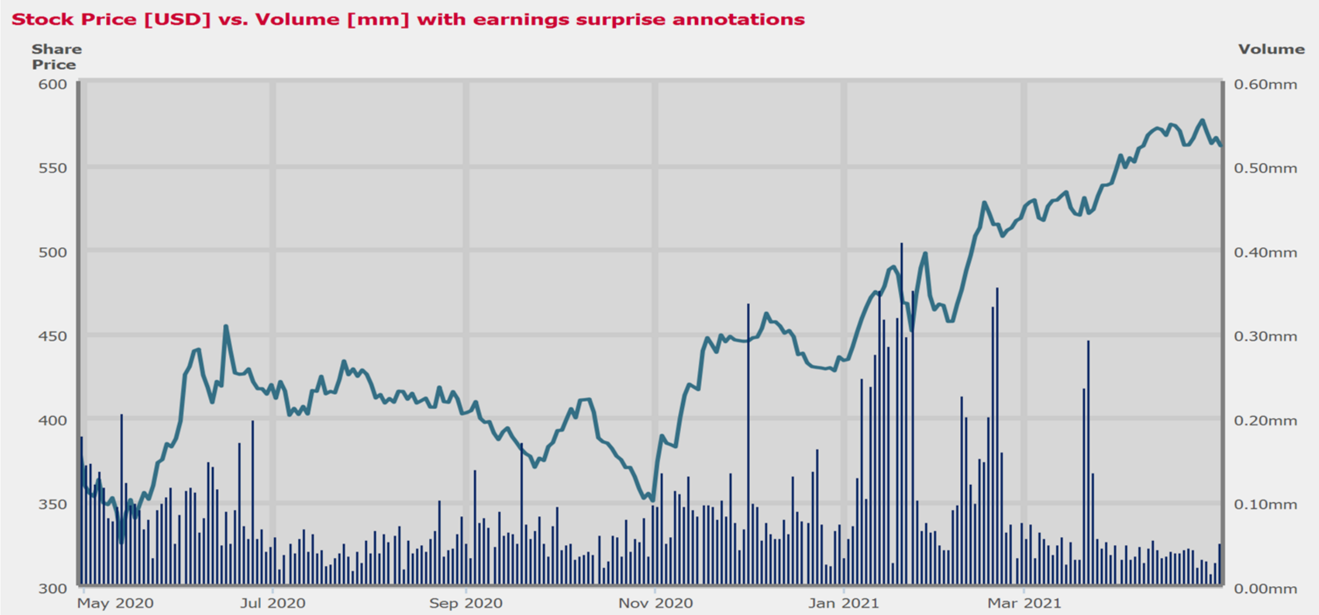
FQ1 2021 Earnings Call Transcripts

Friday, April 30, 2021 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	5.53	(1.38)	NM	NA	32.98	NA
Revenue (mm)	5792.60	5998.20	▲3.55	5144.10	22665.53	NA

Currency: USD
Consensus as of Apr-30-2021 6:21 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	2.06	(2.76)	NM
FQ3 2020	(1.24)	5.63	NM
FQ4 2020	4.36	(1.84)	NM
FQ1 2021	5.53	(1.38)	NM

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Call Participants

EXECUTIVES

Derek Bulas
Associate Vice President of Legal

Peter S. Clarke
VP & COO

V. Prem Watsa
Founder, Chairman & CEO

ANALYSTS

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Ken MacNeal

Mark Alan Dwelle
RBC Capital Markets, Research Division

Tom MacKinnon
BMO Capital Markets Equity Research

ATTENDEES

Unknown Attendee

Presentation

Operator

Good morning, and welcome to Fairfax's 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
Associate Vice President of Legal

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
Founder, Chairman & CEO

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. Details will be on all future goals. 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 for the second quarter conference call. She remains very much in our thoughts and prayers.

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. Our 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, as you 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 growth per share increased by 15% to $949 per share in the last 12 months versus in the last 12 months.

We think we are now in a virtuous cycle. Growth in gross premiums with the underwriting profits and value investing were coming to the core, working well. It is still early days. Our Insurance and reinsurance companies produced a 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 cap losses in the first quarter. More on this from Peter Clarke.

In the first quarter, operating income was strong at $298 million. Net unrealized gains on investments were $842 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 is mark-to-market movement on our investments in noninsurance 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 sold. 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 quarter of 2020. Unrealized losses were mitigated to a 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've mentioned at 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 and 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 come 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 extreme of the dot-com era in 2000. As the economy normalizes, we expect a reversion to the mean with value-oriented stocks coming to before fall.

After the Pfizer vaccine was announced last November, we started to see this steady place. 2 examples when they compare for you, and I mentioned this at 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, it's 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 that's exceptionally well as the Indian economy recovers from COVID-19. The Indian government, as I said at our AGM, came out with an exceptional business lending 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 to Dexterra, our 49% owned company, to help them build emergency field hospitals in the country. Our thoughts and prayers are the people of India as they battle this wave of COVID-19 infections. That was Fairfax India.

The second example is Atlas Corp., formerly [indiscernible] run by David Sokol and Bing Chen, closed 2019 at $14 a share, went down to $6.30 per share in March and today, it's back to is $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 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 company of CAD 144 million in exchange for approximately 8.5 million common shares of Farmers Edge, prior to the IPO Fairfax exercised its warrants and converted its convertible debentures for common shares, resulting in the company's controlling equity interest in 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 statement with the carrying value of $213 million, though the market value was $354 million on March 31.

On March 24, 2021, Boat Rocker completed an IPO of CAD 170 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 to a third party, resulting in Fairfax having an economic and voting interest in Boat Rocker, 45% and 56% 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 segment with a carrying value of $105 million, though 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 and every contingency that Fairfax might face in this uncertain period. We're 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 mortgages blockages with a term less then 5 years, with a run rate of approximately $20 billion 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, which is 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% return for our shareholders over time.

In the past 35 years, we've had many years when our book value has grown 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 S. Clarke
VP & COO

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 our first quarter. By comparison, underwriting profit in the first quarter of 2020 was $103 million.

On the underwriting front, Northbridge and Zenith recorded 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 Brit in South Africa, all our stand-alone companies had combined ratios under 100%.

As mentioned previously, our gross premium 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 segments. Odyssey Group's gross premiums were up 24%, with expansion in both its insurance and reinsurance segments. And in Canada, Northbridge's top line expanded 19% in U.S. dollar terms as it continues to register double-digit rate increases. While these 3 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 key 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 1 point or $46 million of additional COVID losses.

With respect to COVID, our inception-to-date losses now totaled $718 million, of which approximately half is held in IBNR. Based on knowledge today, we expect these provisions to be to 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 side effect that the growth 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 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 as they are now, this gives us an important advantage.

Now some comments on our investment results, our noninsurance company's 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 and 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 a 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 noninsurance consolidated company had operating losses of $85 million compared to losses of $34 million in the first quarter of 2020. The first quarter of 2021 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 noninsurance 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 down strongly when we get through this.

Please note the excess of fair value over carrying value of our noninsurance associates and certain noninsurance 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 noninsurance 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 CAD 850 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
Founder, Chairman & CEO

Okay. Thank you, Peter. And look forward to answering your questions. Please give your us name and your company name, and try to live limit your questions to only 1, so that it's all fair to everyone on the call.
Amanda, we are ready for your questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from [Junior Ross], private investor.

Unknown Attendee

Congratulations on a wonderful quarter. Question for you guys. Did you guys increase your total return swaps in 2021 for Fairfax? Because it seems like it grew by $500,000.

V. Prem Watsa
Founder, Chairman & CEO

Yes. We've had the ability to do that, Junior, and we'll 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.

Unknown Attendee

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

V. Prem Watsa
Founder, Chairman & CEO

Yes, yes. The backlog, it's about 2 million shares and [26]...

Unknown Attendee

Yes. So that's an estimate. Yes.

V. Prem Watsa
Founder, Chairman & CEO

Yes, yes. That's what approximately it is.

Next question, Amanda?

Operator

Our next question comes from Tom Mackinnon with BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

Just following up on the long total return swaps, is the total notional that you have in this -- in these investments, over $2 billion? Is that correct? And does that mean -- I think that you -- now that you've increased it in Fairfax, would be nearly 1/3 of that is associated with the Fairfax stock? Is there any color you can give as 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 along notional?

V. Prem Watsa
Founder, Chairman & CEO

Yes. So, Tom, in terms of Fairfax shares, as we said in the press release, right, we have about $730 million, 2 million shares at approximately USD 372. This is all in U.S. dollars. $730 million is the total return swaps on Fairfax. And of course, it's already doing well.

On the other side, on an opportunistic basis, we've looked at buying some common share, but they're not long term, and they're the ones that we bought -- quite a bit we've already sold. And so we continue to look at opportunities, but it's short-term stuff. We're not going to roll these for a long period of time.

Tom MacKinnon

BMO Capital Markets Equity Research

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 include like your investments in noninsurance companies and investments and 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?

V. Prem Watsa
Founder, Chairman & CEO

Yes. So Tom, you take risk today, I say this many times, in the 1980s, Tom, interest rates were very high, inflation was very high, and nobody expected it to come down. This is in the 1981, '82, long treasuries were like 14%. long [indiscernible] was 16%, and nobody expected it to come down, inflation was high. Today is the opposite.

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 it went down like 0.5%, then back to the 1.65%. But the 1.65% is lower than in the Great Depression. And nobody sees inflation picking up. You had the Federal reserve, the Fed says it's transitory. And if you look at commodities, copper price was at the highest price it's been, a record high, lumber prices are record high, steel prices are very close to a record high, corn prices. Procter & Gamble is increasing prices. So there's all sorts of price increases taking place.

And then you've got the economy coming back. With the pent-up demand, there are always supply programs that take place till things normalize. And so the big risk in our mind is inflation increasing, and we can say how price have increases and interest rates increase. You saw in the last year, 2-year rates in the United States are less, meaning 2 years, 1 year, 6 months, have been flat, but 10-year rates have gone by from 0.5% 10-year rates to, as I said, 1.65%.

And -- but that's like if you go further -- a little back, pre-COVID [indiscernible] in the 2% area, 2.5% area. And so that's a big risk we see. So we broaden active capital loss. We think the bond markets today have no margin of safety. So we have to be very, very careful. And so we -- for [indiscernible] interest in dividend income, interest income, purposely. [indiscernible] by longer bonds and a higher interest rate, but we think that there's actually more capital loss. So that's what been going down.

Amanda, next question?

Operator

Our next question comes from Jaeme Gloyn with National Bank Financial.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

First question. It's great to see the leverage commentary, and that's starting to trend downward. On the flip side, I'm seeing the premiums to surplus ratio tick up nicely as you take advantage of 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?

V. Prem Watsa
Founder, Chairman & CEO

Yes. I'll take the crack at it and then pass it on to Peter. But the [indiscernible] and generally, 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 are taking advantage of it. And who knows how long it will last.

But if history is any guide, it should last for a few years. We have the ability to expand. We have the capital to expand. The companies are very well capitalized. And as Peter said, we got the $1.3 billion at the holding company. But Peter your response, anything you'd like to add, Peter, to that?

Peter S. Clarke
VP & COO

Sure. Thanks. I think in the 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 where we are on the capital front.

V. Prem Watsa
Founder, Chairman & CEO

So to add to what Peter said, Jaeme, I mentioned this in comments on the call, this is a virtuous cycle. This means there are times, and the last time this really took place in any significance is in 2001 after September 11. [indiscernible] are growing. Prices are -- rate increases are taking place. You're growing your premium, underwriting profit, and reserves are -- big redundancies build up in reserves, so we only see over time.

And so the cycle is virtuous right now. And -- drive the rents you know them, and you've seen them, and you saw some of them in our AGM. They're all experienced veterans in the marketplace. They know-how to take advantage of the business, and get paid. Basically, you're getting paid for the risk you're taking, and insurance is a risk business. So you get to get paid. And if you don't get paid, then you -- like [I've seen it], then you keep premiums flat or you come down, as they have been, because there've been rate decreases in workers' compensation and [indiscernible] has done a tremendous job. But this is a virtuous cycle.

And on top of that, so not different from 2001, because you'll remember the take 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 dot-com, led by NASDAQ, dropped by 50%. And NASDAQ dropped by something like 75%.

Our portfolios, our stock portfolio are up 100%. That's 100% because value investing came back into the fall, and it 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 virtuous cycle, but it's back, as Peter was saying, by the fact that value invested [indiscernible] come back.

Jaeme?

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Yes. That's great. And my next question is around the expense ratio and the commentary around that coming down. Can you just give me a little bit of color as to like the sustainability of that expense ratio below? Is that driven by any initiative or changes in the operations? Or is it more just a benefiting factor of the higher markets and the higher premiums earned?

V. Prem Watsa
Founder, Chairman & CEO

Yes. And so, Jaeme, this is the advantage, as Peter mentioned in his comments, but I'll ask him to add after I just say this. But when premiums go up and 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 this step to fire people. 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 for now, we're 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 there to them, and they're working hard and we're writing more premium. Peter?

Peter S. Clarke
VP & COO

Yes. I think the only thing I -- just to 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 premium is going up because of increased rates, you don't need additional expenses to support that. So that's where the biggest benefit is coming from. I should point out that all our companies are very cost-conscious and focused on the expense ratio as well. And we have benefited in the past 12 months from some lower expenses, generally related to travel and entertainment as everybody is been working from home and really travel has been nonexistent.

V. Prem Watsa
Founder, Chairman & CEO

Well, that's well said, Jaeme. What Peter is saying it's because of the rate increases, like our 17% growth in that first quarter, is mainly rate increases as opposed to value. And so the expense ratio, I like that great example, dropped almost by 200 points.

Any other questions, Jaeme.?

Amanda, next question, please?

Operator

[Operator Instructions] Our next question comes from Ken MacNeal with Richardson Wealth.

Ken MacNeal

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?

V. Prem Watsa
Founder, Chairman & CEO

Yes. No, 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 with the SEC rules, there's a short-swing rule. If you transact in BlackBerry securities or any securities that you've 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. There was no way, we checked it 10 times not did we 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.

Amanda, next question?

Operator

And our last question comes from Mark Dwelle with RBC Capital Markets.

Mark Alan Dwelle
RBC Capital Markets, Research Division

A couple of questions. 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. It seems like it's been delayed quite a bit from when it was originally expected to close. I was just curious what seems to be the hold up or what the timing looks like at this point?

V. Prem Watsa
Founder, Chairman & CEO

So, Mark, this is related to regulatory bodies. And you're right, we expect it to be completed in the first quarter. But CVC is very much the buyer of RiverStone U.K., very much wants buy it. And it's discussions that CVC is having with the regulatory body, which is a PRA in London. And we expect that it will happen some time in the second quarter. But you're right, it's been delayed.

Mark Alan Dwelle
RBC Capital Markets, Research Division

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 time line was?

V. Prem Watsa
Founder, Chairman & CEO

Yes, yes. They are simultaneous right now. So they close at the same time because, of course, when we close the CVC transaction which is U.K., we almost gets paid, I think, $600 million-plus for that investment.

And is that right,Peter, $600 million-plus?

Peter S. Clarke
VP & COO

That's correct. Yes.

Mark Alan Dwelle
RBC Capital Markets, Research Division

That makes perfect sense. I don't think I saw the [indiscernible].

V. Prem Watsa
Founder, Chairman & CEO

Yes. they close together We have -- we expect that they close together.

Mark Alan Dwelle
RBC Capital Markets, Research Division

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

V. Prem Watsa
Founder, Chairman & CEO

So Mark, when you look at us, right, we were buying back stock. Our first thing is financially sound, second thing is to make sure we take 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 the -- that 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 insurance business, which you're very familiar with.

What perhaps people are less familiar with is value investing coming back in speeds. So you've seen that in -- I gave the example of Fairfax India and Atlas. But Eurobank, Eurobank's book value next year will be about [$50]. And I've said this before and I'll say it again, the Greek government is perhaps the best government in Europe. And we are doing all the right things and we're getting tremendous tourist season, tremendous attraction for capital investment. They understand that, and [indiscernible] EUR 500 million, I think it was euors at 2% for 5 years, 6 years. And so Eurobank is selling at, I don't know, a little less than $0.80, and it's got tremendous prospects. Yes, I go on to Bank of America, Stelco, Resolute and on and on and on. In Page 59 and 60, we talk about that.

These are similar -- these are big positions that we've had that in 2019, at the end of the year, you could see it coming back, and then COVID-19 hit in early 2020. No one can forecast these things. It happened. And in our minds, all of that delay is what is going to take place, which is interest rate -- as the economy expands inflation interest rates pick up.

I mean, President Biden set all sorts of programs on top of the economy, recovering significantly. And so inflation picks up, the 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 we won't take capital losses, which [indiscernible] people of which the yield will do.

So we think our company is very well positioned. We've got tremendous management, and so we're very excited. So our stock -- we think it's a -- I've said this many times about stock myself, we think our stock is very good 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. It already is, but we think it's just early days.

Amanda, anymore questions?

Operator

[Operator Instructions] At this time, I have no further questions on the audio line.

V. Prem Watsa
Founder, Chairman & CEO

Thank you very much, Amanda. If 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
That concludes today's conference. Thank you for participating. You may disconnect at this time.