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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for The Cigna Group's first quarter 2026 results review. (Operator Instructions) As a reminder, ladies and gentlemen, this conference, including the Q&A session, is being recorded. We'll begin by turning the conference over to Ralph Giacobbe. Please go ahead.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Great. Thanks. Good morning, everyone. Thanks for joining today's call. I'm Ralph Giacobbe, Senior Vice President of Investor Relations. With me on the line this morning are David Cordani, The Cigna Group's Chairman and Chief Executive Officer; Brian Evanko, President and Chief Operating Officer; and Ann Dennison, Chief Financial Officer.

In our remarks today, David, Brian, and Ann will cover a number of topics, including our first quarter 2026 financial results and our financial outlook for 2026. Following their prepared remarks, David, Brian, and Ann will be available for Q&A. As noted in our earnings release, when describing our financial results, we use certain financial measures, including adjusted income from operations and adjusted revenues, which are not determined in accordance with accounting principles generally accepted in the United States, otherwise known as GAAP.

A reconciliation of these measures to the most directly comparable GAAP measures, shareholders' net income and total revenues, respectively, is contained in today's earnings release, which is posted in the Investor Relations section of thecignagroup.com. We use the term labeled adjusted income from operations and adjusted earnings per share on the same basis as our principal measures of financial performance.

In our remarks today, we will be making some forward-looking statements, including statements regarding our outlook for 2026 and future performance. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our current

expectations. A description of these risks and uncertainties is contained in the cautionary note to today's earnings release and in our most recent reports filed with the SEC.

Regarding our results, in the first quarter, we recorded after-tax special items charges of \$322 million or \$1.22 per share. Details of the special items are included in our quarterly financial supplement. Additionally, please note that when we make prospective comments regarding financial performance, including our full year 2026 outlook, we will do so on a basis that includes the potential impact of future share repurchases and anticipated 2026 dividends.

With that, I'll turn the call over to David.

David Cordani - *The Cigna Group - Chairman and Chief Executive Officer*

Thanks, Ralph. Good morning, everyone, and thank you for joining us today. This call is somewhat bittersweet for me as it is my last quarterly earnings call after many years at The Cigna Group. As CEO, I participated in close to 70 of these calls with you, and I'm pleased to be able to share strong results again on this call.

Today, I'll focus my remarks on our strong first quarter performance and how we continue to deliver in a dynamic operating environment. And then I'll take a moment to address our leadership transition on July 1, when Brian Evanko will step into the CEO role to drive our company's next chapter of growth, and I'll transition to the role of Executive Chair.

Following my remarks, Brian will provide a more detailed update on our business platforms and performance, and then Ann will review additional details about our financial results and outlook, and then we'll move to your questions. So let's get started. I'm pleased to report that The Cigna Group delivered strong performance in the first quarter, including total revenues of \$68.5 billion and adjusted earnings per share of \$7.79.

All while we continue our disciplined track record of reinvesting back into our businesses to fund growth, addressable market expansion, and innovation. With our performance, we are raising our full year 2026 adjusted EPS outlook to at least \$30.35, reflecting our disciplined approach and steady execution in an operating environment that continues to be shaped by many forces.

Two of these forces are clearly rising to the top for customers and employers. First, affordability; and second, the need for health care that is more personalized and as a result, easier to navigate. We are addressing these expectations in an environment where health care demand continues to rise and the cost of new services like pharmaceuticals continue to grow at a rate greater than inflation.

Against this backdrop, over the course of my tenure, there are three key attributes that our company has demonstrated time and again to fuel a successful track record of performance rooted in purpose and innovation. First and perhaps most importantly, we've been steadfast in our commitment to put the customer at the center to make the health care journey more affordable, personalized, and overall easier to navigate.

This commitment is what spurred us to improve our prior authorization process as outlined in our first customer transparency report, which was released last month. Our goal is to make the process faster and more seamless while ensuring that care is delivered at the right time and right place, appropriately and safely.

To that end, we have removed hundreds of tests and procedures and services from prior authorization process in the United States, decreasing the volume of medical prior authorizations by about 15%. Our commitment to the customer also drove us to take an active role within the industry, which last week announced further progress towards standardization of the prior authorization process.

This is enabling greater automation and more seamless, efficient access to care while maintaining appropriate safeguards. This announcement reflects continued progress on the voluntary commitments our industry made in June of 2025 in coordination with HHS and CMS. Second,

our company is taking a strategic and disciplined approach to the way we shape our business portfolio, which Brian will address more in a moment.

Through our approach, we remain sharply focused on where we can deliver differentiated value, and we feed those businesses with additional capabilities and resources. And where we cannot, we make the decision to exit. This process has honed our focus on the addressable markets where we have a right to win for the benefit of our customers, patients, and clients, which has been a critical driver in our success for many years.

Finally, we have a proven ability to innovate and perform even in the most challenging environments, whether that has been periods of accelerated medical costs or during the COVID-19 pandemic, just to name two. In moments like these, when customers' needs and behaviors change quickly, we remain relentlessly focused on market centricity, customer centricity, and micro segmentation.

The introduction of our transformative rebate-free pharmacy service model is the most recent example. This multi-year investment in innovation will deliver the lowest price to the consumers for their brand drugs, which will be 30% lower, with full transparency each and every time. And this model further deepens partnerships with independent pharmacists, including those critical ones in rural communities.

We call this offering Signature, a name that reflects a new era in pharmacy services. Now before concluding my remarks, I also want to speak briefly to our upcoming leadership transition. After my nearly 17 years as CEO of The Cigna Group, we are on track for our carefully planned transition on July 1, when Brian will succeed me as CEO and take on the role, and I will take on the role of Executive Chair.

Brian has a strong history of prioritizing customer and client needs and decision-making grounded in our clear mission and enduring sense of purpose. Looking ahead, he is committed to further the use of data and AI to drive affordability and personalization, which in turn drives value and sustained growth. With a strong foundation and clear focus, I'm excited for Brian to take the helm to guide The Cigna Group to its next chapters of growth. And I look forward to working closely with Brian in my role as Executive Chair.

Now let me wrap up and summarize the quarter and our results. We delivered strong performance, giving us the confidence to raise our full year guidance for 2026. We delivered total revenues of \$68.5 billion and earnings per share of \$7.79. Looking ahead, our increased adjusted EPS outlook of at least \$30.35 reinforces the sustained growth, durability, and strength of our company.

We are delivering in a highly dynamic environment, and we continue to invest with purpose through a customer-first orientation, driving disciplined portfolio shaping, and innovating to personalize and modernize health care for the benefit of our customers and clients. We have a clear strategy and the right leadership team in place to capitalize on those opportunities ahead.

And with that, I'll turn the call over to Brian to discuss our results in more detail.

Brian Evanko - *The Cigna Group - President and Chief Operating Officer*

Thanks, David. Good morning, everyone. First, I want to take a moment to thank David and acknowledge his strong leadership, both within our company and throughout the industry. Through his 35 years of service with the company, he has left an enduring legacy defined by an unwavering focus on meeting customer needs, a relentless partnership orientation toward others, and a deep commitment to the communities that we serve. It's been a privilege to work with him for so many years.

Looking to the future, there's no question that the status quo in health care is unsustainable. Costs continue to rise as does demand for health care services, an untenable equation. In this environment, the experience that I have gained over my nearly three decades with the company have sharpened my understanding of the needs of those we serve and strengthened my commitment to continue to deliver on our mission.

I'm humbled and honored to take on the role of CEO in July with a focus on The Cigna Group becoming the clear leader in consumer-focused and AI-enabled health services, with an emphasis on clinically complex patients, making care more affordable and more personalized for those we serve. In my remarks today, I will cover several topics.

First, I will share a few ways we are shaping our portfolio for the future aligned to our strategy. Then I will review our first quarter business performance across our growth platforms. And I will go a bit deeper on ways that we are harnessing data, advanced analytics and AI to deliver more affordable and more personalized health care services.

Turning to our portfolio. We have a disciplined and consistent approach to ensure that our businesses are aligned to and support our strategic direction, and can deliver differentiated value in the market. Over the years, this approach has guided our decisions to either add to or subtract from our portfolio, which in turn has positioned our core health care businesses for sustainable growth.

For example, last year, we added key capabilities in the highly attractive specialty pharmacy market. Our acquisition of CarepathRx provides us with further depth in infusion-related services. And our investment in Shields Health Solutions provides us the opportunity to partner more closely with hospitals and health systems who serve patients with complex care needs and rely on specialty medications.

On the other end of the spectrum are the businesses we have divested where the assets no longer support our strategic direction or have reduced management focus from our core growth platforms. Our divestiture of our group life and disability business, which also meaningfully reduced the company's exposure to economic downturns, is a prime example.

As is the more recent sale of our Medicare businesses. Divesting each of these assets enabled greater focus and investment in the remaining businesses within our portfolio, supporting our forward-looking growth path. In keeping with this portfolio shaping discipline, today we are announcing two additional actions. First, we are planning to exit our Individual exchange business at the end of this year.

We did not make this decision lightly and appreciate the importance of ensuring patients have continuity through the transition. There are no changes to coverage or networks related to this announcement, and we will support members through their open enrollment transitions into 2027. Second, as our industry continues to make strong progress on standardizing and automating prior authorization services, we have decided to initiate a strategic review of alternatives for EviCore.

EviCore is a part of enabling how care is evaluated and delivered across the industry, including working with numerous health plans to perform reviews and prior authorizations on their behalf. As David mentioned, prior authorization plays an important role in health care, and we will explore options to continue delivering the highest level of service for health plans and the industry at large while maximizing long-term value.

We see the potential for different approaches to standardize prior authorization across the industry, improving transparency for customers and clients, reducing the administrative burden for providers, and creating efficiencies for the industry. Both of these actions reflect a deliberate strategy to sharpen our focus on our core platforms where we have the capabilities, positioning, and expertise to deliver differentiated value for the benefit of those we serve.

Turning to our performance in the first quarter. We started the year with strong results across both Evernorth Health Services and Cigna Healthcare. Overall, Evernorth earnings were slightly ahead of expectations. This was driven by the strength of our Specialty and Care Services businesses, which delivered adjusted earnings growth of 20% in the quarter, reflecting continued attractive volume growth.

As the specialty pharmacy marketplace continues to grow, we are well positioned across our suite of solutions, our strong supply chain, and our expertise in inventory management and complex drug distribution. Our ability to deliver a strong clinical support model continues to have a positive impact for patients and clients alike.

We see this through higher adoption and adherence rates once patients begin taking biosimilars and specialty generics, leading to better overall outcomes. Turning to Evernorth's Pharmacy Benefit Services business. Our results were in line with expectations. Our first quarter

results reflect previously discussed impacts of large client renewals and investments as we progress toward our transformative new rebate-free model, aptly named Signature.

This week, we met with hundreds of leaders from our largest pharmacy benefit services clients, and there are a few consistent themes we're hearing from clients and prospects alike about the direction of our business. First, our forward-thinking innovation is resonating for its focus on the consumer, offering the lowest out-of-pocket cost at the pharmacy counter and helping clients navigate through a very complex and fluid external environment. As clients continue to face budget uncertainty driven by new drug launches and mid-year market disruptions, our new simplified model will give clients clear visibility into economic value and greater predictability. Second, they appreciate that we are proactively leading through regulatory and legislative changes. We continue to hear from clients and prospects that they are seeking clarity, predictability, and value for consumers. Our Signature model directly addresses these priorities and supports plan sponsors as they address their obligations today and in the future. Finally, our clients value our partnership in meeting their needs today while anticipating future needs. This feedback is reflected in a strong start to our 2027 Pharmacy Benefit Services selling season.

Finally, turning to Cigna Healthcare. Our earnings exceeded expectations in the quarter and grew 18% year-over-year, powered by solid persistency, continued disciplined execution, and MCR favorability. Our strong earnings performance is further enabled by our innovative offerings and focus on consumer experience improvements.

Recently, Cigna Healthcare was ranked number one by J.D. Power in digital experience satisfaction among commercial health plan members for the second consecutive year. We are also seeing Clarity, our new co-pay only medical plan launched late last year, generate strong market interest. In addition to its simplified product design, Clarity features externally derived clinical quality measures and a single digital front door that gives customers integrated access to care and their historical claims data through our myCigna app.

Taken all together, we're pleased with our strong first quarter performance across both Evernorth and Cigna Healthcare. The positive first quarter results and market momentum are further powered by our embrace of data and modern technology. By leveraging the combined power of data, advanced analytics, and AI, we're able to drive greater customer and client satisfaction through improved affordability of care and greater personalization of services.

Let me offer a few examples, starting in our Specialty and Care Services businesses. Today, we are using Agentic AI, together with our clinical expertise to improve customer and patient experiences. This is enabling us to transform how prescriptions are processed, efficiently schedule prescription orders, and proactively identify patients who may need additional service.

We do not use AI for clinical decision-making, but rather AI capabilities increase the speed and strengthen the decision quality of our highly experienced clinical teams. In Pharmacy Benefit Services, we are utilizing AI to enable better care and service to our customers. This includes leveraging AI in our Signature model to improve member communication and notifications and help patients make decisions on their care journey, and enhancing our capabilities to deliver the lowest out-of-pocket cost for consumers, including with GLP-1s, where we continue to evolve as new oral solutions enter the market and prices decrease.

And in Cigna Healthcare, we are using AI-enabled capabilities to improve outcomes through risk prediction models, identifying complex patients earlier and connecting them with our clinical teams. Our predictive high-cost claimants model identifies members with increasing care needs earlier in their clinical journey. This then enables targeted clinical engagements that improve affordability, reduce acute utilization and drive measurable cost savings.

To date, for those customers engaged in this model, we see an average of \$2,000 per member per year in savings, resulting in the elimination of unnecessary provider and ER visits. This improved high-cost claimant prediction capability has benefits across Cigna Healthcare, for example, in the stop loss business. More broadly, we are proactively helping our customers in highly personalized ways.

The combination of our AI tools and contact centers and improved customer digital experiences led to a 20% drop in total inbound calls for digitally eligible customers in our Cigna Healthcare US Employer business and a 25% reduction for Pharmacy Benefit Services members

when compared to just two years ago. Ultimately, these capabilities allow us to go beyond administrative enhancements and deliver better health outcomes.

As I wrap up, I'd like to reiterate a few points. Some of the notable headlines from our strong first quarter include continued momentum in our specialty businesses, underscoring powerful secular growth, our differentiated capabilities, and our expanded suite of solutions, with progress on constructing our new Signature pharmacy benefits model and positive market reaction to our innovation and evolution, and Cigna Healthcare results exceeding expectations with performance supported by our innovative offerings and focus on the customer experience.

As a result of this combined strength, we are pleased to increase our earnings guidance for the year to at least \$30.35 per share. This is made possible by the great work of our teams and also through our continued deliberate focus on disciplined portfolio shaping, which ensures that the appropriate resources and support are pointed toward the growth of our core businesses.

This morning, we announced the thoughtful sunseting of our Individual exchange business at the end of this year as well as evaluating strategic options for EviCore. Our results are also enabled by continued investments into harnessing the power of data, advanced analytics, and AI, driving new value creation and improved personalization and affordability for our customers.

As we look to the future, I'm excited about the progress we've made to date and how we're leading the way building what's next in health care. With the most experienced leadership team in the industry and continued partnership with David as Executive Chair, I am confident we are well positioned for continued growth and success. We look forward to hosting an Investor Day in September. We will share more and discuss advancements in each of our core businesses.

Now I'll turn it over to Ann to cover our financial performance.

Ann Dennison - *The Cigna Group - Executive Vice President and Chief Financial Officer*

Thank you, Brian, and good morning, everyone. As Brian mentioned, we started the year with a strong first quarter performance. Key consolidated financial highlights for the first quarter include revenues of \$68.5 billion and adjusted earnings per share of \$7.79, representing 16% year-over-year EPS growth. With the first quarter results, we are raising our full year 2026 adjusted earnings per share outlook to at least \$30.35. This outlook reflects the positive momentum in our businesses while maintaining a prudent view of the current environment. Now turning to our segment results. I will first comment on Evernorth. First quarter 2026 revenues grew 9% to \$58.4 billion, while pre-tax adjusted earnings grew 2% to \$1.5 billion, slightly ahead of expectations.

Specialty and Care Services showed strong growth with pre-tax adjusted earnings up 20% to \$1.1 billion. This performance reflects continued momentum in our fastest growing business, including strong demand for specialty drugs and increased biosimilar and specialty generic adoption, which are key levers for delivering affordability and value to patients and clients. Additionally, the income from our investment in Shields Health Solutions contributed to the growth in the quarter. Pharmacy Benefit Services pre-tax adjusted earnings decreased 28% to \$394 million, in line with expectations. The year-over-year decline of approximately \$150 million in the quarter reflects the previously discussed renewals and extensions of large client contracts as well as investments associated with the transition to Signature, our new rebate-free pharmacy benefits model.

As those investments ramp through the year, the trajectory remains consistent with our prior commentary and expectations for the business. Taken together, Evernorth's first quarter results reflect the deliberate evolution towards Signature and greater focus on higher-value care services and specialty capabilities. Turning to Cigna Healthcare. First quarter 2026 revenues were \$11.5 billion and pre-tax adjusted earnings were \$1.5 billion. The medical care ratio for the first quarter was 79.8%. Cigna Healthcare results were favorable to expectations in the first quarter, driven in part by lower flu volumes and weather-related care deferrals. This year, we also have seen a higher proportion of Individual exchange members enrolled in bronze plans, which results in a lower first quarter MCR, but does not change our outlook for the full year.

As Brian mentioned earlier, as part of the strategic shaping of our portfolio, we have made the decision to exit the Individual exchange beginning in 2027. This will allow us to focus on areas where we can best offer differentiated value to make a more meaningful difference in the health and experiences of those we serve. Our financial expectations for our ACA exchange business in 2026 remain unchanged. Overall, we are pleased with Cigna Healthcare's strong first quarter results. Now turning to our outlook for full year 2026. Our first quarter performance was strong, and we are raising our full year 2026 consolidated adjusted earnings per share outlook to at least \$30.35, maintaining a disciplined and prudent approach to the full year.

Regarding the cadence of earnings, we expect second quarter adjusted earnings per share to be approximately 25% of the full year outlook. In Evernorth, we continue to expect full year 2026 adjusted income from operations of at least \$6.9 billion, and we expect second quarter pre-tax adjusted earnings seasonality to be similar to historical patterns.

For Cigna Healthcare, we now expect full year pre-tax adjusted earnings of at least \$4.525 billion, and we expect pre-tax adjusted earnings in the first half of the year to be slightly above 60% of the full year outlook. We expect the second quarter medical care ratio to be slightly above the high end of the full year range, with the sequential increase reflecting typical seasonality and business mix compared to prior years. Our full year medical care ratio guidance remains unchanged. Turning to our 2026 capital management position. First quarter operating cash flow was \$1.1 billion. We continue to expect the majority of 2026 operating cash flow to be realized in the second half of the year, consistent with our prior commentary and last year's pattern.

Our debt-to-capitalization ratio was 42.3% as of March 31, a 70-basis point improvement compared to year-end 2025. We expect this ratio to be lower by year-end 2026 as we balance debt repayment with other uses of capital, including share repurchase. Now to recap. Our first quarter results reflect strong contributions from both Evernorth and Cigna Healthcare, disciplined execution, and the resilience of our diverse portfolio of businesses, giving us the confidence to raise our full year 2026 adjusted earnings per share outlook to at least \$30.35.

And with that, we'll turn it over to the operator for the Q&A portion of the call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) AJ Rice, UBS.

AJ Rice - UBS Equities - Analyst

David, best wishes to you as you move forward. And Brian, congratulations to you on the new role. I wondered maybe just to drill down a little bit more into what you're seeing as you roll out to the -- to your clients, the new PBM model. I know it doesn't go live for external clients until 2028, but you're well into the '27 selling season.

And I'm trying to think through if I'm making the transition to the new model as a client, do I need to give you more than the typical notice? Does it take longer lead time for me to make that transition? When do you think you'll get indications from clients as to the uptake there? And maybe just expand a little more on the comments around strong selling season. How much is being driven by this discussion versus just the general market environment?

Brian Evanko - The Cigna Group - President and Chief Operating Officer

Morning, AJ, it's Brian. I'll try to take each of those components of your question. I appreciate the kind words and both David and I appreciate hearing that from you. So thanks. It's been a pleasure, obviously, working with you for many years. As it relates to Signature, our new

rebate-free pharmacy benefits model, maybe I'll just step back and give you a little bit of context for how we got here and how to think about the next couple of selling cycles, to your point.

If you think about the challenges we have here with health care in America, the affordability of prescription drugs continues to be one of the top challenges facing both patients and therefore, the entire pharmacy benefits industry. And this is particularly acute for high-cost branded prescriptions, which today represent just 10% of all the prescriptions in America, but nearly 90% of the total drug spending.

And all key stakeholders, whether that's employers, whether that's brokers, whether that's drug manufacturers themselves, acknowledge that the status quo is unsustainable. So the market feedback thus far as it relates to our new rebate-free Signature model has been positive as clients and brokers invest the time to learn more of the details of our new model.

As I noted earlier, we had hundreds of our largest clients together just this week and received a variety of helpful input from them. Importantly, this model though is designed with the patient at the center and our Price Assure capability guarantees patients the lowest possible out-of-pocket cost when they fill their prescriptions, whether that's through our negotiated price, whether that's the patient's co-pay or a cash pay alternative.

And if the patient does utilize a direct-to-consumer cash pay alternative, we'll ensure that that out-of-pocket applies to their deductible. So after we got it through some of these details, clients and brokers are excited about this model, intrigued to learn more about it. And our legacy rebate-free model, it serves a time and place, yet we're seeing increasing instances of unintended consequences where patient affordability is suffering.

Additionally, we're seeing employers and other clients reviewing their obligations to employees and their family members and see the Signature model as a simpler way of ensuring that those needs are met. So our capabilities are multi-dimensional and bespoke in the sense that they can meet a variety of unique client needs.

So as it relates to the selling season and how to think about this, the Signature model will become our standard model in 2028. And as we've shared before, we expect at least 50% of our Evernorth Pharmacy Benefit Services members to be in the Signature model by the year-end 2028. The PBS selling seasons tend to be long, as you know. So by the end of this year, we'll have a much better picture as to the level of market interest to adopt come 1/1/28. Right now, we are largely in the 2027 selling season, which is largely our existing models with continued evolution. Some of the things we're seeing so far in 2027, though, we're on track for mid-90s or better retention again, which is consistent with historical norms.

We ended 2026 with over 97% retention. Additionally, we've already secured some key new business wins for 2027 in Pharmacy Benefit Services, underscoring that our current solutions are resonating in the market. So we're meeting the needs today, and we're preparing to meet the future needs with our new Signature model, which steps over many of the affordability challenges that are in place today.

So hopefully, that helps a little bit with reconciling all the different moving pieces. As it relates to 2027 in our Cigna Healthcare book of business, our fully insured customers will fully adopt the new model. That's just a standard part of the renewal cycle with those individuals. But we're really excited about the future, and the Signature model points the way for the industry. Thanks for the question.

Operator

Kevin Fischbeck, Bank of America.

Kevin Fischbeck - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Maybe just asking on the two, I guess, new data points about the reshaping of the portfolio. Any way to think about the impact from the exchange side as far as capital you might recapture next year? And then the EviCore transaction, is that something that you were approached

by? Or is that something that you decided to do strategically? And should we be thinking about this as a transaction that would be slightly accretive? Or is this kind of a neutral transaction economically?

Brian Evanko - *The Cigna Group - President and Chief Operating Officer*

Morning, Kevin, it's Brian. So both of the portfolio shaping actions that we announced this morning, the sunset of our Individual exchange business as well as exploring strategic alternatives for EviCore, were decisions we took proactively. So you should not think of those as a response to any sort of other market activity. Those were proactive, deliberate portfolio shaping decisions that we took after stepping back, continuing our long tradition of disciplined decision-making with the long-term orientation.

As it relates to the Individual exchanges, really, there were two primary drivers of our decision to step away from that business. One, we did not see a clear path to scale this business to achieve meaningful impact within the context of The Cigna Group's aggregate size. And the second factor is management focus for the organization. This is a small business for us today, and it's been shrinking in recent years.

So the decision will allow us to further intensify focus on our core growth platforms across The Cigna Group, notably our rapidly growing Specialty and Care Services businesses. Our industry-leading Pharmacy Benefit Services business and our flagship US Employer business within Cigna Healthcare. To your point on capital, we'll free up some amount of capital, but I wouldn't view that as particularly material again in the context of The Cigna Group.

As it relates to EviCore, our announcement to explore strategic alternatives, again, is the result of a disciplined assessment process. And you can think of this one really being driven by two primary factors as well. Similar to my comments on the Individual exchanges, the potential size of this asset within the context of The Cigna Group's portfolio made for a challenge relative to the ability to scale it and consume management attention and time.

And secondly, as David discussed in his comments earlier, the continued progress around standardization and automation of prior authorization processes led us to step back and assess the future of the business within our portfolio. Over the past 18 months, we're proud to have voluntarily announced a series of commitments to improve the methodology and tools around prior authorizations, all of which ultimately are designed to simplify customer and provider experiences.

And some of those commitments were specific to us, The Cigna Group. Others were in partnership with HHS and other industry participants. For example, just last week, we had a joint announcement related to the standardization of information that's required for many of the most commonly requested procedures. So all of these prior authorization enhancements through standardization and technological progress open new doors for our EviCore business, which could potentially result in a partnership or a combination with other complementary industry participants.

But there is no transaction to discuss. This was a proactive step we took to shape the portfolio. Hopefully, that helps. We look forward to providing more details on all of this in the coming months.

Operator

Lisa Gill, JPMorgan.

Lisa Gill - *JPMorgan Chase & Co - Analyst*

I just really had two things I wanted to better understand. One was just the cadence of the costs. You talked about \$150 million in this quarter for the renewal plus the transition to the new model. How do I think about that for the rest of the year? And then secondly, very strong results when I think about specialty. Can you talk about some of the key drivers from a specialty perspective? Is this growth in existing clients?

Is profit being driven by some of the comments you made earlier around biosimilars? Just if you can give us any color on how to think about your specialty business.

Brian Evanko - *The Cigna Group - President and Chief Operating Officer*

Morning, Lisa, it's Brian. Maybe I'll start with just a few framing comments and then Ann can pick up on some of the drivers from a financial perspective. But overall, we're really pleased that our Evernorth business in total was slightly ahead of expectations, powered by the strength in the Specialty and Care Services portfolio. As you think about the specialty business, this is a space with really strong secular tailwinds, as we've discussed before. And we see the space growing, call it, mid- to high-single digits on a pure secular basis.

And then we have strong differentiated company-specific capabilities to deploy against that. And so in the quarter, we saw strong volumes. We also saw strong biosimilar adoption, and we had contribution from the Shields investment that we made late last year. So Ann can unpack that a little bit further. In the Pharmacy Benefit Services business, we were pleased with the performance of that as well, being in line with expectations and a solid start to the year.

And you'll recall, we had two discrete headwinds stepping into the year, one being our proactive large client renewals and the second being the investments to build out our new rebate-free Signature model. And as I was discussing earlier with AJ, as we continue to deliver on the present, we're simultaneously preparing for tomorrow through the build-out socialization of our new Signature model with all key industry stakeholders, and that will be ready to scale in 2028.

So Ann, maybe you can pick up a bit on the two components of Evernorth.

Ann Dennison - *The Cigna Group - Executive Vice President and Chief Financial Officer*

Sure. So I'll start with Specialty and Care first. And as Brian said, we're pleased with the results. We expected a strong first quarter in Specialty and Care, and we came in slightly ahead of expectations. We remain excited about the space, as Brian talked about. The strong performance in the quarter -- so solid specialty volume growth -- I'm going to point to three things, that's one.

The second is a continued mix towards more cost-efficient therapies, so biosimilars and specialty generics. Those are delivering meaningful savings to patients and clients while also lowering reported revenue and supporting higher margins for Evernorth. And then the third, and Brian touched on this, the contribution from Shields. So those are the three big drivers for the quarter. Taken as a whole, we're confident in delivering Specialty and Care at the high end of the growth range for this year. So that's Specialty and Care. For PBS, I just want to double down, results were in line with our expectations and consistent with the prior commentary that we've given around proactive renewals and extension of the three large clients as well as our planned investments to support our transition to Signature, our new rebate-free model.

So in the first quarter, if you just look at the dollars, PBS earnings were down about \$150 million compared to last year first quarter. As you think about the run rate of that and then a ramp-up of some of the spending around Signature is weighted towards the back half. The numbers are in line with our prior commentary and our guide -- our overall guide for Evernorth.

So with that, again, PBS was in line with expectations, and we remain focused and excited about our transition to Signature and confident in our shaping of Evernorth for the full year.

Operator

Scott Fidel, Goldman Sachs.

Scott Fidel - *Goldman Sachs Group Inc - Analyst*

David, it's been quite a run over those last 70 earnings quarters with you. So I appreciate all that dialogue over the years. And Brian, congratulations to you. And I guess, Brian, just in sort of the context of some of the strategic sort of updates that you've been talking about and some of the -- as you sort of transition into the C-suite.

Interested if you could maybe also frame it around the five growth pillars that have been sort of at the core of the growth strategy for a number of years, but there's also been some evolution across some of those markets as well. Curious around how you see the continuity around those five growth pillars? Or do you see potentially making -- putting your personal touch on those -- that approach to some degree as well?

Brian Evanko - *The Cigna Group - President and Chief Operating Officer*

Morning, Scott, I appreciate the question and the kind words. I'm sure David does as well. Maybe I'll just give you a little bit of framing for how I'm thinking about the future of The Cigna Group when I step into the CEO role in July. And I'll share a little bit of the problem statements that face our industry, a little bit of where we're focused. And hopefully, that merges with your point on where we're going to be focused from a growth standpoint. So first off, I'd just start by reiterating my gratitude to David and our entire Board for such a thoughtful planned transition as I step into this role. I'm simultaneously humbled and excited, if you will, to be stepping into such a big job here and also feel a strong sense of accountability to our customers, clients, business partners, shareholders as well as my coworkers and their families.

So we're fortunate to be right now performing so well across The Cigna Group as we outlined in our release this morning. So I'm able to build on that historical success, carry forward the momentum we have, and really attack the biggest problems in health care going forward. And the problems that we see really are threefold. The first one is affordability.

Second one is, at times, there are fragmented customer and patient experiences. And the third one is we have a reactive sick care system. So our strategy at The Cigna Group is focused on addressing each of these opportunities. Now we have three strong high-performing growth platforms that we continue to invest in. And to the point I was making earlier around portfolio shaping, these three will continue to be fed with financial and human capital going forward.

One is our Specialty and Care Services platform, which now represents about 35% of the company's income and is growing 8% to 12% per year, as Ann just referenced earlier. Secondly, our Pharmacy Benefit Services platform also within Evernorth, about 25% of the company's income is going through the transformation that I was alluding to earlier, and we're confident on the long-term durability of that.

And then finally, our Cigna Healthcare business, which represents the other 40% of the company's income, which is our high-performing health plan business, underpinned by our flagship US employer business, which has shown a long track record of growing at or above market rates. So those are the growth platforms we're going to be very focused on going forward in terms of scaling and delivering against our long-term commitments to our shareholders, as well as to our customers.

Now when I take the CEO role in July, there are a few areas of greater intensification that I'd just like to highlight for shareholders. One will be the way we harness data, advanced analytics, and AI to drive even more personalized, affordable customer experiences. Two, a relentless drive to more affordable types of care -- so think generic drugs, biosimilars, more cost-effective locations for medical procedures. And third, shifting further upstream into care journeys through preventive care, diagnostics, and encouraging behaviors that promote health and wellness. And finally, through an investor lens, there are three commitments I'll make to all of you. One, strong organic execution of our strategy. Two, disciplined capital deployment and continued portfolio shaping, always with a long-term lens. And finally, I believe that our equity has significant appreciation potential from current levels. Through continued strong execution, thoughtful strategic decisions, and providing the right visibility to investors, we see meaningful shareholder value creation opportunity. So hopefully, that feels familiar to you. We'll be continuing the momentum we have now and intensifying in a few of those areas you just made reference to. Thanks for the question, Scott.

Operator

Charles Rhyee, TD Cowen.

Charles Rhyee - TD Cowen - Analyst

First, let me echo congrats to both of you in your -- going forward here. Maybe if I could follow up on Lisa's question and drill down a little bit more on biosimilars and the strength we saw in specialty. Perhaps how much of the results we saw in the quarter were driven by formulary changes really to try to drive biosimilar adoption, which I think can be also positive for Accredo.

And I'm thinking in particular around biosimilar STELARA, which I think you're also manufacturing through Quallent. Maybe talk a little bit about how the synergies between the different parts of the Evernorth business is helping in this regard? And perhaps how much of that was -- is driving this kind of growth? And is that something we should expect, particularly as we see more biosimilars coming to market over the next few years?

Brian Evanko - The Cigna Group - President and Chief Operating Officer

Morning, Charles, I'll start on this one. So I appreciate you highlighting the strength of our specialty platform, as I made reference to earlier, really pleased with the strong momentum there. And we believe biosimilars and specialty generics are critically important to driving affordability for the health care system at large in the future.

If you think about the journey we've been on here, we introduced a HUMIRA \$0 out-of-pocket a couple of years ago. And the penetration of those biosimilars have continued to grow. And so it took a further step forward into the first quarter of '26. Similarly, our STELARA \$0 patient out-of-pocket was available first in May of last year.

So if you're doing the year-over-year, it was not in the first quarter of '25, it is in the first quarter of '26. We've seen nice growth in the penetration of that over the course of the 10 months or so since we introduced it. And this year, we're excited about generic Revlimid, which is a specialty generic that will have supply constraints ease and that will add to contributions as the year unfolds.

And finally, I would just remind you, we made our investment into Shields in the third-quarter of last year. So as you think about the way that the timing will unfold on the financial contribution there as you model the balance of the year. But those are all areas we're really excited about. In addition to core volumes that continue to grow, we saw particular strength in the quarter in a few areas like severe asthma and hepatology and fertility that saw outsized percentage growth rates in volumes in specialty.

So really excited about that platform in the future. I think David wants to weigh in with a few thoughts here as well.

David Cordani - The Cigna Group - Chairman and Chief Executive Officer

Thanks, Brian. And Charles, thanks for the question. I just want to amplify two pieces that Brian articulated and then drill down for one more moment. One, our model still embraces choice. So affording choice with the diversity of who we serve. And second, what you heard is the incentive alignment. So whether it was HUMIRA or STELARA, designing it with a \$0 out-of-pocket for the consumer, for the patient, very strong value delivered to all stakeholders, the employer or financier, as well as the consumer.

The piece I want to click down on and complement the team on, the team was able to harness effective use of AI to identify the conversion strategies in a highly personalized way, which had high NPS, low friction, and high continuity for both the patient and the physician. The result of that is the conversion. The result of that is more value delivered, but higher satisfaction, and then staying power of the conversion to the biosimilar.

So it's an example where Brian talked before about harnessing data and AI, those fuse together in a highly personalized basis to deliver the outcome on the biosimilar, but to do it in a very customer patient-friendly way and a physician coordinated way. Thanks for your question.

Operator

George Hill, Deutsche Bank.

George Hill - Deutsche Bank - Analyst

Brian and David, again, congratulations to both of you guys. I was just hoping you might update us on your 340B exposure given where you guys are with Carepath now and Shields. And kind of how should we think about how -- and I don't know if you would be willing to quantify what both of those units are contributing to the business right now from an operating earnings perspective, and just kind of how to think about the exposure to that segment given what's going on in the drug space.

Brian Evanko - The Cigna Group - President and Chief Operating Officer

Morning, George, it's Brian. Appreciate the comments and the question. So as it relates to 340B, you can think of that as a component of the Specialty and Care Services platform within Evernorth that we just made reference to. And actually, if you go way back at the time we acquired Express Scripts, looking at the Accredo asset at that time, realized it did not have very much 340B activity within it relative to others in the space.

So over time, we built a suite of capabilities that allow us to partner with hospitals and health systems more effectively to help them manage their 340B related activity. So we had a small acquisition several years ago, Verity. More recently, our acquisition of Carepath and the investment we made in Shields all allow us to serve hospitals and health systems in a way that allows them to optimize their relative performance around 340B.

So you should think of it as indirectly supporting, again, hospitals and health systems through our service-based offerings as opposed to being a scaled 340B contract pharmacy as it relates to the portfolio. So overall, it's a component of the Specialty and Care Services portfolio, but the lion's share of that business continues to be our core Accredo specialty pharmacy, as well as our CuraScript distribution capability.

So I'd encourage you to think about it in that way as opposed to being its own P&L, if you will, within the broader Evernorth portfolio.

Operator

Justin Lake, Wolfe Research.

Justin Lake - Wolfe Research LLC - Analyst

I wanted to focus on Evernorth and specifically on the reported non-controlling interest in the quarter of \$226 million. NCI has increased dramatically over the last few years, and this quarter, it more than doubled versus Q1 '25. So just given how significant this item has become, I wanted to dig in here for a minute. My impression is this NCI is driven by your GPO, which is, I believe, both are joint ventures.

I wanted to confirm a few things. First, what are the main JVs driving this NCI? On average, what percentage of these JVs are owned by the company versus your partners? And what specifically is driving the 100% plus increase in the quarter? For instance, did the partners get a significantly larger piece of the JV? Or is this completely driven by a doubling of earnings from the JVs?

Ann Dennison - *The Cigna Group - Executive Vice President and Chief Financial Officer*

Morning, Justin, so I'll start. So just to frame it a bit, we support health plan clients in a variety of ways, including procurement, value-based services, and we work across a broad set of relationships with health plans and related entities. Through these partnerships, clients benefit from our ability to drive value, and we're able to deliver flexible, competitive solutions.

So the NCI line item includes minority earnings from a number of joint ventures and partnerships, which you mentioned. There are multiple different structures and ownership levels. So the growth in NCI doesn't directly correlate to the same levels of growth in our earnings. If you're looking at the year-over-year increase in the NCI line, that was primarily driven by a new joint venture with one of our largest clients and the additional economics are passed back as part of the previously discussed renewals that we did.

So JVs can have various structures. For this one, the new one that drove the increase, despite us holding a majority share, most of the economics are passed back and have no impact on our earnings. This was known and fully contemplated in our guidance for the full year, and we are really pleased and happy to continue to be a partner of choice for the largest, most sophisticated purchasers. I hope that helps.

Operator

Erin Wright, Morgan Stanley.

Erin Wright - *Morgan Stanley - Analyst*

With some of the optimization in the portfolio kind of announced today, I guess, should we really think about this or really read this as you're really trying to push into specialty? Like how central is specialty to the strategy? How do we think about this in the context of your capital deployment priorities from here? And on the flip side of that, what is the commitment to other parts of the insurance business?

And remind us of the synergies across the integrated model, how that aligns with this sort of new AI-enabled consumer-driven health care services company?

Brian Evanko - *The Cigna Group - President and Chief Operating Officer*

Good morning, Erin. I think there are a few different topics in there that I'll try to weave together as best I can. So as it relates to the portfolio shaping that we announced this morning, as I was responding to Kevin earlier, think of the choices here as being proactive decisions based on a deliberate review of management focus, relative size and scale, as well as the degree of standardization and automation, for example, that's transpiring in EviCore.

So you should think of those as the core drivers. As it relates to specialty, we're already a scaled player there, and we love the space. So there should be no doubt about that. But that's not at the -- it's not trading off growth in our other growth platforms at all. So you should think of -- we want to continue scaling our specialty business for sure. We want to continue to scale Cigna Healthcare for sure, and we want to continue to transform the Pharmacy Benefit Services model. So all three of those growth platforms will continue to get resources and investments as opposed to it being a specialty alone. That said, we do continue to see further upside in our specialty business.

If you look at our capital deployment in the last couple of years, it's gone in an outsized way into the specialty space with our acquisition of Carepath and the investment we made into Shields. And going forward, we'll continue to have a balanced capital deployment framework. Once I become CEO, you should not expect [this] to change as it relates to the way we think about deploying capital.

We'll continue to prioritize internal reinvestment. We'll continue to pay an attractive shareholder dividend. We'll continue to make sure the capital structure is appropriate in terms of leverage ratios, and we'll use share repurchase and strategic M&A on a targeted basis. And our focus from an M&A standpoint at the current time continues to be targeted strategic bolt-ons.

But to your broader umbrella, we're very excited about the specialty space. We'll continue to invest there. We'll look to scale it. But again, it won't be trading off against other parts of the company's growth platforms. And looking forward, we do continue to see attractive opportunities to weave together our multi-dimensional capabilities across The Cigna Group.

So many of our Cigna Healthcare clients value the fact that they have a combined medical, pharmacy, behavioral offering that brings together the best of the company into one singular offering for the benefit of patients and their families. So hopefully, that helps to hit on a few of your different pieces in the question there.

Operator

Jason Cassorla, Guggenheim.

Jason Cassorla - Guggenheim Securities LLC - Equity Analyst

Congrats to David and Brian as well. Maybe for the health care MLR, the 79.8% in the quarter versus the slightly below 81% you had guided to. Was that delta completely explained away by flu, weather, and the exchange seasonality? And then maybe just broadly, can you delve in a bit deeper on what you're seeing in terms of employer cost trend? Any utilization categories where you're seeing favorability?

And you've focused and highlighted site of care. Just not sure if you're seeing, or maybe can you update us on, some of the mix shifts, maybe perhaps, helping out cost trend or if you're seeing anything from an absolute service category from utilization either trending better or worse? And then maybe lastly, can you just help us bridge a little bit on the second quarter MLR coming in slightly above the higher end of the full year guide would be helpful.

Ann Dennison - The Cigna Group - Executive Vice President and Chief Financial Officer

Okay. Thanks for the question. So I guess just starting, as I noted in my prepared remarks, the Cigna Healthcare results were ahead of expectations. And I would characterize that as driven by strong fundamental performance, including retention, rate execution, and cost trends across both US Employer and Individual.

So if you look at the quarter, during the quarter, we observed lower flu respiratory volumes as well as weather-related care deferrals, which benefited results. And then on the Individual business, we saw the higher percentage of bronze plan members, which carry a lower MCR at the beginning of the year and a higher MCR at the end of the year.

In terms of any drivers, I wouldn't -- or categories, I wouldn't call out a single driver as outsized or a category as above our expectations. The contribution was fairly balanced. Cost trend remains high, and we planned and priced for it. So that's on the quarter itself. When you think about the sequential increase from first quarter to the second quarter, that reflects both normal seasonality and other seasonal and timing factors that are unique to this year.

So with regard to normal seasonality, as a reminder, the Medicare business, which we divested last March, had a flatter MCR seasonality than our other businesses. So this year, normal seasonality will be steeper going from 1Q to 2Q. For other seasonal and timing factors that are unique to this year, I'd point to two things.

I mentioned the higher proportion of Bronze members in the Individual business, that's compared to prior year. So that results in a steeper pattern throughout the year with the steepest jump happening in the second quarter. And then there are also timing factors, including weather-related and care deferrals that impact the seasonality that will impact the quarter.

But overall, we're pleased with the strong start to the year. The full year guidance range of 83.7% to 84.7% remains unchanged and at this point of the year reflects prudence.

Brian Evanko - *The Cigna Group - President and Chief Operating Officer*

Jason, just if I could add two quick things to Ann's very comprehensive summary there. We're really pleased with the performance of the overall Cigna Healthcare business and also excited to be able to raise the guide for the year based on what we're seeing so far, which includes an appropriate degree of prudence for the balance of the year. As Ann said, we continue to plan for and price for sustained elevated cost trends.

On the positive side, they have not accelerated. They remained elevated. So to the extent we do eventually see some deceleration, that offers some upside to our outlook. But we're excited with the performance of this portfolio for sure. So thanks for your question.

Operator

Dave Windley, Jefferies.

David Windley - *Jefferies LLC - Equity Analyst*

I wondered if you could highlight or discuss uptake in the GLP-1 programs that you have -- that you've highlighted in the past in Enreach, EnGuide, EnCircle. And then any other similar programs that you would highlight as particularly attractive or popular among your customers right now?

Brian Evanko - *The Cigna Group - President and Chief Operating Officer*

Good morning, Dave, it's Brian. So maybe I'll just talk about the GLP-1 space more broadly and then hit on some of the programs as we work our way through this. As we discussed on prior calls, GLP-1s are a very visible example of the broader wave of drug innovation that's transpiring in America and around the world, quite frankly. And as it relates to coverage for weight management in particular, we continue to see on a client level, the percentage of clients covering weight management be relatively stable from 2025 into 2026.

Now those clients are increasingly looking for programs such as EnCircle and Enreach to provide the clinical and lifestyle support to make sure that the weight management programs are designed -- are working as they're designed to be, meaning we're not seeing micro dosing, we're not seeing people start and stop on the protocols, etc. So that's really the intention of those programs.

And we continue to see -- we had 12 million-plus enrollees in the EnCircle program. That number has continued to grow each month across our overall Employer book of business. But as I made reference to, the coverage rates are about 50% in our Evernorth book of business, which tends to bias toward larger employers.

They're about 20% in our Cigna Healthcare book of business, which tends to bias towards smaller employers. But when you think about where we are with GLP-1s more broadly right now, the ongoing tension here is affordability versus employee and family member satisfaction. So employers know there's a very popular benefit. They also know that it's a net cost right now to their overall health care programs.

On the bright side, as oral versions are introduced and you see supply constraints ease, this should help with future affordability by driving down the net cost of the GLP-1 drugs. But the tension between employee demand and employer affordability will continue to persist. Now one of the things we've been very focused on in addition to our great clinical programs is innovating around financing solutions.

So we're seeing some employers and plan sponsors cover the full cost of GLP-1 drugs. Others will cover a portion but ask for co-pays to be paid by the employee or family members. Others are sponsoring coverage on more of a supplemental benefits chassis where the employee will pay the full amount. However, they'll benefit from our thousands of real-time clinical safety checks and clients then have the option of selecting additional lifestyle and clinical support programs for their members who utilize GLP-1s.

So all these moving pieces are contemplated in our 2026 guidance. We continue to lean in through our Evernorth platform and take a leadership position in supporting employers and other plan sponsors around their GLP-1 strategies. Hope that helps, Dave.

Operator

Thank you. At this time, I'll turn the call back over to David Cordani for closing remarks.

David Cordani - The Cigna Group - Chairman and Chief Executive Officer

Thank you. I'll wrap up briefly here. First, thanks for your time and your questions. Second, we're clearly proud of the results we delivered in the first quarter and confident we will deliver on our increased guidance for 2026. I do want to reinforce after 17 years of leading the organization, how much I appreciate our colleagues around the world and the commitment they bring to work every day in serving our customers and patients, in partnering with our clients, in the relentless orientation around innovation, and active volunteerism to make the communities better.

On a final note, I've valued my interactions with each one of you throughout the investor community during my tenure as CEO, and I look forward to continuing to serve The Cigna Group as the Executive Chair. Thanks for your time, and have a great day.

Operator

Ladies and gentlemen, this concludes The Cigna Group's first quarter 2026 results review. Cigna Investor Relations will be available to respond to additional questions shortly. A recording of this conference will be available for 10 business days following this call. You may access the recorded conference by dialing 866-405-7290 or 203-369-0603. There is no passcode required for this replay. Thank you for participating. We will now disconnect.

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