Call for Analysts and Investors

Transcript

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Speakers:

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Beatriz Izard

Beatriz Izard
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Good morning, everyone, and thank you for joining us today.

We are pleased to welcome you to Linea Directa's September 2026 results presentation.

I am joined by our CFO, Carlos Rodríguez Ugarte, who will take you through the main highlights of the period, followed by the Q&A session.

Carlos, over to you.

Carlos Rodríguez-Ugarte
Chief Financial Officer, Linea Directa

Thank you very much, Beatriz, and good morning to everyone on the call.

We are pleased to present a strong nine-month performance for Linea Directa, combining sustained growth, profitability and solvency.

Let me start with the key numbers for the period shown on the first slide of the deck:

- Gross written premiums reached €919 million, up 8.9% year-on-year, with all business lines reporting solid growth.
- The portfolio stood at 3.9 million policies, 6.9% higher than in September 2025, after adding 253 thousand policies over the last twelve months.
- Technical profitability remained strong, with the combined ratio down 2.1 percentage points to 91.3% compared with the first nine months of 2025.
- Net profit increased by 34.8% to €80.4 million, supported by business growth and the strong improvement in technical performance.
- Return on equity rose to 25.6%, while the Solvency ratio remained robust at 191.5%.

I will now go through the main drivers of this nine-month performance.

Turning to page number 7, insurance revenue rose by 10.8%, while gross written premiums increased by 8.9%, with all business lines adding to growth.

Growth was escorted by solid technical profitability, with the insurance technical result up 45.6% and the combined ratio, as I stated before, improving by 2.1 percentage points year-on-year reaching 91.3%.

The expense ratio improved to 20.0%, down 1.1 percentage points year-on-year, reflecting increased scale, operating discipline and continued efficiency gains.

The financial result was up 7.7%, with the fixed-income portfolio as the main driver, while also reflecting the temporary impact of the renovation of an investment property.

As a result, profit after tax rose by 34.8% year-on-year to €80.4 million.

Turning to business volumes, Motor continued to deliver robust growth, while Health and the emerging businesses maintained strong momentum.

Turning to page number 9, the combined ratio reflects the benefits of disciplined underwriting and improved operating efficiency.

On the loss ratio, performance remained well controlled at 71.3%, supported by underwriting and pricing discipline alongside positive claims frequency.

The expense ratio improved by 1.1 percentage points to 20.0%, reflecting greater scale, operating leverage and productivity gains, while preserving investment in the capabilities needed to support future growth.

Efficiency remains a structural strength of our model and a key driver of profitability as the business scales.

Now, I would like to move on to a more detailed breakdown by line of business.

In Motor, premiums increased by 9.5% year-on-year to €750 million euros, while the portfolio increased by 7.9%, adding 212 thousand policies over the last twelve months.

Technical profitability remained excellent, with a combined ratio of 91.3% in the first nine months, 2.1 percentage points better year-on-year, and 91.5% in the standalone quarter.

Home continued to gain scale, with premiums up 2.6% to €128.9 million and 27 thousand additional policyholders, bringing the customer base close to 800 thousand clients.

Technical profitability remained particularly strong, with the combined ratio below 90% in every quarter, at 86.8% for the first nine months and 87.1% in the standalone quarter.

Turning to page number 12, Health maintained strong commercial momentum, with premiums up 17% to €35.7 million euros and the portfolio reaching 131 thousand customers, 10.9% above September 2025. The product mix also continued to improve, with higher-coverage products and higher average premiums, accounting for 68.2% of the total.

Technical performance also improved significantly, with the combined ratio down 6.9 percentage points. The standalone third-quarter ratio stood at 122.3%, confirming continued progress towards technical break-even.

Moving to the next page, the investment result increased by 7.7%, mainly driven by the fixed-income portfolio, despite the temporary impact of the renovation of one building. Works in this building are expected to be completed by year-end 2026, with rental income resuming before June 2027 under improved rental conditions.

Excluding this temporary impact on rental income, the net investment result would have increased by 13.9%.

Turning to page 14, the investment portfolio amounted to €1.28 billion, with fixed income accounting for 83% of the total. We are rotating the fixed-income portfolio to enhance its average yield.

This allocation continues to reflect the Group’s disciplined investment approach, preserving financial strength while maintaining a prudent risk profile.

Turning to solvency, the Solvency II ratio stood at 191.5% at the end of September, reflecting a strong capital position.

The performance to September mainly reflects strong organic capital generation, while the valuation of the investment portfolio had a negative impact due to higher interest rates.

Within the SCR, Non-Life underwriting risk increased in line with business growth in both premiums and exposure. The rise in market risk primarily reflects the upward shift in the interest-rate curve, while Health underwriting and operational risks increased in line with the growth of the business.

To conclude, the September results demonstrate Línea Directa's ability to deliver strong growth alongside technical profitability, greater operating efficiency and a robust balance sheet.

Looking ahead, our priorities remain clear: to sustain profitable growth and continue to leverage efficiency as a core competitive advantage.

I will now hand the call back to Beatriz for the Q&A session.

Beatriz Izard
Thank you, Carlos. Our line is now open for questions.

Operator: Ladies and gentlemen, we will now begin the Q&A session. If you would like to ask a question, please press star five on your telephone keypad. If you change your mind, please press star five again. Please ensure that your device is muted locally before proceeding with your question.

The first question comes from Maksym Mishyn from JB Capital. Your line is open.

Maksym Mishyn Analyst, JB Capital Good morning. Thank you very much for the presentation and taking our questions. Three from me, please.

The first one is on Motor. Customer acquisition has slowed somewhat in the third quarter, and I was wondering if it is a temporary slowdown or are you seeing more competition in the market?

The second question is also on Motor. How do you plan to approach the increase in inflation of repair costs to make sure your combined ratio does not deteriorate next year?

The last one is on Home. You are offering quite significant discounts in Home insurance according to your marketing campaigns. Can you explain how, offering such discounts, you are still able to get combined ratios below 90%? Thank you.

Carlos Rodríguez Ugarte CFO

Thank you very much, Maksym. On your first question, well, it is true that if you take a standalone quarter, the growth in Motor has slowed down. Numbers are very similar to the last quarter. I think this is more a seasonal evolution. We are very happy with the evolution of the growth in Motor. I do not see any slowdown in the growth. I think we are gaining market

share throughout the year. Looking at the numbers of competition, I think they are still struggling on the combined ratio, and we are taking that opportunity. So again, it is true that the numbers are not the same as you, but they are very similar.

On inflation, it has been here since March or since April. We have been in inflation near to 3% almost the entire year. It is not something that came out in September.

We have been able to manage that with a very good combined ratio below 92%, where still the market is way above 95. Again, inflation, we look at it very closely. We monitor inflation almost every week, and we will adjust things as we need it. We have been adjusting things already on our expense side of the business and also on our front side of the business on pricing. If inflation keeps on going up, looking forward on the year and next year, we will need to adapt some things in pricing, and we will need to adapt some things on expenses. But it is not something new. It is something that we have been monitoring since the beginning of the year.

On the Home insurance, it is a matter of our business model. We are so efficient in all of our businesses, including Home, that we are able to have a very low expense ratio, a very good loss ratio. I think the market as a whole is performing quite well on the loss ratio, but Línea Directa is even better. We tend to transfer those savings and those efficiencies on pricing. If I were to say Home, we need a little bit more growth, but in terms of gathering clients, we are happy. We are close to 10,000 clients on the quarter. We are performing quite well. I think our combined ratio below 90 helps us very much on trying to grow and trying to be aggressive on pricing.

Maksym Mishyn Analyst, JB Capital Thank you.

Operator: The next question comes from Carlos Peixoto from CaixaBank. Your line is open.

Carlos Peixoto Analyst, CaixaBank Yes. Hi, good morning. Carlos Peixoto from CaixaBank here. A couple questions from my side as well, basically focused on. First one would be on the combined ratio. So you are now operating with a combined ratio below 92% in the nine months. How sustainable you see these levels going forward? That will be the first question.

Then, particularly looking at the evolution that has been occurring in the Motor and in the Home insurance segment as well, what type of levels would you see as sustainable both for the fourth quarter and into 2027? Also touching a bit on premium growth, basically, what are your expectations on premium growth for next year? If you could split a bit between growth in policyholders and evolution of prices, your expectations on it, I would appreciate it. Thank you.

Carlos Rodríguez Ugarte CFO, Línea Directa Thank you very much, Carlos.

On your first question, combined ratio, I think we have always said that we are a company that we feel comfortable in low 90s, and we are in those low 90s. Of course, it depends very much on many external things such as inflation and competition, and so on, to be on those grounds. As of today, the company feels very comfortable in the 92%, 3 of 94%, and looking forward, that should be our target, to be in the low, mid-90s. Of course, trying to maintain ourselves in these 92%.

Regarding the second question on Motor and the growth looking for next year, we are very close to double-digit growth. The year has been great in those grounds, and looking forward next year, we will see. We do not have a number there.

I think what you should expect, as we always talk, is that Línea Directa should try to grow much more than the market. We have been doing that for the last couple of years, and that is our target looking forward, not only for 2027, but also for 2028, trying to grow much more than the market. In terms of policyholders, we are gathering in our main business, which is Motor, in the neighborhood of 50,000 clients every quarter. I think it is 43,000 this quarter, something like that. That is the aim of the company. Gaining market share and to gain market share means gathering clients from competition. That is our objective or our goal looking forward, and you should expect that looking forward. To give you a number, this is very difficult. It depends on so many things. But again, both in premiums and on policyholders, our intention is to grow more than the market.

Operator There are no further questions at this time. I will now hand back to Beatriz Izard, Head of Investor Relations. Beatriz, now your line is open

Beatriz Izard
Thank you, Carlos, and thank you all for joining us today. The Investor Relations team remains available to assist with any further queries.

Carlos Rodríguez-Ugarte
Thank you, everyone. We wish you a pleasant day.