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Q2 2026 VOYA FINANCIAL INC EARNINGS CALL

EVENT DATE/TIME: August 05, 2026 / 2:00PM UTC

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- **Mike Katz** *Voya Financial, Inc - Chief Financial Officer*
- **Matthew Toms** *Voya Financial, Inc - Chief Executive Officer - Voya Investment Management*
- **Jay Kaduson** *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

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- **Operator**
- **Ken Lee** *RBC Capital Markets Inc - Analyst*
- **Tom Gallagher** *Evercore Inc. - Analyst*
- **Joel Hurwitz** *Dowling and Partners Securities LLC - Analyst*
- **Ryan Krueger** *Keefe Bruyette & Woods Inc - Analyst*
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PRESENTATION

Operator

Good morning. Welcome to Voya Financial's second quarter 2026 earnings conference call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the call over to Mei Ni Chu, Head of Investor Relations. Please go ahead.

Mei Ni Chu *Voya Financial, Inc - Senior Vice President, Head of Investor Relations*

Good morning. And thank you for joining our second quarter earnings conference call. We will begin with prepared remarks by Heather Lavallee, our Chief Executive Officer; and Mike Katz, our Chief Financial Officer. Following their prepared remarks, we will take your questions. Also joining the call are Jay Kaduson, CEO of Workplace Solutions; and Matt Toms, our CEO of Investment

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Management.

As a reminder, materials for today's call are available on our website at investors.voya.com. As noted on slide 2 of our analyst presentation, some of the comments during today's discussion may contain forward-looking statements and refer to certain non-GAAP financial measures within the meaning of federal securities law. GAAP reconciliations are available in our press release and financial supplement found in our Investor Relations website.

And now I will turn the call over to Heather.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Thank you, Mei Ni. Good morning, and thank you for joining us today. Let's turn to slide 4. Our businesses performed well in the second quarter. Strong underlying results were affected by lower alternative investment performance and by severance costs we incurred to reduce our expense base.

For the quarter, we delivered adjusted operating earnings of $1.51 per share, generated approximately $150 million of excess capital and returned approximately $200 million to shareholders through repurchases and dividends. As Mike will cover in more detail, fundamental performance trends and the immediate payback from these expense actions gives us a clear line of sight to increase earnings and cash generation in the second half.

Our performance this quarter highlighted continued execution of our strategic priorities. We delivered strong commercial results in Retirement and Investment Management. We're stabilizing and growing margins and employee benefits, and we are expanding wealth management capabilities to drive future revenue growth.

Turning to our business results. In Retirement, we generated over $8 billion of defined contribution net inflows in the quarter supported by continued high client retention and large plan implementations in government and corporate markets. In government markets where Voya leads the industry, we've added more than $30 billion in assets and approximately 1 million participants in the past 18 months through organic growth.

We're also driving strong full service growth in key segments with emerging market sales up over 30% year-over-year. We completed the final phase of our One America integration during the quarter, marking the conclusion of a highly successful acquisition and integration effort that has significantly exceeded the financial goals we set.

We continue to build momentum in Wealth Management with year-over-year revenue growth of approximately 12%. Our Retirement franchise now exceeds 10 million participant accounts, and wealth management allows us to deepen those participant relationships and serve customers in a more comprehensive way.

Our results this quarter demonstrate Voya's leadership position in the Retirement market. Our business is delivering consistent flows, high client retention and significant growth in participant accounts. Our presence across markets and expansive distribution footprint provides a durable foundation for sustainable growth.

As we further develop our wealth management capabilities, we are building a platform that can serve an expanding customer base with the solutions they need for a confident financial future. In Investment Management, we generated positive net flows for both the quarter and the year, supported by client demand across a broad range of investment strategies and distribution channels.

We expanded our product offerings during the quarter, including the launch of two multi-manager collective investment trusts that enhance the private and alternative asset solutions we bring to Retirement plan clients. Our investment performance remains a clear strength with 83% of assets outperforming peers or benchmarks over three years and 85% outperforming over 10 years.

The strong outcomes we deliver for clients are driving continued commercial success and strengthen the role Investment Management plays in Voya's broader workplace and Wealth Management strategy. In Employee Benefits, we continue to improve and strengthen the business. In Stop Loss, we have stabilized loss ratios and margins across the entire book while maintaining the strength of our reserves.

Early 2026 experience reinforces our confidence that the actions we've taken will continue to drive higher margins and restore the business to its historical earnings power. Across the portfolio, disciplined pricing, underwriting and risk selection are improving margins and allowing us to focus on business that meets our return expectations.

I'll now turn it over to Mike to walk through the financials in more detail. Mike?

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Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Thank you, Heather. Turning to slide 6. In the quarter, adjusted operating earnings were $140 million or $1.51 per diluted share. That result includes an approximate $0.90 per share impact from alternative investment performance below expectations as well as severance actions. The alternative investment impact was driven primarily by macro market conditions affecting our private equity portfolio, which are reported on a one-quarter lag. Year-to-date returns remain positive, and we expect results to improve in the third quarter.

On severance, we expect the resulting expense savings to fully offset the upfront costs by year-end. These actions improve efficiency, reduce ongoing expenses and allow us to invest in long-term growth. While these items affected second quarter EPS, the underlying business trends remain strong, continued commercial momentum in Retirement and Investment Management, along with improving margins and employee benefits support our confidence in meaningfully higher earnings in the second half.

With that, let me turn to the segment results. Starting with Retirement on slide 7. Adjusted operating earnings were $190 million in the quarter. Results were impacted by lower spread income, reflecting alternative investment performance below expectations. Excluding the alternative investment impact, core spread income remained resilient, supported by reinvestment at higher rates.

On a trailing 12-month basis, adjusted operating earnings increased 6%. Fee-based revenue increased 10% year-over-year, now representing over 60% of revenue and margins remained healthy at 38%. Defined contribution net flows were $8.1 billion in the quarter, supported by continued high client retention and large plan implementations in both government and corporate markets.

Our platform now serves more than 10 million participant accounts, providing meaningful scale to drive future fee-based revenue growth. Stepping back, robust flows, high client retention and growth in participant accounts reinforced the strength of our Retirement franchise.

Turning to Investment Management on slide 8. Adjusted operating earnings increased 12% year-over-year to $57 million, driven by higher advisory fees across institutional and retail channels. On a trailing 12-month basis, adjusted operating earnings increased 11%, reflecting both those higher advisory fees as well as disciplined expense management.

Net inflows were $1.2 billion in the quarter and now $6.3 billion over the last 12 months. Looking ahead, we continue to see healthy client demand for our differentiated investment capabilities and robust investment performance. At the same time, the second half will include the wind-down of a legacy relationship, which will modestly offset momentum in actively distributed products. Importantly, the revenue impacts from this are expected to be immaterial in 2026. Overall, Investment Management delivered solid earnings growth supported by positive flows, healthy client demand and strong investment performance.

Turning to Employee Benefits on slide 9. Adjusted operating earnings were $22 million in the quarter and $122 million over the last 12 months. In the quarter, we released $8 million of reserves in Stop Loss while continuing to hold reserves at the high end of our best estimates range. Early claims experience on 2026 business is encouraging and is emerging favorably relative to both 2024 and 2025 business.

We also continue to see favorable underwriting conditions as we complete the non-January 2026 selling season and begin pricing for January 2027. In Group Life, results continue to benefit from favorable mortality consistent with broader industry trends. This helped to offset higher Voluntary loss ratios in the quarter, which were elevated in part due to nonrecurring items. For Voluntary, while onetime items contributed to higher loss ratios in the quarter, the broader trend remains consistent with our expectations as expense actions are supporting our plan to maintain net margins.

Stepping back, the underlying fundamentals across the portfolio remains strong, highlighted by the 5-point improvement in aggregate loss ratios over the last 12 months. Our disciplined approach to risk selection, pricing and expense management reinforces our ability to deliver further margin expansion and earnings growth and employee benefits.

Turning to slide 10. We generated approximately $150 million of excess capital in the second quarter and $350 million year-to-date, with cash conversion above 100% in the quarter. We remain on track for 2026 cash generation to exceed 2025 levels, supported by strong cash conversion, second half earnings outlook and the expense actions we've discussed. On capital deployment, we repurchased $150 million of shares in the second quarter and $300 million year-to-date.

We ended the quarter with approximately $200 million of excess capital preserving flexibility while continuing to return capital to shareholders. For the third quarter, we expect to deploy at least $100 million towards share repurchases and the second half cash generation outlook gives us flexibility to deploy additional capital in the fourth. Return on equity was impacted by alternative

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investment and severance items, which is why we are explicitly calling them out rather than leaving investors to reconcile the effect on their own.

Stepping back, the second half outlook is supported by business momentum, expense discipline and improving fundamentals. Most importantly, cash generation remains strong, and we remain on track for 2026 to exceed 2025 levels.

With that, I'll turn it back to Heather.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Let me close on slide 11, which brings together the key points from today's discussion. We're carrying strong commercial momentum into the second half, particularly in Retirement and Investment Management. We continue to improve margins and Employee Benefits, supported by the pricing and underwriting actions we've taken across the portfolio.

The expense actions we took in the second quarter, alongside a more constructive macro environment, provided a tailwind for increased earnings in the second half. Our cash generation remains strong with 2026 on track to exceed 2025 levels and conversion rates above our 90% target.

We continue to be disciplined in deploying capital. We returned more than $380 million to shareholders in the first half of 2026. We are maintaining our commitment to return capital to shareholders in the second half with our repurchase program active in the market and at least $100 million of buybacks planned for the third quarter.

Together, these actions reinforce our confidence in our strategy and position Voya to deliver continued earnings growth, strong test generation and shareholder value. Before we go to questions, I want to thank our employees across Voya. Every day, they help our customers navigate some of life's most important financial decisions with greater confidence. Their focus and commitment continue to drive our success.

With that, I'll turn it over to the operator so we can take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ken Lee, RBC Capital.

Ken Lee *RBC Capital Markets Inc - Analyst*

Just one on the Investment Management side, the institutional net inflows in the quarter. Wonder if you could talk a little bit more about some of the drivers there and perhaps also any kind of color or composition of the pipeline?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Ken. Matt, we'll take your question.

Matthew Toms *Voya Financial, Inc - Chief Executive Officer - Voya Investment Management*

Yes. Happy to unpack that for you, Ken. So first quarter -- sorry, second quarter strong, that $1.2 billion, we're happy with. That's an annualized growth rate of about 1.6%. And importantly, within that, the revenue yield was up as well. I think that's a counter industry trend, and that's supporting the broader fee revenue growth, and it shows the quality of those flows.

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You referenced institutional specifically, that's $1.6 billion, so providing the flows for the quarter. I would continue to call out the insurance strength we have that's backed by both our fixed income and our private credit capabilities that continue to resonate in the marketplace.

That's both backward-looking and forward-looking to your question about the forward look. Overall, our demand for institutional and retail products remains intact. And look, we like the competitive position in those fixed income and international markets, which we believe are poised for continued growth, and that's what drives that long-term expectation of 2%-plus.

Ken Lee *RBC Capital Markets Inc - Analyst*

Great. Very helpful there. And one follow-up, if I may. Any color around what you're seeing in terms of plan RFP activity within the Retirement business there?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes, Ken, Jay will take your question.

Jay Kaduson *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

Ken, yes, if you think about RFP volumes themselves, and they do differ across markets. If you think about our emerging market, you should think in terms of that mid-single digits, that 6% or 7% growth, double-digit growth in mid-market where we're seeing a lot of activity and finding a lot of success. In that large/mega, it's been very consistent in prior years, low single digit. Very healthy. And overall, we're really, really pleased with the RFP volumes that are really helping us through our commercial momentum.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

And I think the broader step back, Ken, is that we continue to be very pleased with the commercial momentum in Retirement and the overall performance in our largest and highest margin business.

Operator

Tom Gallagher, Evercore ISI.

Tom Gallagher *Evercore Inc. - Analyst*

A few on Stop Loss. Heather, I know you mentioned the early '26 experience gives you confidence that margins will improve in Stop Loss. Any sort of quantification that you can share on how we should think about that and is 3Q at all a possibility to change your 87% loss pick for '26? Or is it more likely need to be more seasoned that we would have to expect that to come through and have enough evidence to wait until Q4?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Tom, I'll let Mike start on the question.

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Tom, yes, look, I think it's remotely possible in the third quarter, but I would circle the fourth quarter as really the more likely opportunity for that. Why is that we're a third complete coming out of the third quarter, we're two-thirds complete coming out of the fourth, and we just really have zero interest in trying to accelerate outcomes.

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That said, when we look at what we're seeing in the 26 business so far, it's running meaningfully better than what we saw in both '24 and '25 coming out of August. Now to get to completion here, we're about 15% to 20% complete coming out of the second quarter.

But we're still going to think about this at the high end of best estimate reserve ranges. I think we've been very consistent about that. But what's important here is the work we did last year when you look at the underwriting team that we put in place, the leadership we put in place, which has really been all about how we quote, how we review and select risk.

The other thing is just our ability to get rate. We got 21% rate increase coming into '25. We got 24% rate increase coming into '26. And frankly, we're getting even more rate in what we're pricing in '26. So I think the step back here is we feel really good but we don't want to accelerate any outcomes here, Tom.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes. Tom, it's Heather. And if I can just add a little more explicit points on the '26 book. Not only are we seeing better claims experience than the '24 and '25, again, it's early. We're also seeing a lower number of high severity claims, and we're seeing a lower number of frequency. So it's a combination of those in addition to the pricing, the reserve level. So that's just a little more color on the '26 book.

Tom Gallagher *Evercore Inc. - Analyst*

That's really helpful color. And just a follow-up and just if you don't mind bearing with me to follow my logic on this question. So the interesting thing to me was the '24 accident year, which I would have thought had no juice left in it at all. Actually, had favorable development of 2 points between mid-'25s to now.

So that seemed favorable but then the '25 accident year has only improved 1 point versus your reset 90% loss ratio versus Q4 '25. So I guess my question is, I would have thought these would evolve seasoned by now, but it seems like it's taking longer. Is there something about these claims pattern that are stretching out the development for longer? Is that actually a trend? And what should we infer from that if that is, in fact, happening.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes. Tom, we'll let Mike hit more of the technical aspects of the question. I'll let Jay build a little bit more what are you seeing in the marketplace?

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Yes, Tom, look, following the logic, I think what we talked about last quarter was there was a pending reserve cleanup that affected the reserve release in the first quarter. So when you think about how much reserve release was happening from the ‘25 book in Q1. It was about $7 million, and so the big balance of that was that pending reserve cleanup in '24 and '23.

And so I think you're thinking about that right. I think we did see an acceleration of when claims were being reported. That's why we were careful at the end of last year. But there's not a new normal where it's taking over two years for this season. I think what we talked about with respect to '25, I see that as 90% to 95% complete at this point. So it's getting pretty firmed up. And we expect a similar pattern for the '26 business. Jay?

Jay Kaduson *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

Tom, yes, I think if you take a step back and you think about -- since Q1 of '25, we've made real substantive changes to the Stop Loss leadership team and really the operating model itself. So we've got seasoned leaders in risk and pricing, underwriting, distribution and they've been focused on advancing this risk and operating model improvement with a clear focus.

We've been very consistent on this margin over growth. And we're seeing the early results come through in our '26 book. We're pricing every piece of business to get back to our target loss ratios. Right now, the market demand is up over 13%.

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And quite frankly, the supply [time] isn't keeping up with the pace, and so more employers are looking for stop-loss solutions. And with the market continuously hardening, we're confident in achieving the desired rate actions and importantly, the persistency targets that we've set for '26. All this speaks to the strength right now of our clients and intermediary relationships, very active dialogue with them. And we remain focused right now on that disciplined pricing and risk selection and underwriting as we look to grow the business.

Operator

Joel Hurwitz, Dowling.

Joel Hurwitz *Dowling and Partners Securities LLC - Analyst*

I wanted to touch base first on the expense actions. How much of the improvement in expenses in your back half outlook is driven by those. And do you think those are sustainable as we move into 2027?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Michael will take your question.

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Joel, yes. No, as we were getting across in some of the prepared remarks that we do expect a six-month payback and for this to drop to the bottom line, we talked about very early in the year that we, Heather, myself, the team, we're very much focused on self-funding growth investments. And so you're seeing these actions is why we had so much confidence around that. We do give a sense in the appendix of the materials on how to think about the split between Retirement and Employee Benefits.

To your question around looking beyond this year, we view the actions that we took here as resetting the baseline heading into 2027. We're just entering in the planning season here as we think about everything that we want to accomplish in '27 and beyond.

And really the mindset that Heather, myself and the team has is operating leverage, full stop. And so it's also why we have so much confidence in the cash generation outlook. When we look at the actions this year, including severance, we still expect cash generation to increase and we expect it to increase again next year, and that's partly due to these actions on expenses, but also the commercial momentum that we've talked about as well as the margin expansion within Employee Benefits.

Joel Hurwitz *Dowling and Partners Securities LLC - Analyst*

Got it. That's helpful. And then just shifting to Voluntary. Can you unpack the experience you saw in the quarter, just quantify the unusual items that you had? And I guess, where do you expect the loss ratio to go from here on that business? Is it still low 50%? Or are we creeping more towards like the mid-50s?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Joel, we'll let Mike speak to the loss ratio and then Jay can speak a little bit more to what we're seeing commercially in the market on Voluntary.

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Yes, sure, Joel. So just first, there were a couple of unusual items in the quarter. There were some billing true-ups that came out of the first quarter into the second quarter. So there's some normalization between those two quarters as well as some reserve adjustments through legacy products that get reported in that line because we have Voluntary, Disability and other, all in the same

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line.

If I cut through all of that to your question, I would think of those having about a 2.5 point effect in the quarter. And so a more normalized number for Voluntary in the 54% range, year-to-date -- 53%. So that's kind of what I would expect in the second half of the year. Now remember, we're putting up IBNR with those loss ratios as well and the fourth quarter is really important for Voluntary.

So we'll see how this ultimately shakes out, but I think that's a reasonable starting point. And I think the broader message that and we talked about this even earlier in the year and late last year was that we did expect higher loss ratios because we're getting after customer value here with these products. But we expect to do that while maintaining very stable net margins. And again, I think this is a nod to the expense actions we took in the quarter.

Jay Kaduson *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

Yes. Just to build. If you think about right now, our position, Joel, as a top three Voluntary provider, the strength sits in our distribution really enhanced service model, which matters in the market right now and our deep product expertise.

And so the market demand is up year-over-year across all size segments for us and sales are up 7% on a trailing 12-month basis. So the commercial momentum results are there. In addition, our Voluntary persistency over the last 12 months that we really focus on has been extremely solid. It's really a strong persistency business for us. And so the overall business fundamentals remain strong. And we really like our market position as we continue to grow the Voluntary sales. I appreciate the question here.

Operator

Ryan Krueger, KBW.

Ryan Krueger *Keefe Bruyette & Woods Inc - Analyst*

One question on Stop Loss. Just when you put everything together on the trends that you've seen, do you feel like you can get back to your target margins in that business in 2027 at this point?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes, Ryan, it's Heather. Maybe I'll start, and then Mike can build. That's absolutely what our plan is. And as you've heard us talk about all the pricing actions we've taken, the discipline around underwriting, when we're pricing business, we are pricing it to be within the target range in '27. So certainly, the ambition, right, early, we like what we're seeing on '26. We still have the reserves set at the high end of the range, but that is absolutely our objective, Ryan.

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Yes. The only thing I would add, Heather, like if you step back and look at the big picture here, Ryan, when you look at late 2024, we came in to get as much rate as we possibly could. 2025, as Jay talked about, we put our teams in place, we were able to get more rate and still hold premium flat. That's really that Jan '26 business. what we're seeing in the middle of this year is getting even more rate. And that's just, I think, a nod to the market coming to us.

We've seen that margins are deteriorating in the industry. That's a calendar year '25 to '24 comparison, and that's what's really allowing us to go get that rate. We got a lot of confidence in what we're seeing early as we head into the fall and price Jan '27, but every piece of business to Heather's point, that we've been pricing this year, last year was with the goal of getting this back to target margins.

Ryan Krueger *Keefe Bruyette & Woods Inc - Analyst*

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And then just a quick one on record-keeping fees. They were flat sequentially despite the strong flows you had this quarter. I was just curious, is that more timing related on when the flows came in. And as a result, should we see some tailwind there in the second half of the year?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes, thanks. We'll let Mike start and Jay can add some color.

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Yes. You alluded to it, Ryan. It's just timing. When you look at kind of the timing of when flows came in and when flows came out in the first quarter, so we expect really healthy fee-based margins in the second half of the year, and part of that is due to the organic commercial momentum in the second quarter. And then obviously, we feel really good about the macro heading into third quarter from second quarter much different than what it was from second to first.

Jay Kaduson *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

Yes. And Ryan, as we expected and we kind of shared last quarter, we expected to have strong commercial momentum in Q2, and we did. We generated over $8 billion of total defined contribution net inflows. And given the visibility we have in the pipeline, we remain positive on the second half of '26.

While the flows do matter on this commercial momentum and we're also focused on our continued revenue growth. And so if you look at a trailing 12-month revenue being up 10%, high 38% margin, fee income is up 16% as Mike referenced, and that fee income continues to be an important part of our growth story.

It now represents, as you heard, 60% of our operating revenue. We also completed the final phase of the One America integration during the quarter. Not only did that provide additional Full Service flows, but it enhanced our distribution scale and overall capabilities in certain product areas.

And so as I think about our position as the top five Defined Contribution provider, if you look at it by participant accounts, we exceeded $10 million in [participant accounts and] (corrected by company after the call) that reflects the strength of the distribution, as I referenced. Our service model enhancements we've been making and overall, the ability to deliver consistent growth in our largest business.

Operator

[Jie Chen], Morgan Stanley.

Jie Chen *Morgan Stanley - Analyst*

I'm calling for Bob. Just wanted to ask about the Retirement flows. So if we look at the quarter, Recordkeeping flows are quite strong and Full Service flows are improving from 1Q. So just curious, is One America integration still impacting the surrenders? And are you expecting the surrenders to trend down in the second half?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

For the question. I'll let Jay add color, but it's really two primary things. You are still seeing the effect of OneAmerica flows in the second half, which we expect to moderate, and we do see the impact on higher participant account balances from equity markets. But Jay, please add more color.

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Jay Kaduson *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

Yes, that's right. I mean if you think about the broader industry, there is this equity market effect on Full-Service flows in Q2. I mean participants surrenders are really common in this high equity market environment.

And as you heard in Heather's opening, all Full Service sales in a really important market for us, emerging markets is up 30%. And kind of that broader step back is pretty clear. This was another quarter, another example of delivering strong results, as I said, in our largest business. That visibility into the pipeline, we do remain highly positive on the second half of the year. Just to kind of answer your One America question, that integration is complete, right? So we completed the final phase during the quarter, and that transaction has really validated I would say, our disciplined acquisition strategy and is establishing us really as a strategic acquirer in the Retirement space. The benefits of that transaction continue to materialize.

We've added new capabilities as I referenced, broader distribution opportunities and right now, incremental sales momentum we're getting from that acquisition, supported by strategic relationships. Those capabilities are in areas you should think of like ESOP and self-directed accounts and tax-exempt capabilities. So really happy with both the talent we acquired, the financial results and the new capabilities that are driving additional commercial momentum.

Jie Chen *Morgan Stanley - Analyst*

Okay. That sounds good. And the second one, I just want to follow up on the strong pipeline in Recordkeeping in the rest of the year. Just wondering if you have any update on the pipeline since 1Q.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes, I'll take it. Just really building on what Jay talked about is we've got visibility into large plan implementations in the second half of the year. As we talked about on the first quarter call, we are confident in our ability to deliver positive flows.

And as Jay broadened the point, [as we think about our] Retirement business (corrected by company after the call), our margins have held up well. We're driving fee-based revenue. So it's more than a flow story in Retirement. Our largest business continues to be our most profitable and is set up for us to be a strong leader in the Retirement market, but all in all, a very strong outlook for the year.

Operator

Wes Carmichael, Wells Fargo.

Wes Carmichael *Wells Fargo Securities LLC - Analyst*

So alts were a bit of a headwind in the quarter. It's kind of bounced around maybe the past few quarters, but just wondering if you have any color on how you're thinking about alts performance in the back half of this year.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Matt, will take your questions.

Matthew Toms *Voya Financial, Inc - Chief Executive Officer - Voya Investment Management*

Yes, let me unpack that a little bit for you. So you're right, second quarter alternative income was a modest loss, 2.5% annualized. That's a weak result. It compares unfavorably to the first quarter return, which was just over 8% and our long-term expectation of 9%. Some context on that. Our alts portfolio, as you know, is focused on buyout private equity and this quarter's result was impacted both by the consistently lower realizations within the industry that's been well publicized along with the volatility in broader equity markets in Q1, which informs the valuation period that's coupled, of course, the push higher in interest rates. So that's the valuation

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backdrop. Importantly, our diversified private equity holdings within this portfolio continue to be in harvest mode. We look to moderate the size of the portfolio and focus more on income-oriented and fee generative opportunities going forward, and that's nothing new. That's been the path over multiple years. So expect that to continue.

Also importantly, looking forward, the strength of the broader market in 2Q and moving into 3Q does provide a favorable backdrop. So we do think moving forward, as Mike alluded to this in his remarks, that there's a scope for an improved result in the next quarter. Long term, not adjusting the 9% target. We will achieve that over time, but obviously, some volatility from quarter-to-quarter.

Wes Carmichael *Wells Fargo Securities LLC - Analyst*

That's helpful. And then just wanted to come back to the broader discussion on expenses. I know you're always managing expenses. But if I think back, it sounds like coming into maybe 2025 and 2026, admin expenses were going to be a bit elevated with some investments into the business. But with this announcement this quarter, it seems like there's real explicit actions for savings. So just wondering, has anything really changed? And what drove the decision on severance sections now?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes, Wes, it's Heather. I'll start. Really, this is just part of the discipline and DNA of us as a firm is always being focused on disciplined expense management. Here, we took operating efficiencies across our business, specifically within workplace.

If you go back, Mike and I had been signaling earlier in the year of our plan to self-fund the growth investments. And so think about us as really being very disciplined with not only capital, but our overall operating expenses.

And so within the organization, we've been focused on reallocating expenses into our higher-growth areas. Still managing our business to targeted unit cost levels and operating efficiency. And that's just really how we operate. This is not part of any special program, but we think this is part of how good management teams run companies.

Operator

Josh Shanker, Bank of America Merrill Lynch.

Joshua Shanker *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Yes. Thank you. You talked about going after price in the Stop Loss market. But obviously, 2Q has not been an important quarter for sales and benefits, but all the lines of business tend to have weaker sales than a year ago. Price may be part of the reason, maybe you're now less competitive as you were before, can you go product by product and talk about what's happening in sales on the benefit side?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes, Josh, I'll let Jay unpack that for you. But if you think about -- when we've been talking about the margin improvement in Employee Benefits, it's been beyond Stop Loss. We've been focusing in on improving margins across every line of business within and, but yet, we still believe we're very, very well positioned for continued growth in this business. But Jay, please?

Jay Kaduson *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

Yes, sure. And I'll start here, Josh. I mean as Mike referenced, look, start as a step back, the total aggregate loss ratio improved 5 points to 74% year-over-year. So we like -- the team has really been focused around the execution on our pricing actions for the portfolio, and that's translated into that overall loss ratio improvement. I talked about Voluntary specifically sales being up 7% on a trailing 12-month basis being a top three provider there.

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Really happy with that business fundamentals and the feedback we're getting in the marketplace, whether it be on a stand-alone basis or in a bundle, is really, really strong. In Group Life, historically, Q2 isn't a big sales quarter for Group Life, right? We manage that business on full year results. With that said, in Group Life sales are up 5% on a trailing 12-month basis. And when I look at life and the broader Employee Benefits portfolio that you're referencing, our brokers and employers are starting to look for these bundled solutions, and our leave administration sits at the center of that bundle.

So through Q2, 48% of all of our new Life and Absence and Disability cases were bundled with Supplemental Health, we're a market leader, and that's up from 42% last year. A little bit of a step back, while our leave administration continues in Q2, it's in early days.

This solution is helping to broaden if I think about our value proposition across the entire portfolio. So as a reminder, we launched that integrated leave and disability claims solution in January of this year. You should think about it as bringing together an AI-enabled end-to-end workflow, which is something our customers were really looking for.

And this simplifies the experience for our employees. Right now, it's improving the compliance for our employers, which is really important. And then overall, it strengthens our ability to bundle and retain clients. And I talked about the importance of bundles. So overall in the portfolio, I don't look at Q2 as a point in time. I look at full year results, and I look at our trailing 12 months, and the business is growing.

Joshua Shanker *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Can we say that business that was a year ago written is renewing in a different quarter than 2Q today or the business that you wrote in 2Q last year doesn't meet your pricing appetite this year, which explains part of the reason for the decline?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Josh, can I ask you just a clarifying question. Are you asking across the broader Employee Benefit portfolio or specific to a certain product line?

Joshua Shanker *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

No, across the portfolio. I mean we don't have so much detail, but there's three or four lines, and they're down. I understand we should measure over a 12-month basis, but I assume there were renewals that were done in 2Q '25 that came up for renewal in 2Q '26 or maybe they're renewing in a different quarter this year.

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Josh, it's Mike. And you could see in the in-force premium, I get to your point on renewals, Jay was talking about sales the Voluntary line is up. I think what you're seeing is in Group Life with the renewal premiums being down. And as Heather mentioned, we've had this broad thinking around making sure that we're growing margins. That's going to be the most impactful piece on overall cash generation increase, earnings increases in Group Life, the puck is moving here.

We talked about this. We've had a handful of quarters here now where the loss ratios have been well below 77% to 80%. So we're adjusting for that. I think in some ways, Group Life is like on this kind of a year or two ahead of where Stop Loss was coming out of COVID.

So there is a little bit of adjustment for that as we're working through some of the renewals. You see that in the results, but I think the step back is we feel good about where we're heading into the fall. Jay and team are making some adjustments around how we think about pricing. We think that will make us a little more competitive on that product line.

Operator

Pablo Singzon, JP Morgan.

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Pablo Singzon *JPMorgan Chase & Co - Analyst*

I had questions about the Investment Management business. So I think if you look historically, flows in institutional have been quite good for the past few years. But in retail, they were positive, but they are negative in the past two quarters. So just hoping you could provide perspective what's going on there?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Pablo, Matt will unpack that for you.

Matthew Toms *Voya Financial, Inc - Chief Executive Officer - Voya Investment Management*

Pablo, happy to unpack that. So retail, you're right, a strong quarter, mostly driven by institutional as referenced. Within retail, it's really two different stories. In the US, happy to see positive momentum around key products, particularly in our fixed income franchise as well as in specialty equity components like our small-cap growth, the really standout product with strong demand.

And in general, happy with the fee rate we're getting on that mix of business. The overall result for the quarter was actually dampened by some redemption activity overseas. If we think about the first half of the year, market volatility and some macro uncertainty in the international arena, we think that's what's causing higher redemption rates.

Sales levels, gross sales levels, still very strong. That's an important indicator as well. So as we look into the second half, we have reason to believe that some of that redemption activity will moderate and the top line sales growth will persist and that could drive an improved outlook for the second half of the year in retail specifically.

Pablo Singzon *JPMorgan Chase & Co - Analyst*

Got it. And just as a follow-up on Investment Management. I think previously, you had laid out a 2% organic growth target for the year. I think through the first half, you're running below that. And Mike had referenced, I think, a legacy plan that might run off the back half of the year. So I guess if you put everything together, how comfortable are you sort of like hitting the 2% and effectively seeing growth accelerate in the second half of the year?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Matt?

Matthew Toms *Voya Financial, Inc - Chief Executive Officer - Voya Investment Management*

Yes. So let me unpack that a little bit for. I'll go to the runoff business first, correct, like we're never certain exactly how the future will play out second half of the year. But it is important to call out, we do think some headwinds. This is sub-adviser related business in the US, not currently distributed by Voya. The asset base has been in rundown mode, and we like the opportunity to be able to revive that with our own distribution channels moving forward. So in sub-advisor space, you'll have some lumpy ins and lumpy outs.

We want to signal that while not finalized, I want to put that out as far as a headwind. So that leans against that long-term growth rate. Importantly, as Mike referenced, not a meaningful revenue impact in '26, and we have a broad array of strategies and products that are performing well that are positioned to grow and can provide growth into the second half of the year and beyond.

More broadly, sorry, the 2% level, that's a long-term number last year, quite a bit above that, just shy of 5%. We're still out kicking the industry quite meaningfully with our organic growth rate. There'll be some ebbs and flows. We like the pipeline. We like the top line. And as you referenced, like the revenue we're getting.

So while net cash flow is super important, our revenue delta year-over-year, prior quarter year, is up 8%. And that shows that we're not just getting that cash flows, we're getting revenue that comes with that. That's ultimately what's driving that double-digit operating income growth.

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Operator

Suneet Kamath, Jefferies.

Suneet Kamath ***Jefferies LLC - Equity Analyst***

I wanted to ask about the Wealth Management business. Heather, I think you alluded to 10 million accounts, but I was wondering if you could give some data on the AUM that you have in that strategy? And what is sort of the average account size?

Heather Lavallee ***Voya Financial, Inc - Chief Executive Officer***

Yes, happy to, Suneet. I'll let Jay talk about that. But what you can see in the supplement is about $33 billion of assets within Wealth Management and as I referenced, 12% of revenue growth. But we'll have Jay talk a little bit more about what we're seeing within the Wealth Management build-out.

Jay Kaduson ***Voya Financial, Inc - Chief Executive Officer - Workplace Solutions***

Yes. Suneet, if you think about that AUM number, to answer your question, that's 16% up year-over-year, had a reference to revenue growth of 12%. If you think about the increasing demand right now from plan sponsors and employers, they are asking for retail advice and guidance at the workplace.

You think about three, four, five years ago, that gateway wasn't as open as it is now. And so given our position in the workplace, we are positioned really well to continue to think about growth from wealth management.

It gives us just, quite frankly, a stronger way to retain and recapture and even deepen the relationships with our plan sponsors and employers by providing the solutions at the right moment for their employees. Our adviser count year-to-date, just to give you a little bit, is up 20%.

We've now got over 650 advisers. Primarily, that growth is in the licensed sales desk advisers, which is supporting our growing customer base. And while there's -- if you think about that 10 million participants in our Retirement business, I'm also really pleased with the productivity of these advisers.

So we are getting through our and achieving our productivity targets, which gets to the experienced management team we've been recruiting and the training that sits there and quite frankly, the experienced advisers we've been able to bring over from other sales desks. In addition to that, as you think about this, we've made some tech enhancements that are elevating the productivity of our advisers. So we just continue to optimize the business and are positioned for growth.

Suneet Kamath ***Jefferies LLC - Equity Analyst***

Okay. And then Heather, I wanted to ask about Benefitfocus because you did the deal a couple of years ago, I think there was a lot of enthusiasm around it. And I don't know if you've just changed the name of it or whatever, but you don't really talk about it anymore. So I was just wondering like what's going on with that business post acquisition? And part of the reason I ask is, I think some other companies that made similar acquisitions ended up either exiting the business or taking some goodwill charges. And I just want to get an update on that from you guys.

Heather Lavallee ***Voya Financial, Inc - Chief Executive Officer***

Yes. Thanks, Suneet, for the question. And our start is -- we continue to like the strategic importance of benefits administration across our workplace and employee benefit capability we'll say that it has taken us longer to get to the economics that we expected within Benefitfocus.

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But we feel like we're really stabilizing and moving into the next chapter. And why am I so confident in this is that we've seen the revenues have been stable. They've been roughly $200 million. Jay will talk a little bit about the look forward since we acquired, but we've seen real significant improvement in client retention.

We've also seen improvement in client satisfaction, both when we're doing onboarding and ongoing servicing, and I'll toss it to Jay, but we think that this is a significant avenue of our workplace to wealth management strategy. So Jay?

Jay Kaduson *Voya Financial, Inc - Chief Executive Officer - Workplace Solutions*

Yes, I couldn't agree more. As you think about Benefitfocus, very much in market, very much a core part of our workplace business. As you think right now about employers, right, they're increasingly asking us for integrated solutions.

And so we're leveraging that benefits administration platform to connect our clients with other complementary Voya capabilities like wealth management, where we can create what I would say is a stronger growth engine across the entire enterprise.

More specifically, Benefitfocus from a pipeline perspective through Q2 is up 32% over prior period. sales are tracking ahead of last year by over 8%. And more importantly, our average sold case size is up 80% year-over-year. And more broadly, Benefitfocus, if you think about what it's actually doing.

It's helping customers right now, and we think about this a lot, then the health care cost curve, which is critically important. It's guiding employees really to effective health and savings decisions, which is one of the more important decisions you're seeing at the workplace and it increases that financial protection as you adopt greater adoption of those voluntary benefits that are offered through that platform. Overall, then it fits really well into our workplace portfolio and a business we look forward to continuing to grow.

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

And Suneet, it's Mike. Just one other piece. So you can follow along with us. When you look at the benefit business, the fee-based margin line, I mean, that's basically Benefitfocus Ben admin. You can see that at $227 million over the last 12 months. So just you want to follow along with Ben Admin as we move forward, that's where that sits.

Operator

Wilma Burdis, Raymond James.

Wilma Burdis *Hill River Capital Inc - Analyst*

How do you see the long-term pricing trend for Stop Loss? Realize it's been over 20% for the last few years, but are you seeing any indications of starting to normalize more towards longer-term high teens?

Mike Katz *Voya Financial, Inc - Chief Financial Officer*

Yes, right now, it's very consistent. I think over time, absolutely, I think you would expect this to normalize. Again, things go through cycles, we're at this part of the cycle, and I talked about the market coming to us. We got more rate when we came into this year.

We're getting more rate this year. That as far as we look at first dollar inflation leverage trend, we expect it to be at similar elevated levels. So the key thing, and Jay talked about this too, it's not changing the demand for this product.

I mean RFPs are up double digits. They're probably doubled over the last five to six years because it's even more expensive what companies are dealing with, with respect to first dollar if you want to be fully insured. So this is a really valuable product in the marketplace, and that's why we've been able to get rate and our expectation is we're going to be able to do that again in the fall. And it's why you hear us talking a little bit more about modest premium growth versus more of that kind of flat premium growth we saw coming into this year.

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Wilma Burdis *Hill River Capital Inc - Analyst*

And it seems like there's more industry interest in growing 401(k)s, whether that's to add private to 401(k)s or for other reasons? And the last 10 years or so, has been very focused on annuity. So it seems like that's shifting a little bit. What do you think is underappreciated about the opportunity in 401(k) and in your business?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes. Well, I guess I would -- I'll start and just say I think one of the things that's underappreciated is the leadership position we hold in this market. If you think about both in our prepared remarks and our follow-on is that we have been growing in every segment we serve, both in terms of top line. We've had very strong client retention, you look at the results that we've demonstrated from a margin perspective for well over a decade.

We have been consistently within our target margins and even on the high end, if not above for a period of time, and that just goes to good expense discipline, how we have been running the business and that what we're super excited about and I think why there continues to be interest is what Jay has been talking about with wealth management.

There is a significant opportunity in the shift from our clients where they are now expecting these services from their Retirement providers because at the end of the day, most American workers don't have access to a financial adviser and the Retirement provider in what we're building in wealth management is a great avenue to be able to provide that financial guidance directly through the workplace. So that's one of the reasons why we are increasingly bullish about our largest and most profitable business.

Operator

Andrew Kligerman, TD Cowen.

Andrew Kligerman *Cowen and Company LLC - Analyst*

Right. Last but not least. Kind of a more nuanced follow-up on flows. Jay, could you talk to full service and Retirement? It sounds like you're saying, based on what you said in earlier questions that you can see that flow reversing to positive in the not-too-distant future.

And likewise to Matt on Investment Management with Retirement down the last two quarters. it's been a little choppy, but do you think -- I mean, it sounds like you're not going to get to the 2% net flow contribution to assets this year in the back half, but longer term, that's what you see. So just kind of more nuanced on the flows in each of the big businesses.

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes. I think maybe, Andrew, I'll try to summarize what I think we heard from both Matt and Jay this morning, is on the Retirement side, you heard us talk about positive flows for the full year in full service as you kind of flavored a little nuance because you saw still a continuation of some of the outflows from the One America.

We knew that, expected -- we expect that to moderate. You also saw higher participant outflows as a result of higher equity markets. But overall, we feel very positive in -- the point we want to hit home and is this is beyond the flow story. This really is also a revenue growth story for both businesses.

And as Matt referenced, we think that organic growth rate is the right long-term rate. We've had a couple of years of really out-kicking that well above. This year, a little bit stay tuned, just given the headwind, but more importantly, margins up, the revenue has been solid. And so when we think about these two businesses combined, you're talking about significant scale, close to $1.2 trillion in assets between both businesses, growing a lot of commercial momentum in both Retirement and Investment Management.

Andrew Kligerman *Cowen and Company LLC - Analyst*

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Got it. And then just finally, there was a lot of talk about following the whole TOMS capital situation about your stance on whether Voya would consider an offer for the company? And then the same thing on the med Stop Loss. It seems like you were disinclined towards both, but I'm wondering if there's any change or any update you would make on that?

Heather Lavallee *Voya Financial, Inc - Chief Executive Officer*

Yes. I appreciate the question, Andrew. And I'll hit maybe three key points is first, we don't comment on rumors or headlines, nor do we allow ourselves to get distracted by it. At the end of the day, the Board and management were always going to do what is in the best long-term interest of shareholders.

That includes restoring the Stop Loss business to the target margins that we have talked about. It also includes us executing on the organic growth plan that we've laid out. And I think as you've heard this morning, Andrew, I'll kind of reiterate why we continue to have such confidence and conviction in our growth strategy is we are delivering shareholder value today.

We've got a lot of levers to be able to do that from the growth in Retirement and Investment Management, the growth we're seeing in Wealth Management, the restorations in margins in Employee Benefits and all of those combined generate a significant amount of cash.

You think about us as a cash generation machine above 90%. And that gives us a lot of flexibility in how we deploy that. We have been returning a significant amount of capital back to shareholders. through share buybacks and dividends, and we still have the availability to invest in our business and pursue Retirement roll-ups, which we have a high bar for. So at the end of the day, Andrew, I think it's a great opportunity to close is -- got a lot of confidence and conviction in how we deliver value for shareholders today as well as into the future.

Operator

We have reached the end of our question-and-answer session. That will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.

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