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Maalot
S&P Global Ratings

The Phoenix Insurance Agencies (1989) Ltd.

7 September 2025

New Rating

Issuer Rating Assignment: 'ilAA+/ilA-1+' with Stable Outlook

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Summary

- Phoenix Insurance Agencies 1998 Ltd. ("Phoenix Agencies" or "the Company") operates through its subsidiaries in marketing, distribution, and sale of a variety of insurance and savings products for Corporates and individuals.

- The Phoenix Agencies credit profile is supported by continuous market share growth and improvement in operational parameters alongside low leverage.

- The Company's rating is also supported by its strategic importance to the Phoenix Agencies to the Phoenix Group, one of the largest financial groups in Israel.

- Therefore, we assign a long-term rating of 'ilAA+' and a short-term rating of 'ilA-1+' to Phoenix Agencies.

- The stable outlook reflects our assessment that the Company will maintain its leading position in the marketing and distribution of insurance and savings products, while keeping a debt/EBITDA ratio below 2x and an FFO (funds from operations)/debt ratio above 45%. The outlook is also supported by the stable credit profile of the parent company, Phoenix Financials Ltd. (ilAA/Stable), one of the largest financial groups in Israel.

Rating Action

On September 7, 2025, S&P Maalot assigned a long-term rating of 'ilAA+' to Phoenix Agencies with a stable outlook. S&P Maalot also assigned a short-term rating of 'ilA-1+' to the Company.

Key Considerations

Phoenix Agencies was founded in 1989 and is engaged in the marketing, sale, and distribution of insurance and savings products to businesses and private clients. The Company operates through its subsidiaries, a network of agencies connecting clients to a variety of financial and insurance products available in the market, tailored to customer needs, including Property and Casualty insurance, pensions, provident funds, financial savings products, life insurance, and health insurance. The controlling shareholder is Phoenix Financial Ltd., holding about 95% of the shares.

The Company has a leading competitive position and operates in a market characterized by continuous growth. The volume of assets under management in long-term savings in Israel is growing at high rates, and despite some volatility, the average annual premiumsin the insurance market is also growing. The consistent growth in the core markets strenghten the company’s growth potential, together with partners and management who have many years of experience in the industry.

In recent years, the Company has implemented a growth and expansion strategy based on increasing market share through marketing all the financial and insurance solutions offered by the group, as well as through mergers and acquisitions, including the acquisition of several leading insurance agencies with strong brands. Among the company’s holdings are “Agam Leaders”, “Shekel”, and “Oren Mizrah” agencies. The M&A strategy allows the Company to expand its customer base and increase sales potential to existing customers. The Company sells a wide range of products and is not materially dependent on a single category. It markets products and services of all market players.

About 65% of revenues are based on recurring income, mainly from financial, pension, life, and health insurance, and Property and Casualty insurance, with high customer retention rates. This model drive stability and high visibility of revenues. Long-term relationships with insurance companies and a reputation built over three decades create significant entry barriers for new players. Direct sales channels may pose competition over time, but the Company’s ability to provide unique solutions to customers mitigates the risk. Given its leading business position, the Company shows high profitability.

On the other hand, the insurance and long-term savings sector is characterized by volatility and intense competition, leading to ongoing erosion in management fees and premiums, which may pressure the company’s revenues. Additionally, companies in the market are subject to strict regulation, sometimes limiting growth potential. Given the company’s current market share (~7%), it is not exposed to any limitation. Weaknesses include market concentration, lack of geographic diversification, and smaller scale compared to international brokers.

The Company Post consistent growth, both organically and through acquisitions. In 2025, revenues are expected to grow by 15%-20%, partly due to small acquisitions and organic growth. Growth is expected to moderate later, in line with the industry. The forecasted adjusted EBITDA for 2025 is about NIS 500 million, with an adjusted EBITDA margin of about 44%, expected to improve to 45%-46% from 2026, partly due to synergy realization and efficiency.

The Company operates with relatively low leverage, as reflected in a forecasted debt/EBITDA ratio of about 1.2x and an FFO/debt ratio of about 55%. The FOCF (free operating cash flow)/debt ratio is expected to be about 50%, indicating significant free cash flow generation relative to debt, a conservative capital structure, strong debt service capacity, and sufficient financial flexibility. Phoenix Agencies currently relies mainly on bank debt, alongside a non-material shareholders loan. In the future, the company is expected to diversify its funding sources, including institutional investors and the capital market, which will contribute to funding base diversification and reduce refinancing costs over time.

The Company is expected to distribute about 80% of profits as dividends, according to its official policy. Depreciation, capex, and working capital needs are expected to remain in line with historical averages. Forecasts also include future acquisitions consistent with recent trends and the company's long-term intentions.

Belonging to the Phoenix Group is a significant strength. Phoenix Agencies is an integral part of the group's insurance product distribution and sales, serving as a growth engine and operational arm in this area. Its affiliation and importance to the Phoenix Group support its financial stability, both due to its contribution to the company's access to funding sources and potential cash flow support if needed. In a transaction completed in September 2025, the parent company, Phoenix Financial Ltd, increased its holding in the company to 95% from 78%. We believe this increase strengthens the integration between Phoenix Agencies and the group, indicating a long-term strategic commitment to developing the Company as a significant growth engine and complementary activity to the group's core business. We believe this step strengthens the support the group will provide to the Company and the relationship between them.

Liquidity

We assess the liquidity level of Phoenix Agencies as adequate, expecting the sources-to-uses ratio to exceed 1.2x over the next 12 months. The assessment is based on cash balances, ongoing cash flow generation, and a managed and moderate debt repayment schedule over the next 12 months.

Main sources available to the group in the 12 months starting July 1, 2025:

- Cash: ~NIS 190 million
- FFO: ~NIS 350 million

Main expected uses in the same period:

- Debt maturities: ~NIS 100 million
- Capex: ~NIS 50 million
- Acquisitions: NIS 50-100 million
- Dividend distribution: ~NIS 240 million

Rating Outlook

The stable outlook reflects our assessment that the Company will maintain its leading position in the marketing and distribution of insurance and savings products, while keeping a debt/EBITDA ratio below 2x and an FFO/debt ratiou97 above 45%. The outlook is also supported by the stable credit profile of the parent company, Phoenix Financials Ltd., one of the largest insurance groups in Israel.

Negative Scenario

We may lower the rating if there is a deterioration in the Company's performance, including a significant decline in profitability, and at the same time, the debt/EBITDA ratio rises above 2.0x and the FFO/debt ratio falls below 45%. Such deterioration may result from changes in macroeconomic conditions in Israel and market conditions in the insurance and savings sectors. We would also consider a negative rating action if the company implements an aggressive acquisition policy using group-level debt, which could also lead to a downgrade. Group credit profile and rating downgrade could also drive company ratings downgrade.

Positive Scenario

A rating upgrade in the near term is of low likelihood, as we believe the current rating fully reflects the Company's credit profile. However, we would consider a positive rating action if there is a significant improvement in the Company's business profile, i.e., expansion of activity without an increase in leverage.

ESG and Corporate Governance Factors

ESG factors do not have a material impact on the credit rating analysis of Phoenix Agencies.

Methodology and Related Articles

- General Methodology: S&P Rating Principles, Feb 16, 2011
- General Methodology: Industry Risk, Nov 19, 2013
- Country Risk Assessment Methodology, Nov 19, 2013
- Corporate Liquidity Profile Assessment Methodology, Dec 16, 2014
- Financial Ratios and Adjustments Calculation Methodology, Apr 1, 2019

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- General Methodology: Group Company Ratings, Jul 1, 2019
- General Methodology: ESG Credit Risks, Oct 10, 2021
- General Corporate Rating Methodology, Jan 7, 2024
- Non-Financial Corporate Governance Assessment Methodology, Jan 7, 2024
- Rating Scales and Definitions: S&P Global Ratings, Dec 2, 2024
- Rating Scales and Definitions: Global vs. Local Scale, Mar 27, 2025

Rating List

Phoenix Insurance Agencies (1989) Ltd.	**Rating**	**Date First Published**	**Last Update Date**
Issuer Ratings			
Short Term	ilA-1+	07/09/2025	07/09/2025
Long Term	ilAA+/Stable	07/09/2025	07/09/2025
Issuer Rating History			
Long Term			
September 07, 2025	ilAA+/Stable		
Short Term			
September 07, 2025	ilA-1+		

Phoenix Financials Ltd.	**Rating**	**Date First Published**	**Last Update Date**
Issuer Ratings			
Long Term	ilAA/Stable	14/03/2007	09/07/2025
Issue Ratings			
<u>Senior Unsecured Debt</u>			
Bond 4	ilAA	03/02/2020	09/07/2025
Bond 5	ilAA	03/02/2020	09/07/2025
Series 6	ilAA	14/12/2021	09/07/2025
Issuer Rating History			
<u>Long Term</u>			
July 11, 2023	ilAA/Stable		
October 06, 2019	ilAA-/Stable		
October 07, 2018	ilA+/Positive		
February 19, 2017	ilA+/Stable		
November 17, 2015	ilA+/Negative		
May 20, 2014	ilA+/Stable		

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Phoenix Financials Ltd.	Rating	Date First Published	Last Update Date
November 18, 2012	ilA+/Negative		
July 18, 2012	ilA+/Watch Neg		
January 12, 2012	ilA+/Stable		
August 26, 2010	ilA/Stable		
March 19, 2009	ilA/Negative		
November 16, 2008	ilAA/Watch Neg		
March 14, 2007	ilAA/Stable		

Additional Details	Data
Event Date	07/09/2025 08:57
Date First Known	07/09/2025 08:57
Rating Initiator	The Rated Company

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