

OUTSURANCE GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2010/005770/06
ISIN: ZAE000314084
Share code: OUT
(OGL or OGL Group)

UNAUDITED SUMMARY RESULTS ANNOUNCEMENT AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

FINANCIAL PERFORMANCE HIGHLIGHTS

Normalised earnings from continuing operations of OUTsurance Group Limited (OGL or OGL Group) up 77.7% to R1 317 million
Normalised earnings of OUTsurance Holdings Limited (OHL or OHL Group) up 36.3% to R1 502 million
Gross written premium up 17.4% to R13 618 million
Ordinary dividend up +100% to 56.8 cents per share

OVERVIEW OF GROUP RESULTS

The table below sets out the consolidated normalised earnings from continuing operations of the OGL Group which represent the 89.7% interest in OHL and the Central / RMI Treasury Company activities of OGL:

R million	Six months ended 31 December		%	Year ended
	2022	2021		30 June
OUTsurance Holdings excluding Hastings(1)	1 355	943	43.7%	2 039
OUTsurance Holdings including Hastings(1)	1 355	1 001	35.4%	2 099
OUTsurance Holdings share of Hastings(1)	-	(58)	100%	(60)
Central / Treasury company(2)	(38)	(202)	(81.2%)	(266)
Normalised earnings from continuing operations	1 317	741	77.7%	1 773

1 Represents OGL's share of the normalised earnings of OHL.

2 Includes holding company income and expenses, RMI Investment Managers, AlphaCode and also includes funding costs in the comparative periods.

The earnings base of the OGL Group has changed significantly following the disposal of Hastings Group Holdings and the unbundling of the interests in Discovery Holdings and Momentum Metropolitan Holdings in the 2022 financial year. For the six months under review the earnings of OGL represents primarily the consolidated performance of OHL coupled with head office costs and the financial performance of RMI Treasury Company where portfolio investments and the interest in RMI Investment Managers are retained. OGL's normalised earnings from continuing operations increased by 77.7% to R1.317 billion for the six months under review. Relative to the growth of the OHL's earnings, the OGL normalised earnings result benefitted from lower funding and head office costs incurred.

The table below sets out the sources of normalised earnings of the OHL Group entities:

R million	Normalised earnings			Year ended 30 June
	Six months ended 31 December	2021	% change	
OUTsurance	951	937	1.5%	1 743
OUTsurance Life	(68)	(21)	+(100%)	100
Youi Group	646	123	+100%	413
Administration services(1)	(17)	(4)	+(100%)	(11)
Central (net of consolidation adjustments)(2)	44	26	69.2%	53
Minority interest	(68)	(25)	+(100%)	(56)
Earnings from associates	14	66	(78.8%)	74
Normalised earnings	1 502	1 102	36.3%	2 316

1 Net of offshore call centre administration services offered to Hastings and Youi and the operating loss of OUTvest and International expansion.

2 Includes the profits and losses of holding companies and other non-operational entities in the Group.

OHL delivered a 36.3% improvement in normalised earnings following a significant improvement in the earnings result of Youi. Youi's earnings benefitted from relatively benign weather-related claims and a rapidly rising interest rate environment which bolstered investment income. By contrast, the first half of the previous financial year was characterised by significant weather events and the low-point of the interest rate cycle. Excluding the earnings contribution from Hastings in the comparative period, the OHL Group's normalised earnings result is higher by 45.3%.

Persistently high levels of inflation, rising interest rates and the uncertain economic outlook in South Africa are the prominent macro-economic themes impacting our operations in South Africa and Australia. The Group's growth initiatives, pricing discipline and focus on operational execution have allowed for a resilient operational and financial performance despite these macro challenges.

The OHL Group's gross written premium accelerated by a pleasing 17.4% and was aided by the translation effect of the weaker Rand against the Australian Dollar. Premium growth reflects the effect of rapidly increasing premium inflation and the positive effect of the increasing revenue contribution of the various growth initiatives which have scaled further in the first half of the 2023 financial year.

Annualised new business premium growth expanded by 8.6% following a period of strong growth achieved over the 2022 and 2021 financial years. The growth rates in new business have moderated on account of the normalisation of new business from Youi's Blue Zebra Insurance (BZI) partnership, limited growth in the personal lines operations on account of the challenging macro-economic environment, and the emphasis placed on steering the various growth initiatives towards targeted long-term profit margins.

The OHL Group's strategic focus over the last four years has been to expand our insurance product and distribution capabilities. These growth initiatives include, OUTsurance Business Brokers, OUTsurance Life, Youi CTP in New South Wales and South Australia as well as Youi's partnership with BZI. A stated objective of our strategic focus for the 2023 and 2024 financial years is to drive these growth initiatives towards profitability from where further expansion can be scaled. Pleasingly, the aggregated operating loss from the growth initiatives has reduced from R391 million in the comparative six months to R199 million. OUTsurance Business Brokers and BZI were the main contributors to the improved operating loss.

The OHL Group's claims ratio reduced from 58.1% to 55.3% on account of the more favourable weather events experienced in Australia coupled with an improvement in the attritional claims ratios of OUTsurance Business and Youi BZI.

The comparative period's motor claims, particularly in South Africa, benefitted from the reduced driving patterns associated with the pandemic lockdowns at the time. Motor claims frequencies have subsequently returned to pre-pandemic levels. Average repair costs in Australia and South Africa have increased significantly on the back of supply challenges and general inflation. Pro-active pricing adjustments over the last twelve months have largely offset these inflationary factors. The OUTsurance claims ratio has also been negatively impacted by increasing vehicle theft rates on high value vehicles with vulnerable remote control security systems.

Loadshedding continues to negatively impact property related claims, particularly considering the more extensive loadshedding experienced in the reporting period. The implementation of a larger excess for power surge and dip claims have somewhat mitigated this rising claims cost.

The OHL Group's cost-to-income ratio improved from 31.5% to 30.5% which is attributed to the strong premium growth, improved economies of scale achieved in the growth initiatives and cost control within a higher inflationary environment.

The OHL Group's Normalised ROE improved from 23.6% to 29.1% owing to the strong earnings growth and also removing the historic base effect from the Hastings investment from the calculation of Normalised ROE.

During the period under review, the OHL Group disposed of its associate interest in OUTsurance Namibia. The rationale for disposing of OUTsurance Namibia was supported by the limited growth initiatives available in the Namibian market and the required focus to direct resources towards the product and channel growth opportunities in the South African market.

A core part of our long-term strategy for growth and diversification is to seek an international organic growth opportunity which fits the business model and core operational competencies of the OHL Group. The Republic of Ireland has been identified as a new market opportunity for this organic expansion. The Ireland motor and home insurance market fits our strategic framework for new market entries which include criteria such as market size relative to existing operations, distribution dynamics favouring the direct model, historic market profitability, a familiar regulatory environment and a growing insurance market. An authorisation process has commenced and if successful, a 2024 market entry is anticipated.

LOOKING AHEAD

We expect continued macro-economic uncertainty, particularly in South Africa where the frictional effects of load-shedding, service delivery and governmental fiscal challenges limit economic progress and confidence. Globally, the war in Ukraine, high inflation trajectory and economic growth will shape the macro-economic environment, over the next six months.

Our business model has historically proven to be resilient against macro-economic cycles. Pricing discipline will be maintained to ensure target profit margins are achieved and elevated inflation is pro-actively managed. The higher interest rate environment is expected to remain a positive feature of earnings performance into the second half of the financial year, particularly in Australia where interest rates have accelerated markedly over the last twelve months.

Through these uncertain times, our focus will remain on world-class customer service and operational excellence. We are optimistic about the prospects to achieve sustainable profitability in our large growth initiatives which will increase the earnings base of the OHL Group going forward.

The hardening reinsurance market is a key watch item as we enter the mid-year renewal season. A particular focus is the retention level on large catastrophes, the overall cost of our reinsurance programmes at OUTsurance and Youi and how changes interact with capital management.

The expansion to the Republic of Ireland presents an exciting opportunity for diversified long-term growth and leveraging our business model into a new and growing market.

CASH DIVIDEND DECLARATION

Notice is hereby given that an ordinary gross interim cash dividend of 56.8 cents per OUTsurance Group Limited ordinary share, payable out of income reserves, was declared on 22 March 2023 in respect of the six months ended 31 December 2022.

These dividends will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net dividend of 45.44 cents per ordinary share for those shareholders who are not exempt.

The company's tax reference number is 9469/826/16/9. Its issued share capital at the declaration date comprises 1 531 807 770 ordinary shares.

Shareholders' attention is drawn to the following important dates:

Last day to trade in order to participate in the ordinary dividend	Tuesday 11 April 2023
Shares commence trading ex-dividend on	Wednesday 12 April 2023
The record date for the payment of the dividend will be	Friday 14 April 2023
Dividend payment date	Monday 17 April 2023

No dematerialisation or rematerialisation may be done between Wednesday 12 April 2023 and Friday 14 April 2023 (both days inclusive).

OGL GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS

R million	Six months ended 31 December		%	Year ended 30 June
	2022	2021 Restated		change
Gross insurance premium written	13 618	11 600	17.4%	23 532
Outward reinsurance premiums(1)	(1 674)	(1 602)	4.5%	(2 314)
Net premiums	11 944	9 998	19.5%	21 218
Gross change in provision for unearned premiums(1)	(718)	(765)	(6.1%)	(1 264)
Reinsurance relating to provision for unearned premiums(1)	507	691	(26.6%)	243
Earned premiums, net of reinsurance	11 733	9 924	18.2%	20 197
Non-insurance related fee income(2)	226	211	7.1%	471
Investment income	97	153	(36.6%)	320
Interest income on financial assets using the effective interest rate method	357	170	+100%	341
Net fair value gains on financial assets	104	294	(64.6%)	118
Fair value gain on loss of control of subsidiary	-	-	-	37
Expected credit losses on financial assets	3	-	+100%	(5)
Income	12 520	10 752	16.4%	21 479
Policyholder benefits on insurance contracts net of reinsurance	(6 293)	(5 677)	10.9%	(11 325)
Gross policyholder benefits under insurance contracts(3)	(6 503)	(5 995)	8.5%	(13 902)
Reinsurers' share of insurance contracts	210	318	(34.0%)	2 577
Transfer to policyholder liabilities under insurance contracts	(193)	(92)	+100%	(3)
Fair value adjustment to financial liabilities	(91)	(76)	19.7%	(147)
Marketing and administration expenses(2)	(3 708)	(3 394)	9.3%	(6 868)
Result of operating activities	2 235	1 513	47.7%	3 136
Finance costs	(8)	(424)	(98.1%)	(432)
Equity accounted earnings	(1)	70	+(100%)	27
Profit on sale of associates	57	-	+100%	-
Profit before taxation	2 283	1 159	97.0%	2 731
Taxation	(707)	(483)	46.4%	(1 027)
Profit for the period from continuing operations	1 576	676	+100%	1 704
Profit for the period from discontinued operations	-	5 960	(100%)	21 187
Profit for the period	1 576	6 636	(76.3%)	22 891
Profit attributable to:				
Ordinary shareholders	1 365	6 284	(78.3%)	22 396
Non-controlling interests	211	352	(40.1%)	495
Profit for the period	1 576	6 636	(76.3%)	22 891
Earnings per share (continuing and discontinued operations) (cents)	89.1	410.9	(78.3%)	1 463.2
Diluted earnings per share (continuing and discontinued operations) (cents)	88.2	410.1	(78.5%)	1 460.4

- 1 For the six months ended 31 December 2021, the change in provision for unearned premiums line was disclosed gross of the related reinsurance portion as opposed to net. The reinsurance portion was included in the outward reinsurance premiums line. The prior period outward reinsurance premium line was restated to exclude the reinsurance portion related to the change in provision for unearned premiums. Refer to the restatement note for more information.
- 2 Administration fees received from contact services was netted of against marketing and administration expenses in the prior period and correctly presented as part of non-insurance related income in the current period. Refer to the restatement note for more information.
- 3 To align OGL to OHL, the provision for non-claims bonuses disclosed separately in the past is now included in the gross policyholder benefits under insurance contracts line. The comparative information has been restated. Refer to the restatement note for more information.

OGL GROUP COMPUTATION OF HEADLINE EARNINGS

R million	Six months ended 31 December		% change	Year ended 30 June
	2022	2021		2022
Earnings attributable to ordinary shareholders	1 365	6 284	(78.3%)	22 396
Profit on disposal of equity accounted investments	(38)	(4 801)		(4 780)
Gain on dilution of equity accounted investments	(1)	-		(38)
Intangible assets and other impairments	-	175		206
Impairment of owner occupied building to below cost	-	17		17
Adjustments within equity accounted earnings	-	4		4
Loss on disposal of property and equipment	-	1		1
Gain on distribution of associates	-	-		(15 227)
Loss of control of subsidiary	-	-		19
Headline earnings attributable to ordinary shareholders	1 326	1 680	(21.1%)	2 598

OGL GROUP COMPUTATION OF NORMALISED EARNINGS

R million	Six months ended 31 December		% change	Year ended 30 June
	2022	2021		2022
Headline earnings attributable to ordinary shareholders	1 326	1 680	(21.1%)	2 598
Group treasury shares	(11)	12		8
Amortisation of intangible assets relating to business combinations	2	120		128
Restructuring costs	-	189		352
Economic assumption adjustments net of discretionary margin and interest rate derivative	-	(81)		(81)
Unrealised gains on foreign exchange contracts not designated as a hedge	-	(15)		(15)
Transaction costs related to VitalityLife interest rate derivatives	-	12		12
Time value of money movement of swap contract in VitalityLife	-	(11)		(11)
Adjustments for iSabelo	-	8		8
Finance costs - Convertible preference shares	-	5		5
Deferred income tax asset raised on assessed losses	-	3		3
Remeasurement gain on retained interest in CloudBadger	-	-		(53)
Normalised earnings attributable to ordinary shareholders	1 317	1 922	(31.5%)	2 954

OGL GROUP COMPUTATION OF EARNINGS AND DIVIDEND PER SHARE

R million	Six months ended 31 December		% change	Year ended 30 June
	2022	2021		2022
Earnings attributable to ordinary shareholders	1 365	6 284	(78.3%)	22 396
Headline earnings attributable to ordinary shareholders	1 326	1 680	(21.1%)	2 598
Number of shares in issue (millions)	1 532	1 532	-	1 532
Weighted average number of shares in issue (millions)	1 532	1 529	-	1 531
Continuing and discontinued operations				
Earnings per share (cents)	89.1	410.9	(78.3%)	1 463.2
Diluted earnings per share (cents)	88.2	410.1	(78.5%)	1 460.4
Headline earnings per share (cents)	86.6	109.8	(21.1%)	169.7
Diluted headline earnings per share (cents)	85.7	108.8	(21.2%)	167.6
Continuing operations				
Earnings per share (cents)	89.1	36.5	+100%	94.1
Diluted earnings per share (cents)	88.2	36.5	+100%	92.0
Headline earnings per share (cents)	86.6	35.0	+100%	95.0
Diluted headline earnings per share (cents)	85.7	35.0	+100%	93.9
Dividend per share				
Interim dividend (cents)	56.8	23.5	+100%	23.5
Special dividend (cents)	-	142.0	(100%)	142.0
Final dividend (cents)	-	-	-	42.0
Total dividend per share (cents)	56.8	165.5	(65.7%)	207.5

OGL GROUP COMPUTATION OF NORMALISED EARNINGS PER SHARE

	Six months ended 31 December		% change	Year ended 30 June
	2022	2021		2022
Normalised earnings attributable to ordinary shareholders	1 317	1 922	(31.5%)	2 954
Number of shares in issue (millions)	1 532	1 532	-	1 532
Weighted average number of shares in issue (millions)	1 532	1 532	-	1 532
Continuing and discontinued operations				
Normalised earnings per share (cents)	86.0	125.5	(31.5%)	192.8
Diluted normalised earnings per share (cents)	85.1	124.8	(31.8%)	191.1
Continuing operations				
Normalised earnings per share (cents)	86.0	48.4	77.7%	115.8
Diluted normalised earnings per share (cents)	85.1	48.4	75.8%	114.7

ADMINISTRATION

OUTsurance Group Limited (OGL)
(formerly Rand Merchant Investment Holdings Limited (RMI))
Registration number: 2010/005770/06
JSE ordinary share code: OUT
ISIN code: ZAE000314084

Directors

Chairman: HL Bosman
Lead Independent: K Pillay
Independent: AW Hedding, B Hanise, ET Moabi, GL Marx, JA Teeger, JE van Heerden, JP Burger, MM Mahlare, M Morobe, RSM Ndlovu, SV Naidoo
Non-executive: A Kekana, JJ Durand, WT Roos
Executive: MC Visser (CEO), JH Hofmeyr (CFO)
Alternates: F Knoetze, UH Lucht

During the six months ended 31 December 2022, Messrs Cooper, Frankel and Lagerstrom stepped down as directors. Messrs Hedding, Hofmeyr (CFO), Marx, Ndlovu, Pillay (lead independent), Roos and Visser (CEO) and Mses Hanise, Moabi, Van Heerden and Naidoo were appointed as directors. Mr Bosman succeeded Mr Durand as chairman.

Secretary and registered office
JS Human

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Postal address: P.O. Box 8443, Centurion, South Africa, 0046
Contact: investorrelations@out.co.za
Web address: <https://group.outsurance.co.za/>

Sponsor

(in terms of JSE Listings Requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Physical address: 1 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited
Physical address: Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
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This announcement contains certain forward-looking information with respect to OUTsurance. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forwardlooking statements. Consequently all forwardlooking statements have not been reviewed or reported on by the Group's external auditors.

The contents of this short-form announcement are the responsibility of the board of directors of the company. These interim results have not been audited.

Shareholders and/or investors are advised that this short-form announcement represents a summary of the information contained in the full announcement and does not contain full or complete details. The full announcement is available for viewing on OUTsurance's website at <https://group.outsurance.co.za/financial-results/reports-and-results/> or at <https://senspdf.jse.co.za/documents/2023/jse/isse/OUTE/OUT23Int.pdf>

Any investment decisions by shareholders and/or investors should be based on a consideration of the full announcement as a whole and shareholders and/or investors are encouraged to review the full announcement, which is available for viewing on the JSE's website and on the company's website as set out above.

The full announcement is also available for inspection, at no charge, at the registered office of the company (1241 Embankment Road, Zwartkop Ext 7, Centurion, South Africa, 0157) and at the offices of OGL's Sponsor, Rand Merchant Bank (a division of FirstRand Bank Limited) (1 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton) from 09:00 to 16:00 weekdays. Shareholders and/or investors may request copies of the full announcement from the company secretary at humansch@out.co.za.

Centurion
22 March 2023

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)