INVESTOR PRESENTATION

FY19 Year End Results | September 2019

RMI
OPTIMISE
DIVERSIFY
MODERNISE

Snapshot of our external environment

NAVIGATING A DIFFICULT EXTERNAL ENVIRONMENT

Economic and political environment

– Fragile signs of growth
– Lack of policy reform
– Fiscal strain
– Rand remains under pressure

– Brexit woes
– Disflationary insurance cycle
– Unfavourable regulatory pronouncements

Attributes of the portfolio

– Discipline (underwriting and pricing)
– Business model efficiencies
– Strong brands and market position
– Investment in growth

High degree of confidence in our portfolio companies; we expect these attributes to continue to drive long-term growth (barring a significant macro-economic shift)

Our strategy

EXECUTION ON STRATEGY

OPTIMISE	– Defensive orientation – Follow-on investment in OUTsurance, Discovery (and Momentum Metropolitan) – Acceleration of face-to-face distribution and commercial insurance at OUTsurance – Successful build of Discovery Bank
DIVERSIFY	– Investment in Perpetua and Visio – Repositioning of Granate Asset Management
MODERNISE	– Banking platform created at OUTsurance to be monetised – Investment in Prodigy Finance and Guidepost – Refresh of AlphaCode
DISCIPLINE	– Total maximum investment target of: • ***R1 billion*** *(currently R706m)* in asset management • ***R1.5 billion*** *(as at 30 June, R329m[1])* in next-generation investments

Note: 1. Post year-end additional Guidepost investment of R45m and Prodigy Finance follow-on investment of R355m

INVESTMENT CRITERIA

- **Industry**
Financial services and related industries, with a bias for P&C insurance

- **Business model attributes**
  - Unique IP/leader in its market, significant barriers to entry, defensible position
  - Capital-lite
  - Digitally enabled and consumer centric
  - Attractive financials/metrics, high potential ROE/margin and cash potential generation

- **Geography**
Focus on South Africa, the UK and Australia, will consider other emerging markets

- **Value add**
Ability for RMI to add value

- **Unlisted**
Preference for early growth and/or unlisted companies

- **Management**
Experienced / impressive management, high metabolism, culturally aligned to RMI

- **Discipline**
Evaluate and maximise liquidity events

An update on RMI’s capital structure

CAPITAL MANAGEMENT

Category	Sub-category	Update
Financial leverage	**Target ratio**	15 – 20%
	Current	18%[1]
	Covenants	– RMI has ***moved away*** from market-linked covenants to covenants tied to gross debt-to-earnings and gross debt-to-cash flow
	Refinancing	– RMI has ***extended*** the funding periods under both its ZAR and GBP facilities for further 3 and 5-year periods – GBP exposure of £150m (24% of total debt)
	Interest rate hedge	– RMI has entered into an interest rate hedge to fix >50% of its funding
Dividend policy		– Policy is to pay out all normal dividends received from underlying investments after servicing funding commitments and considering its debt capacity and investment pipeline – In future, the intention will be to, where possible, target dividend growth in line with CPI – The policy seeks to achieve a ***sound balance*** between providing an attractive yield to shareholders and achieving sustained growth, while remaining agile

Note: 1. Current financial leverage based on net debt and market capitalisation as at 30 June of R52bn

Our views on the holding company structure

RELATIVE TO OUR PEER GROUP

Price / INAV (x) since 1 January 2010

	Current	Movement YTD	Average YTD	Movement (last 3 years)	Average (last 3 years)	Movement since 2010	Average since 2010
Kinnevik	0.82x	6.8%	0.75x	(1.1%)	0.83x	23.0%	0.82x
Exor	0.66x	7.8%	0.65x	(16.5%)	0.67x	31.4%	0.73x
Itausa	0.85x	3.2%	0.86x	5.8%	0.81x	(3.6%)	0.86x
Wendel	0.72x	1.4%	0.70x	3.3%	0.74x	(5.7%)	0.73x
Reinet	0.66x	(8.8%)	0.66x	(5.5%)	0.66x	(29.3%)	0.74x
Brait	0.26x	(51.4%)	0.40x	(71.7%)	0.71x	(84.6%)	1.29x
PSG Group	0.78x	(15.7%)	0.87x	(23.4%)	0.96x	(18.1%)	0.99x
RMI	0.92x	(5.7%)	0.95x	(10.9%)	0.98x	n/a	1.02x
Pargesa	0.77x	(8.8%)	0.82x	(6.3%)	0.81x	(41.0%)	0.98x
RMH	0.92x	0.5%	0.93x	(4.8%)	0.91x	(0.3%)	0.96x
Remgro	0.79x	(3.7%)	0.83x	1.4%	0.82x	(5.1%)	0.85x
Naspers	0.78x	14.2%	0.73x	(14.8%)	0.75x	(37.6%)	1.09x
Average of peers	0.75x	(4.4%)	0.76x	(13.1%)	0.80x	(23.6%)	0.92x
Int HoldCo average	0.76x	1.7%	0.76x	(3.1%)	0.77x	(7.2%)	0.82x
SA IHC average	0.73x	(8.5%)	0.76x	(19.4%)	0.83x	(33.6%)	0.99x

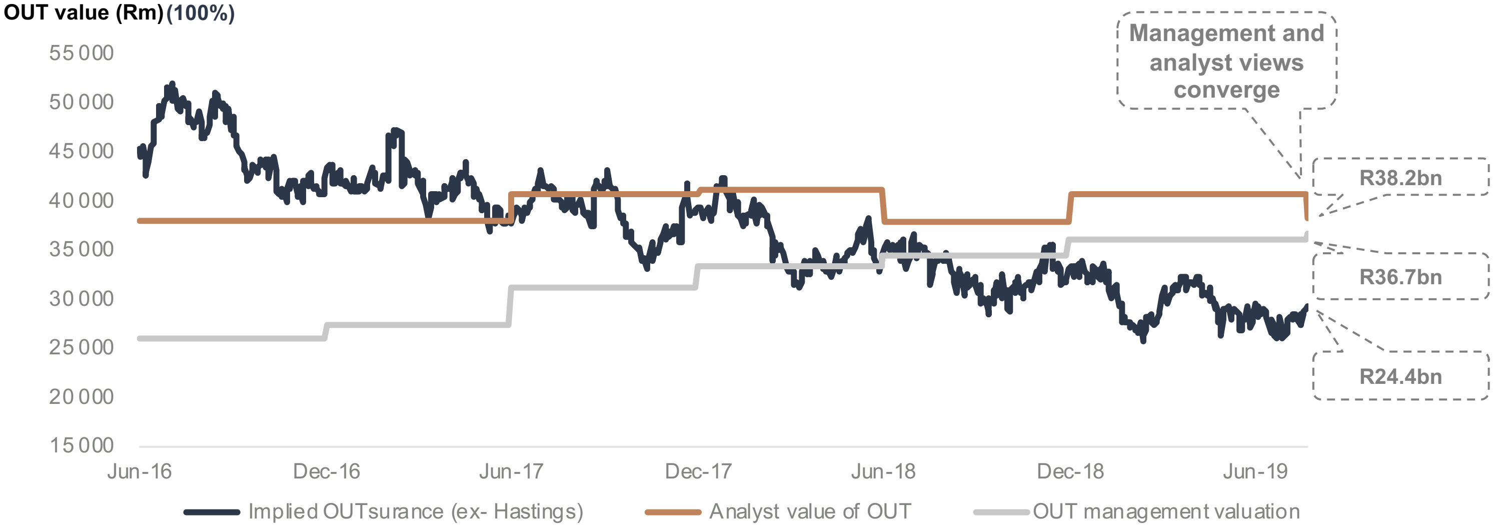
Commentary:

- On average, SA holding company discounts continue to widen
- Of the local peers, RMH and RMI are trading at smaller discounts YTD, with RMH's discount having closed significantly

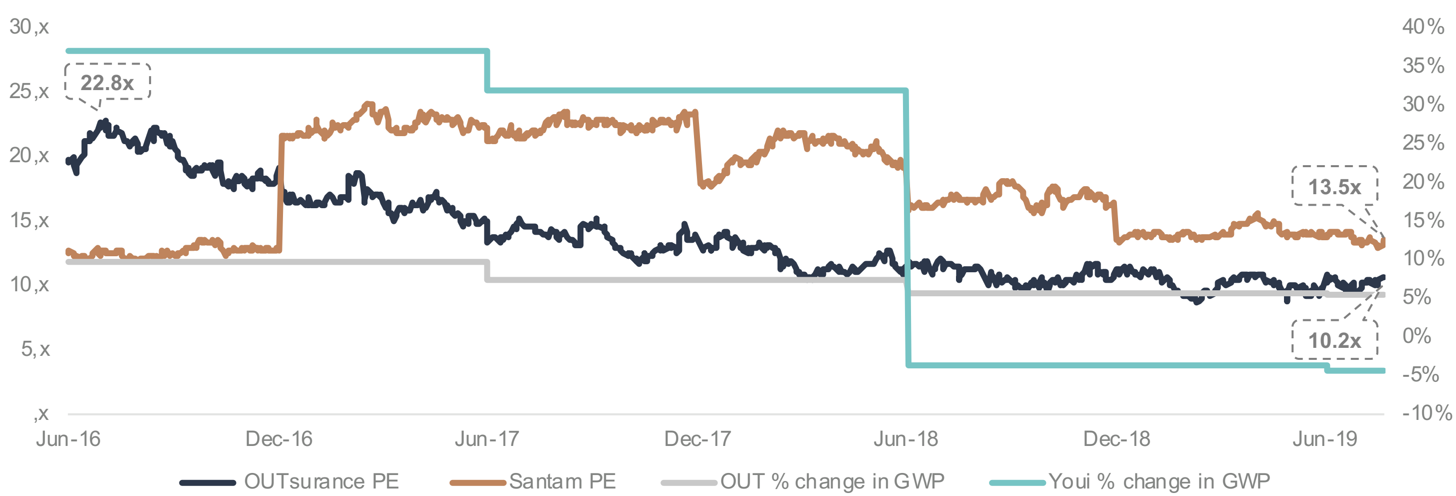
Source: Deutsche Bank analysis, Factset (6 September 2019), Company annual reports
Note: Naspers does not disclose intrinsic value of unlisted investments therefore INAV is based on value of Tencent Holdings only (other assets are assumed to be immaterial)

OUTSURANCE IMPLIED VALUATION

IMPLIED VALUE VS. MANAGEMENT AND CONSENSUS



CHANGE IN GWP VS IMPLIED PE (NO HOLDCO DISCOUNT)



- The implied value of OUTsurance is calculated as the “rump of RMI”, subtracting observable market values of Discovery, Hastings, MTM and disclosed NAV from RMI’s capitalisation
- Historically markets have discounted similar holding company structures by 7%-12%. If we assume an RMI holding company discount of 10%, the implied value of OUTsurance is R31.1bn (PE of 13x)

OUTSURANCE IMPLIED VALUATION AND HOLDCO DISCOUNT

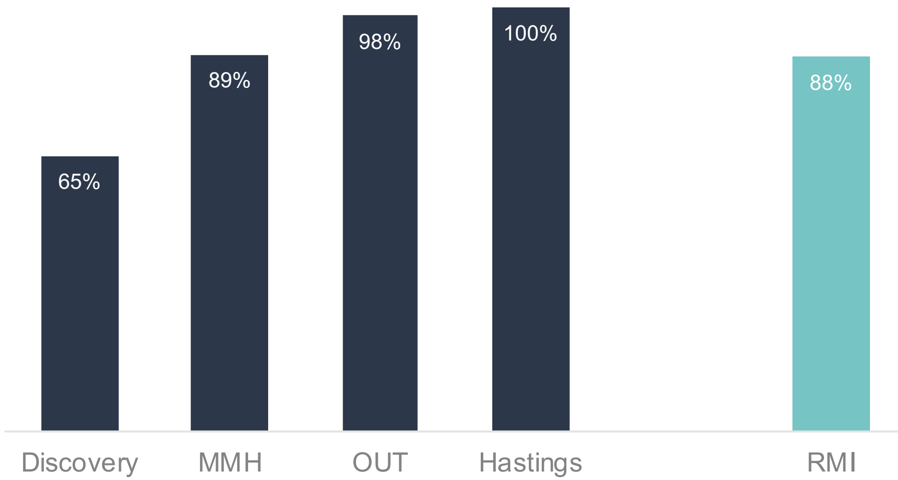
Additional discount/premium assuming[1] :		Assumed P/E multiple (LTM) for OUTsurance							
		10.0	11.0	12.0	13.0	14.0	15.0	15.37	16
Holdco discount	0%	-0.9	3.1	6.9	10.3	13.5	16.5	17.5	19.3
	5%	-6.2	-1.9	2.1	5.8	9.2	12.4		15.4
	10%	-12.2	-7.5	-3.2	0.8	4.5	7.9		11.1
	15%	-18.8	-13.7	-9.1	-4.8	-0.8	2.9		6.3
	20%	-26.3	-20.8	-15.7	-11.0	-6.6	-2.6		1.1

(1) Management internal DCF valuation as of 30 June 2019 assumed as the base case. Structural discount is spread across assets and OUTsurance retains a c. 50% loading. Calculations based on OUTsurance ex-Hastings

Earnings quality

EARNINGS QUALITY

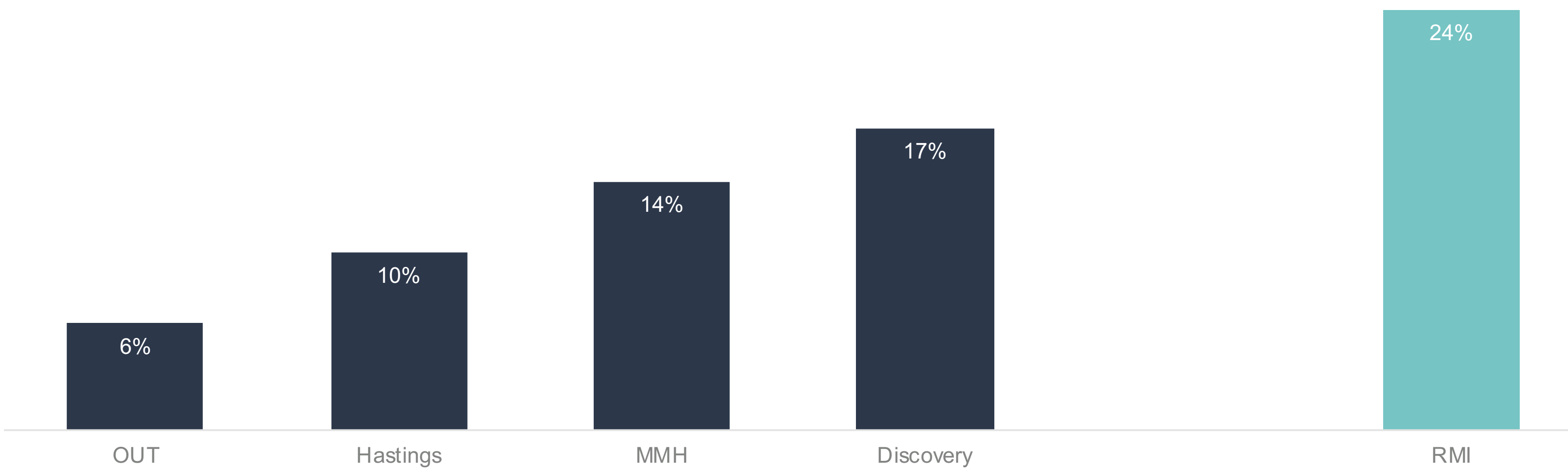
Quality of earnings (% of earnings represented in cash)



Discovery specific earnings quality [1]

Cash generated from in-force	15.8
Tax and finance costs	(2.85)
New business costs	(8.1)
Business development spend	(1.2)
Cash before new initiative spend	3.7
Quality of earnings	**65%**

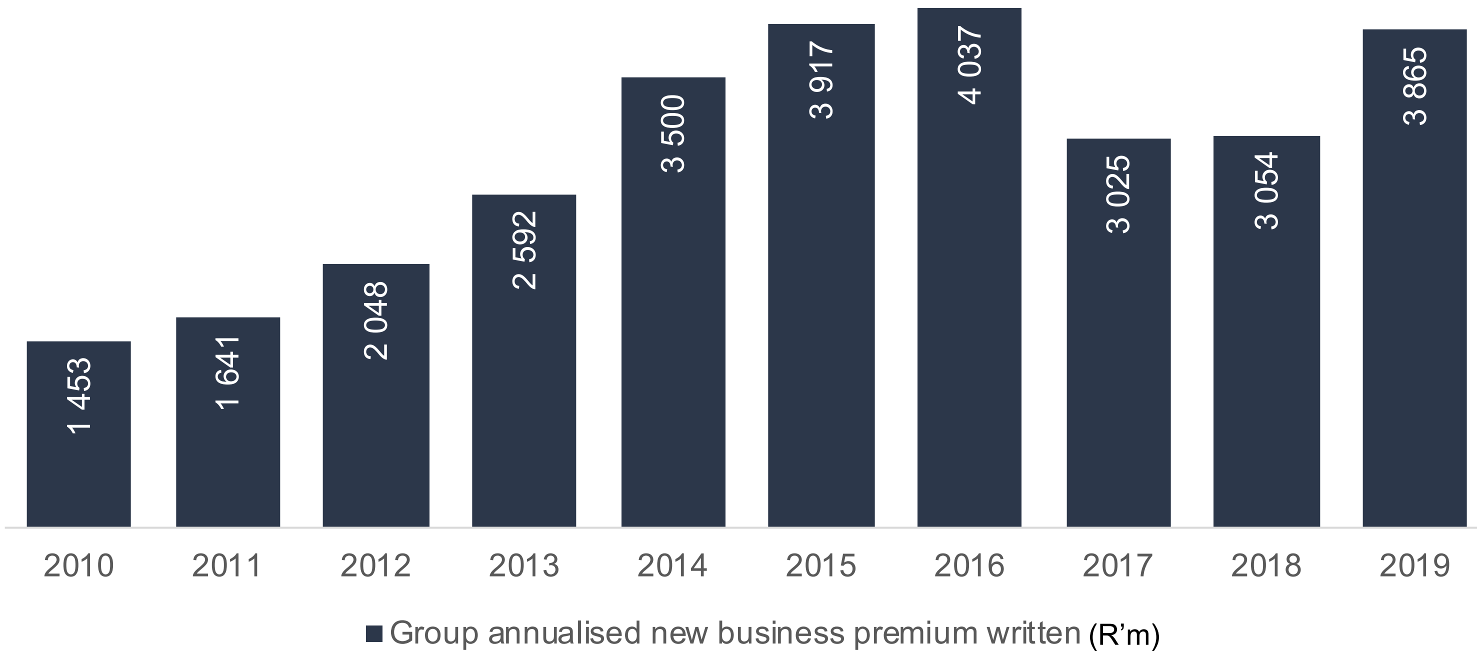
Cash investment in new initiatives (as defined by business) [2]



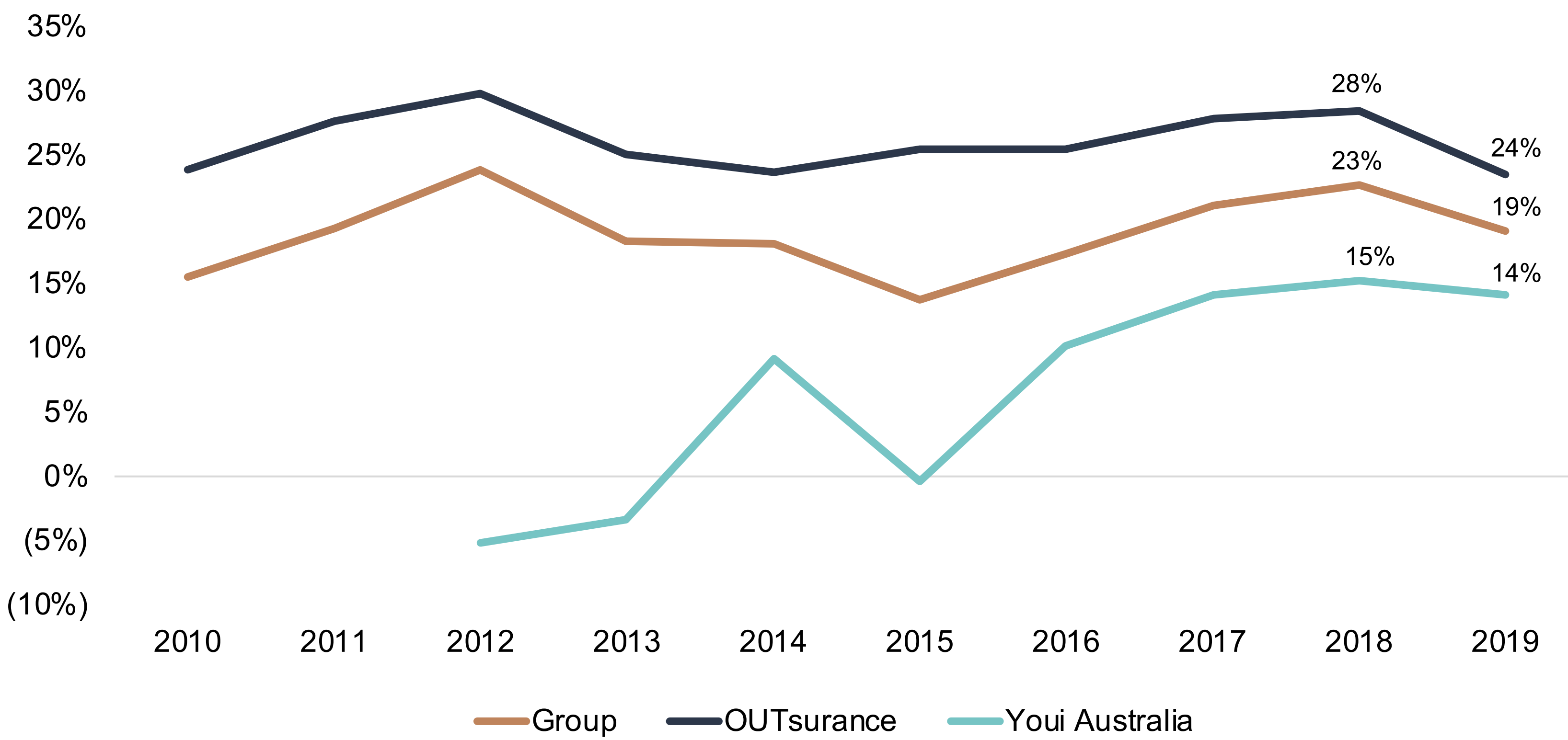
(1) Discovery cash adjusted for dividends and finance costs related to new business initiatives
(2) Discovery does not include new acquisition costs. Includes related finance costs 21%. RMI total is a weighted proportion of the portfolio and includes cash investment in fintech and asset management

OUTsurance | Snapshot of financial results

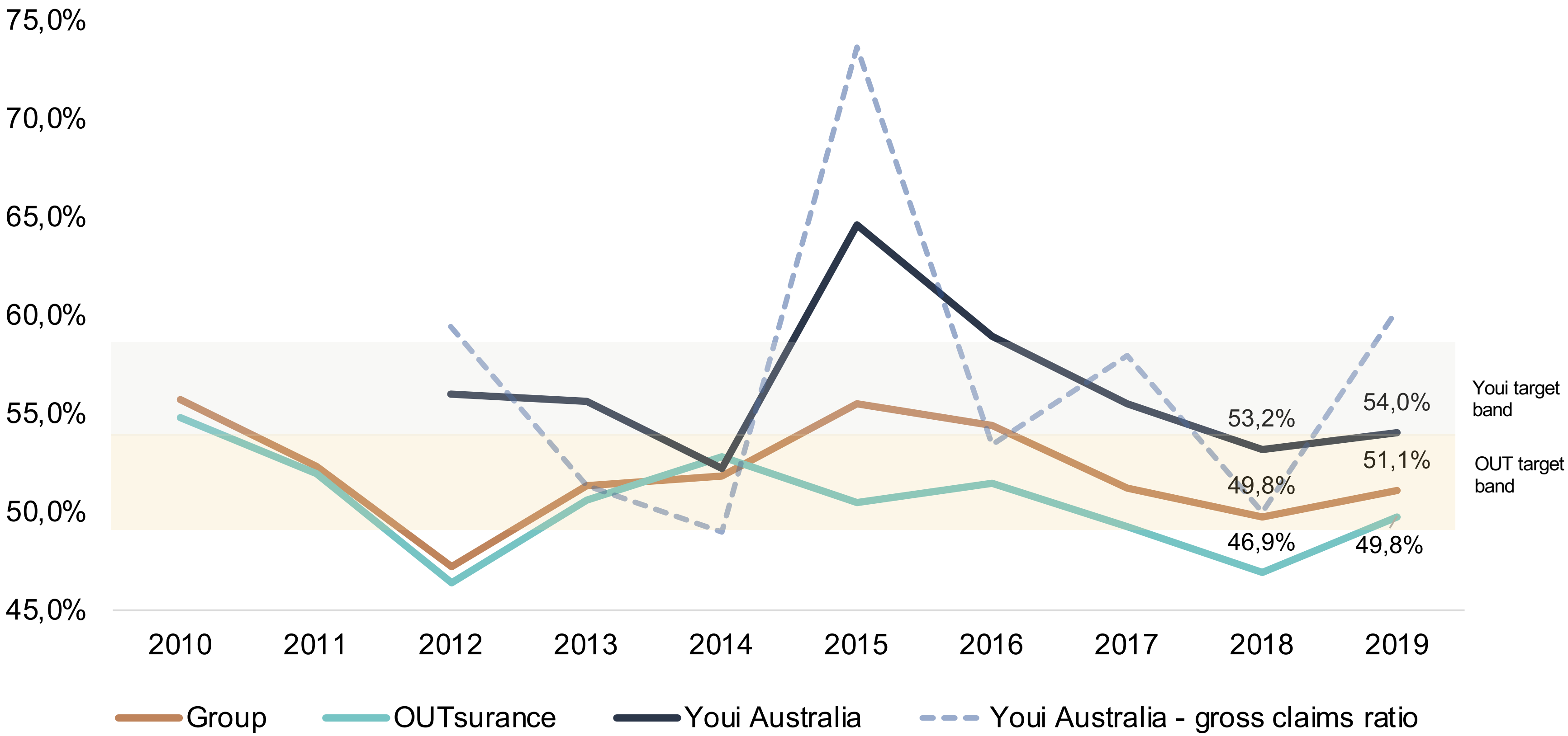
STRONG RECOVERY IN NEW BUSINESS PREMIUM WRITTEN



A HISTORY OF STRONG AND STABLE UNDERWRITING MARGINS

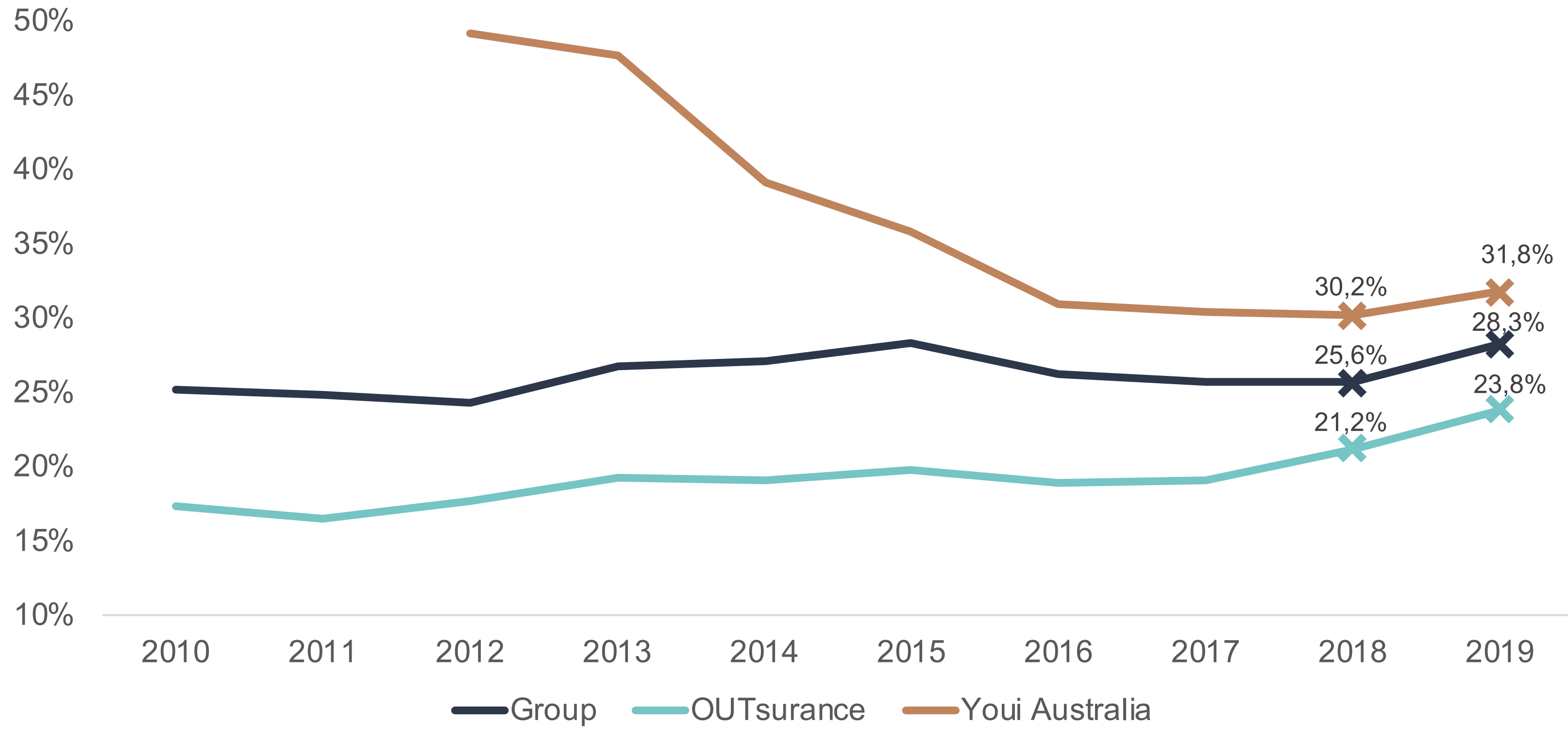


CLAIMS RATIO UNDERPINNED BY PRICING SOPHISTICATION AND DISCIPLINE

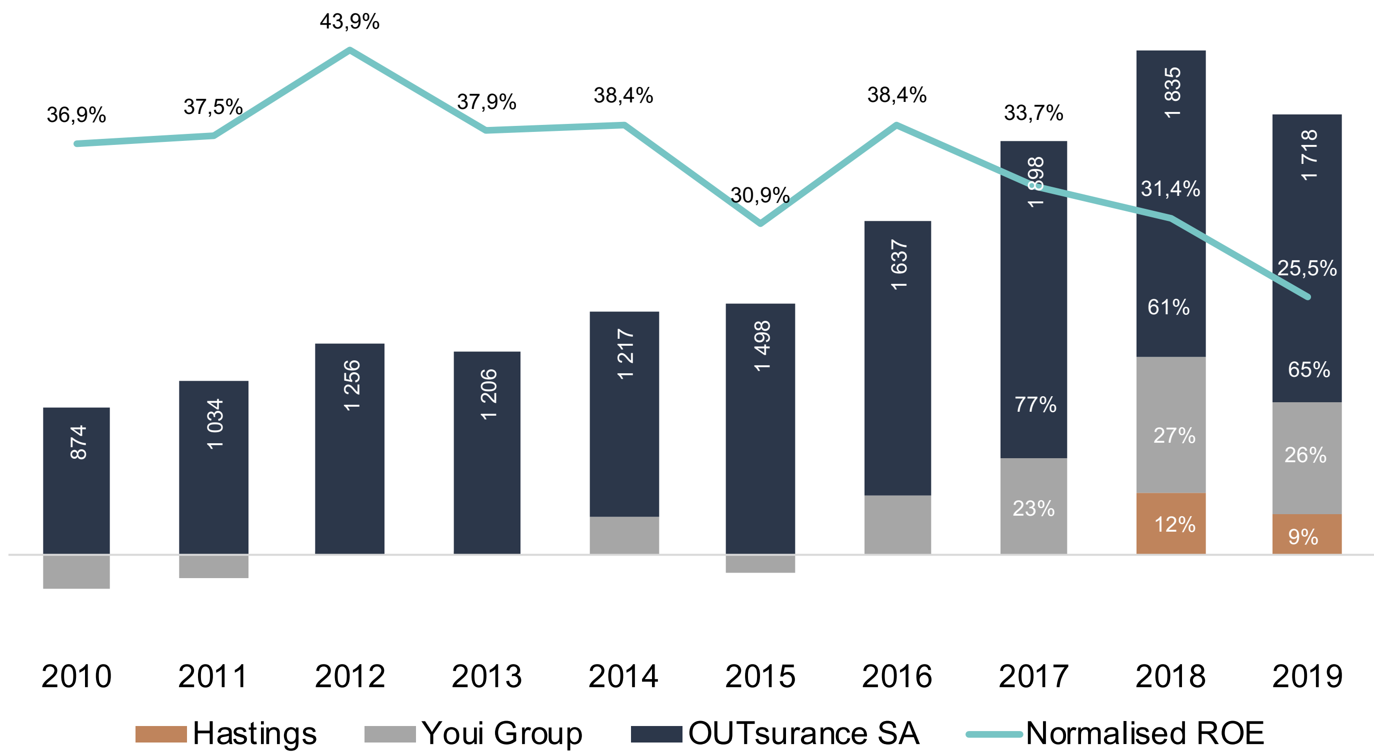


RMI

INCREASED COST RATIO SUPPORTED BY GROWTH INVESTMENTS

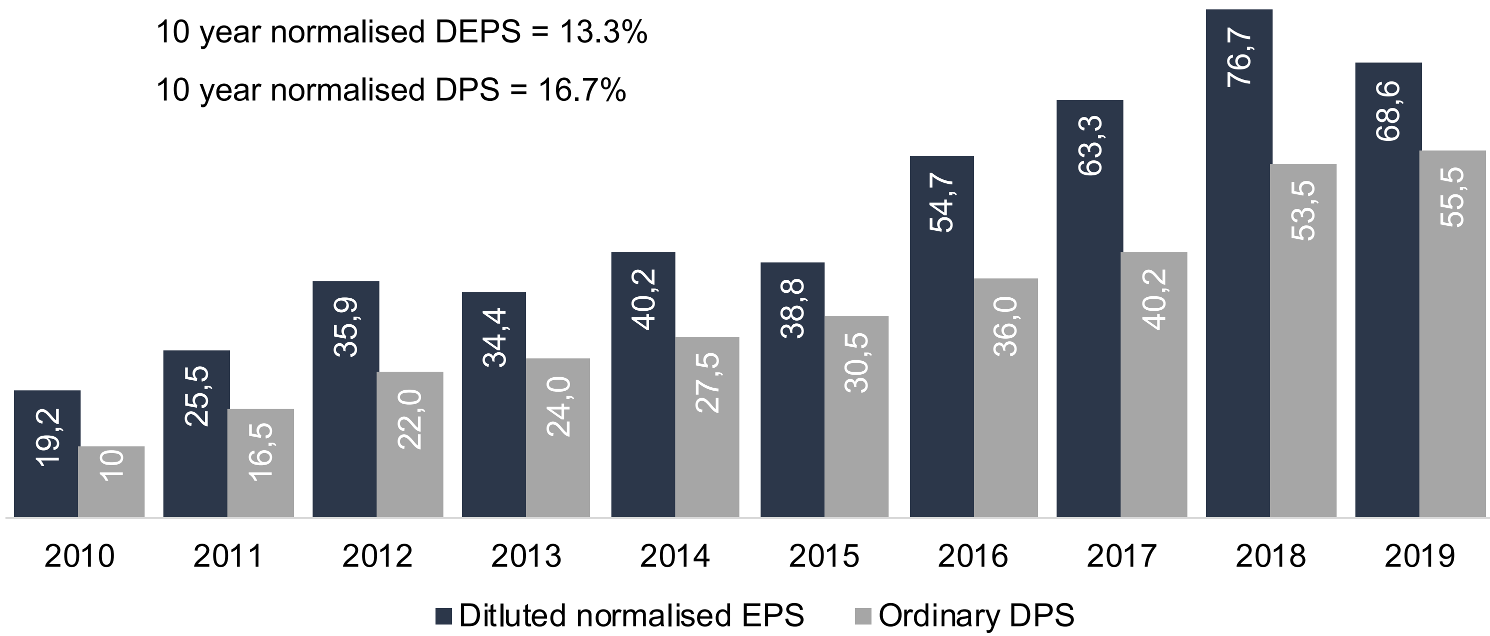


GROUP NORMALISED EARNINGS AND ROE



Improved earnings diversification in hard currency

EARNINGS AND DIVIDEND HISTORY



Dividend pay-out ratio supported by high earnings and cash generation correlation. High margins and capital efficiency has delivered consistent industry leading shareholder returns.