

OUTsurance
Group Limited
**FINANCIAL
RESULTS**
30 June 2023



Agenda

- Strategic and operational update – Marthinus Visser
- Financial review – Jan Hofmeyr
- IFRS 17 – transitional impact – Jan Hofmeyr
- Outlook – Marthinus Visser



Strategic and operational review

Strategic update

Achieved in 2023

Focus for 2024

Product and channel expansion

- 21.1% growth in Group gross written premium
- 17.2% growth in new business premium written
- Significant reduction in J-curves from new ventures

- Steer new initiatives to sustainable profitability
- Incremental expansion of OUTsurance Brokers

Pricing discipline and profitable growth

- Successful navigation of the inflationary cycle
- Large reduction in operating losses from new initiatives

- Respond to changes on inflationary outcomes
- Focus on cost efficiency as a lever for competitive premiums

Capital allocation

- Strategic review of OUT Life F2F and OUTvest
- Disposed of non-core interests (incl RMI IMG)
- Hardening reinsurance market
- Review of Youi capital multiple

- Group simplification through asset disposals
- Group share option scheme replaced with conditional share plan to refine alignment with shareholders
- OUTvest disposal

Strategic update

Achieved in 2023

Focus for 2024

Positive impact on suppliers, societies and environment

- 561 new employment opportunities
- 321 new suppliers added to our network
- Level 1 BBBEE achieved by OUTsurance
- TC02 per employee reduced by 35% since 2018

- Expansion of solar capacity at Youi HQ
- Incorporation of environmental measure in STI incentives across the business

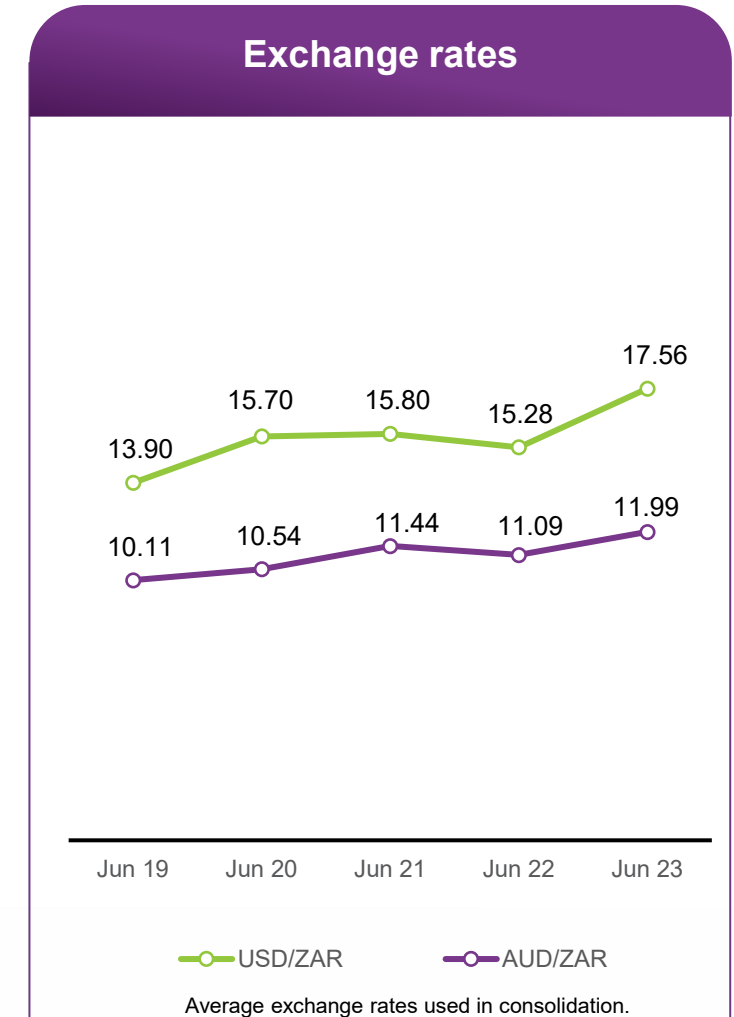
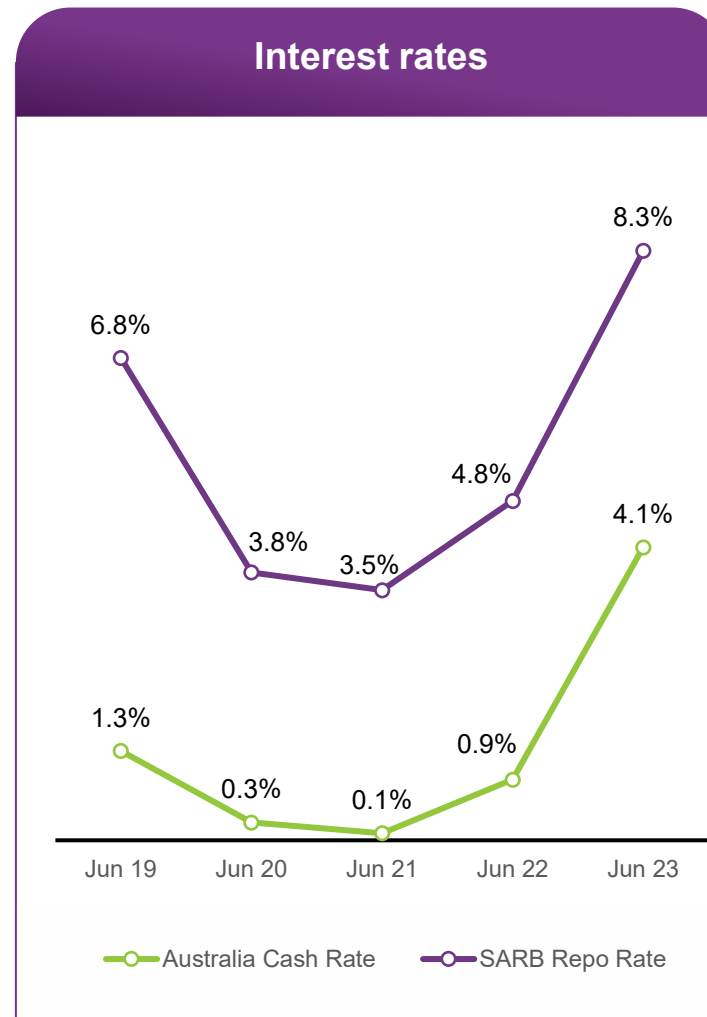
International diversification

- OUTsurance Ireland licence application submitted
- Increased the Group's ownership in Youi to 92.4%
- Youi's shareholding in BZI increased to 37%

- Ireland market entry in 2024
- Complete further 2.6% Youi minority acquisition by end October 2023

Macro-economic trends

Inflation and interest rate environment impacting operational performance



Source: Refinitiv

Overview of key operational themes

OUTsurance South Africa

OUTsurance Personal

Rising premium inflation in response to claims cost inflation

Pro-active pricing response protected underwriting margins

Real growth opportunity constrained by difficult economic conditions

Vehicle claims frequency normalised in 2023

Claims cost pressure exacerbated by loadshedding and vehicle theft

OUTsurance Business

Achieved monthly profitability for OUTsurance Business Brokers in line with guidance

Premium growth positively impacted by inflation and OUTsurance Business Brokers channel

Significant improvement in operating profit for the year

Focus on economies of scale in OUTsurance Business Brokers and pricing to ensure target margins are achieved

OUTsurance Life

Strong premium and operating profit performance driven by Shoprite partnership

Yield movements in H2 in sharp contrast with H1

Decision to discontinue with face-to-face channel following a strategic review

Encouraging growth in Embedded Value and VNB margin in the Funeral Segment.

Overview of key operational themes

Youi

Youi Direct

High premium inflation on account of claims cost inflation, vehicle claim frequency reset and allowance for higher reinsurance cost

Pro-active pricing actions have resulted in satisfactory navigation of the inflationary environment to protect margin

Favourable weather experience, contrasting 2022, resulted in large boost to profitability

Youi Blue Zebra (BZI)

Operational profit realised on account of improved scale and pricing action to improve attritional claims experience

Premium growth remains strong, albeit from a higher base

Entry into the commercial market in 2023 via the Steadfast platform

Ownership of BZI increased from 34% to 37%

Youi Compulsory Third Party (CTP)

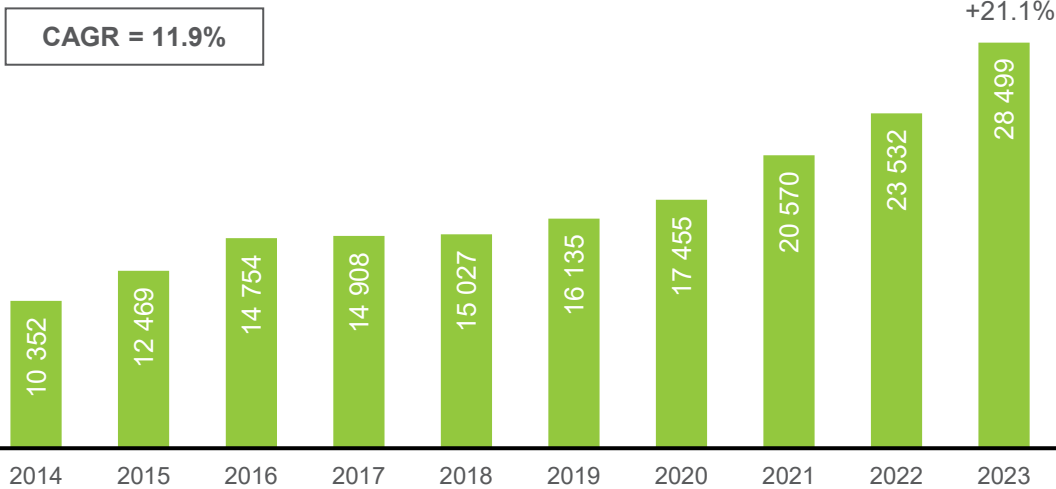
Launch of CTP in South Australia in July 2022 and delivered encouraging new business volumes to date

Volatile claims experience on a small book and operating profit impact by large single claim

Premium performance

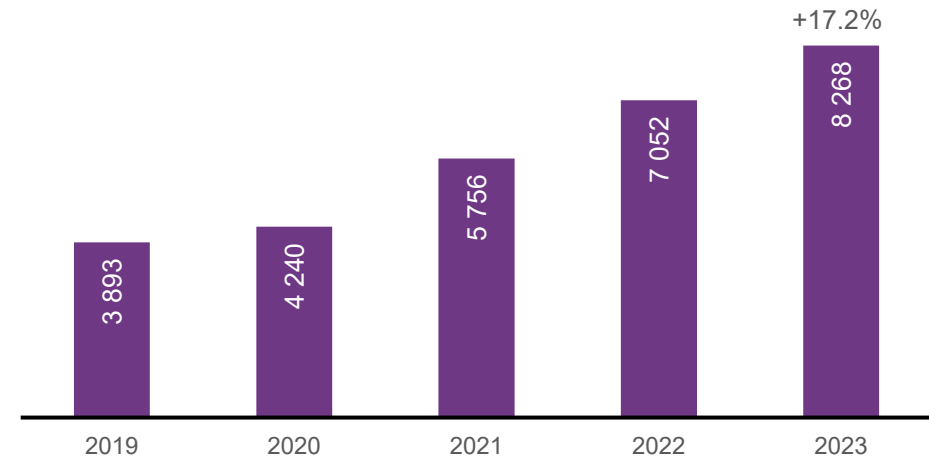
Product and channel diversification strategy contributing to the strong premium growth

Group gross written premium (R'million)



Accelerated investment in new initiatives

Annualised new business premium written (R' million)

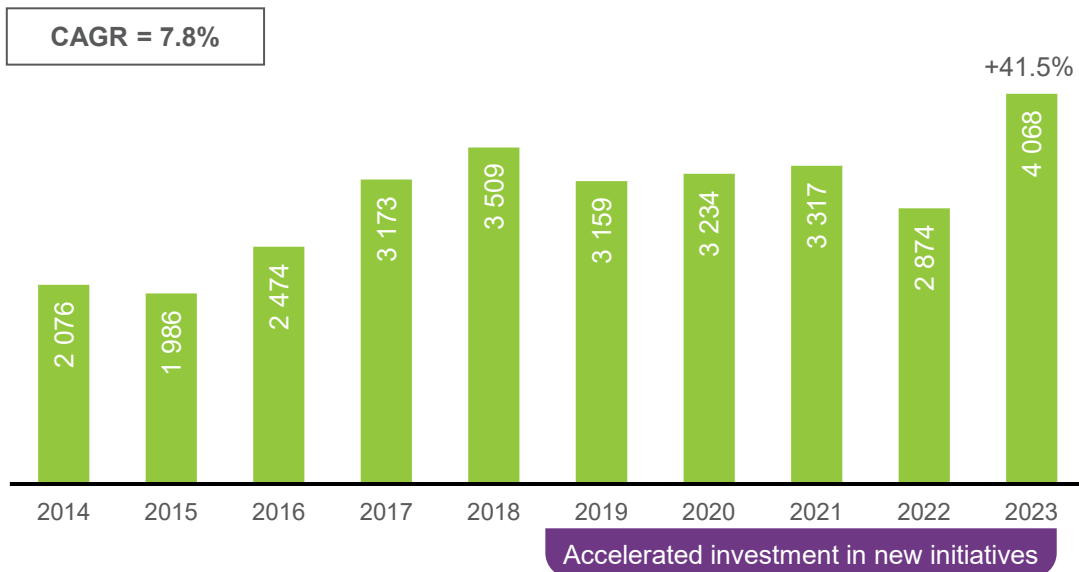


- Group premium growth aided by 8.1% weaker AUD/ZAR
- Pricing discipline in a rising inflationary environment and the focus to steer new initiatives to profitability moderated the growth rate in new business written

Operating profit performance

10-year history demonstrating a strong 7.8% CAGR

Operating profit (R'million)

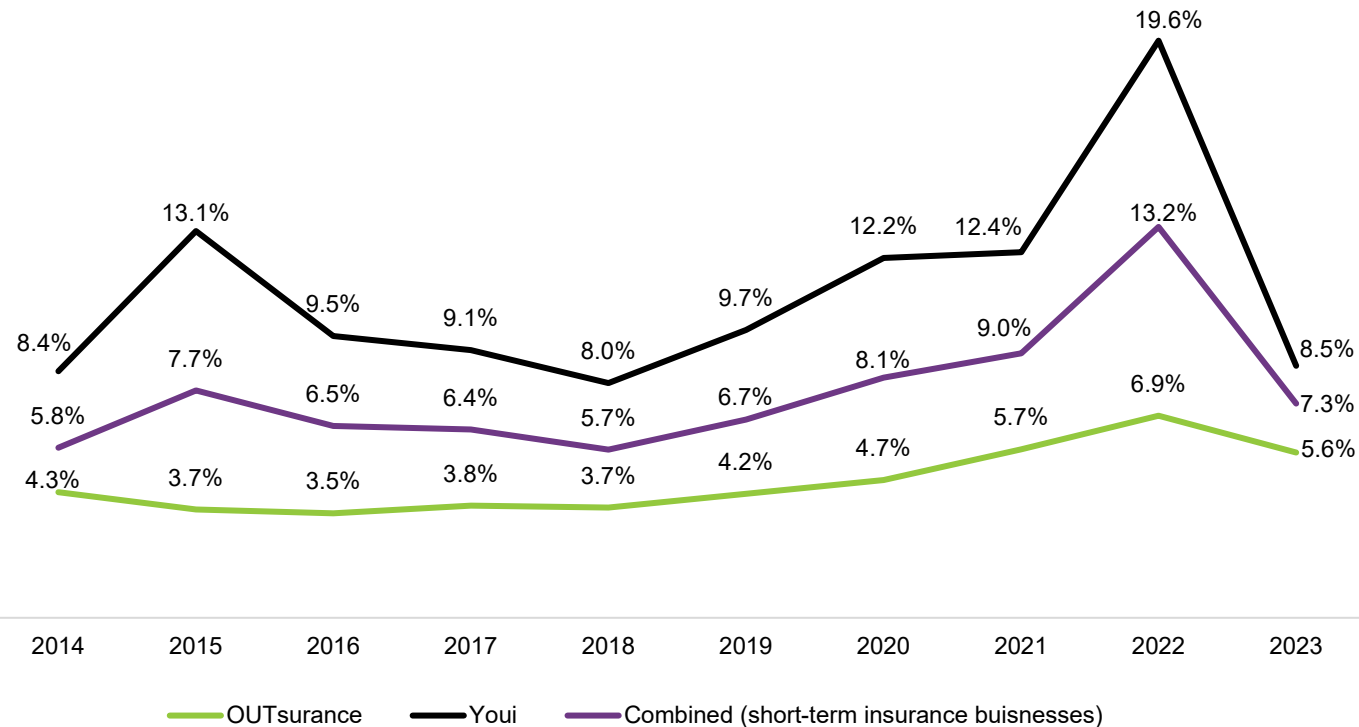


- As new initiatives reach economies of scale, the operating profit contribution from the large growth investment made will accelerate
- Impact of El Nino and La Nina cycles evident
- Rate of growth also impacting profitability – more first year business with higher loss ratios in times of high growth

Natural perils exposure

Significant reduction in natural perils losses

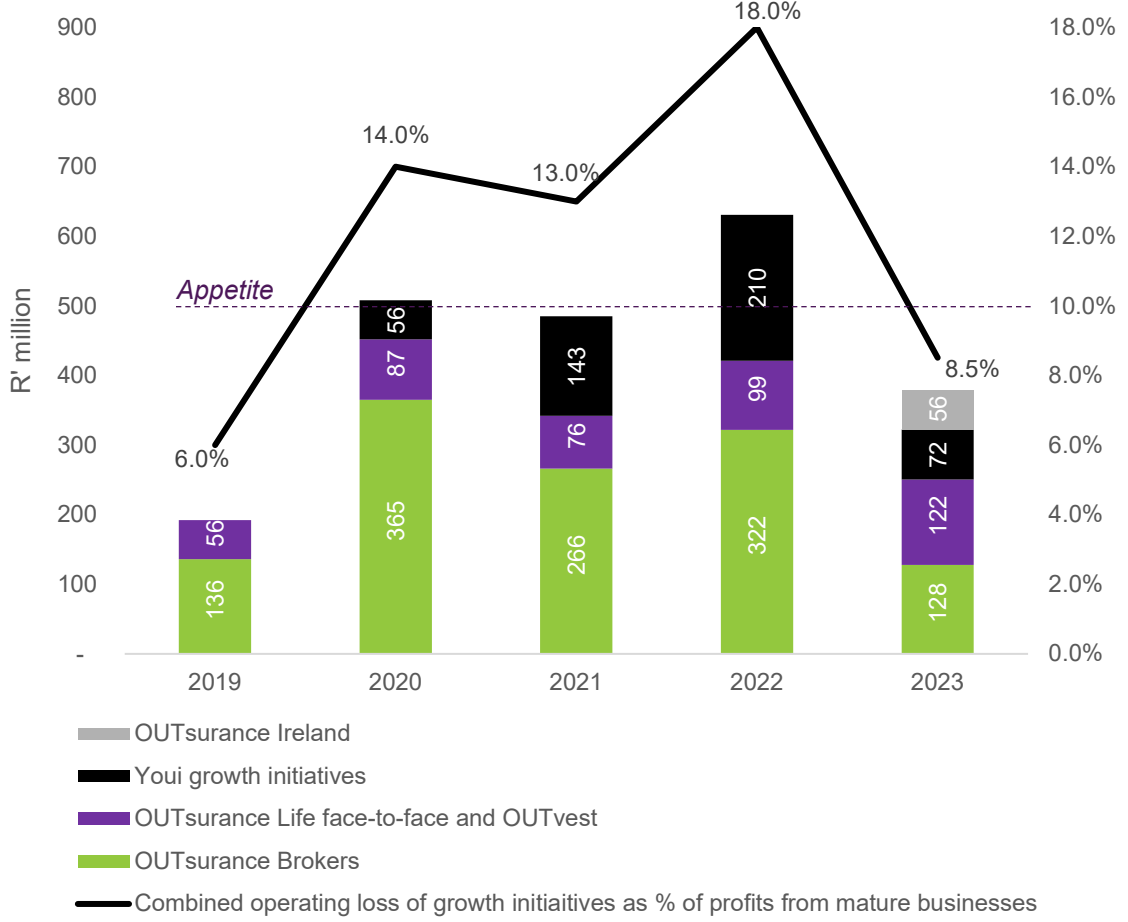
Net retained natural perils losses as % of net earned premium



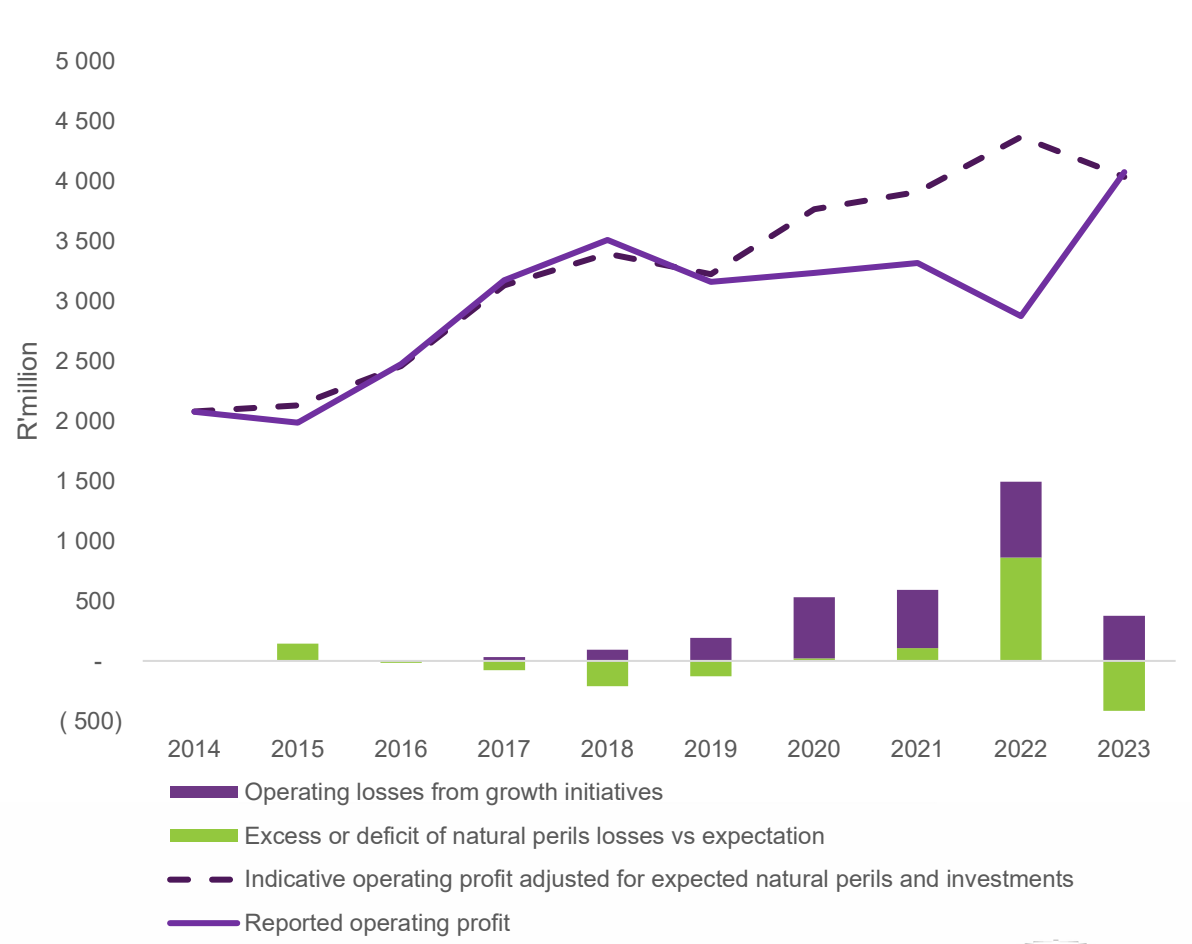
- Significant reduction in natural perils losses incurred by Youi following fewer natural events and no large catastrophes
- Despite more natural events and wet weather, OUTsurance experienced a lower natural events loss in aggregate. The higher loss in 2022 is attributed to the KZN storms.

Earnings profile – impact of growth investment and natural events

Losses generated by growth initiatives as % of profits from mature business units

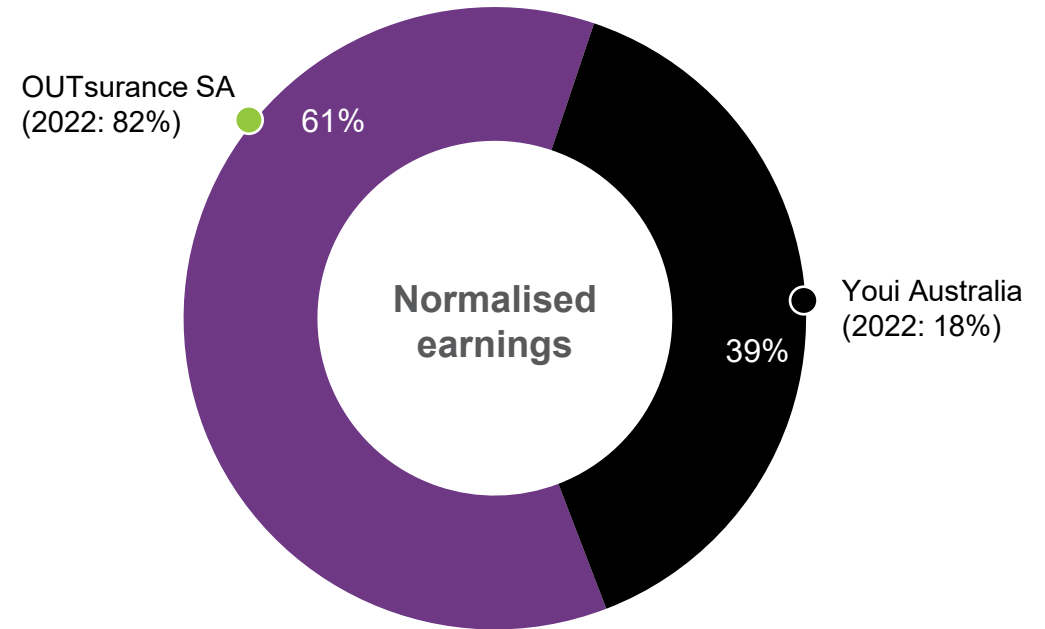
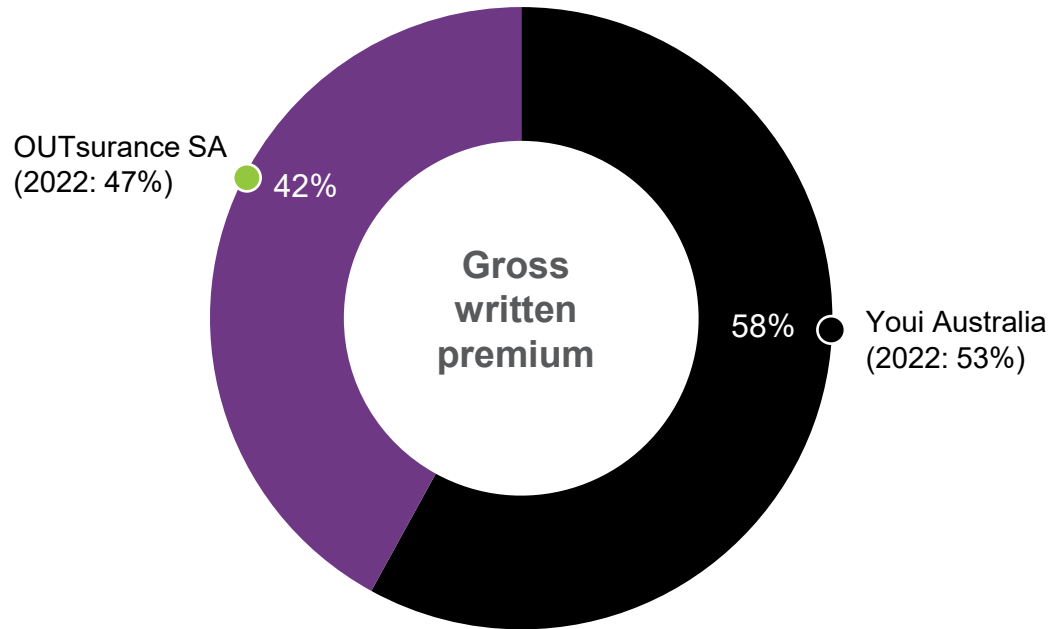


Impact of growth initiatives and natural perils exposure on operating profit



Premium revenue and earnings geographical diversification

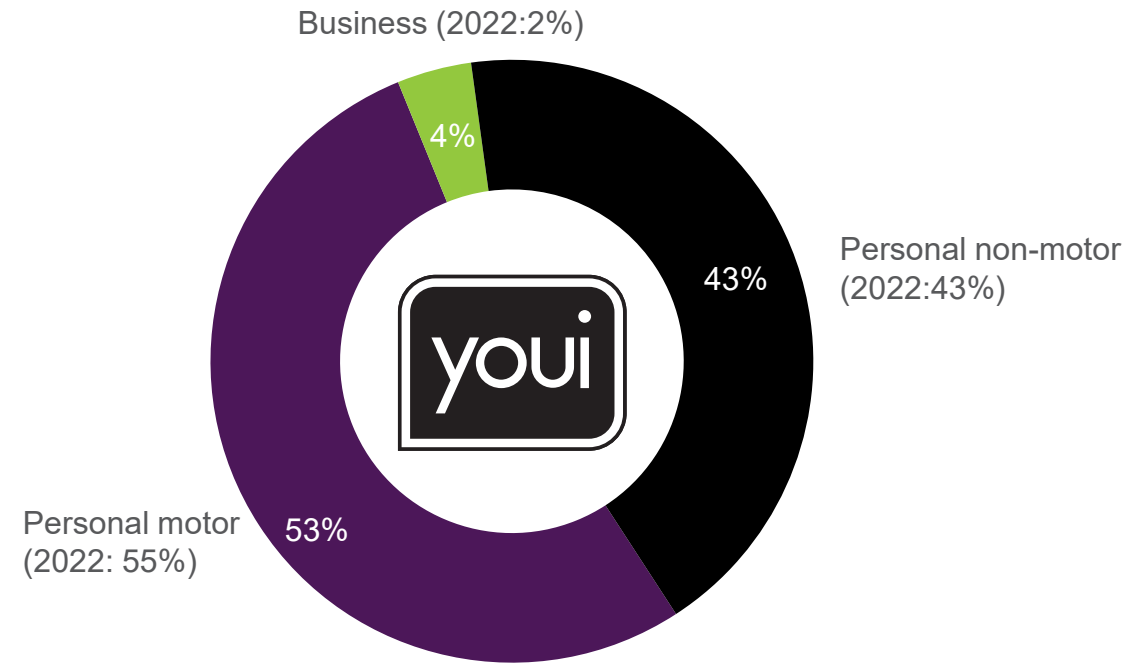
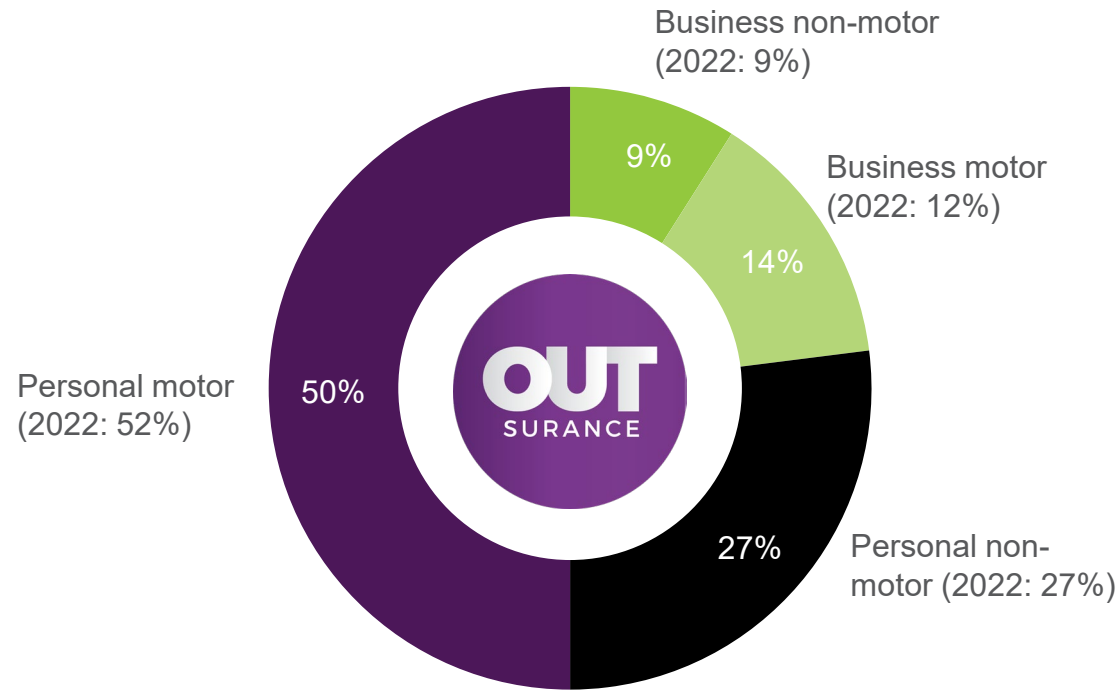
Normalised earnings contribution from Youi increased from 18% to 39%



- Youi's more rapid growth, aided by the weaker Rand has accelerated the diversification of the Group's premium income
- Owing to the benign claims environment and strong growth, Youi's contribution (net of minorities) to normalised earnings increased to 39%

Premium revenue product diversification

Enhanced product diversification enabled by growth initiatives





Financial review

Financial Review

Part 1: OGL and OHL consolidated results

Part 2: OUTsurance results

39% of Group GWP
(2022: 44%)

55% of Group operating profit
(2022: 73%)

Part 3: Youi results

58% of Group GWP
(2022: 53%)

45% of Group operating profit
(2022: 22%)

Part 4: OUTsurance Life results

3% of Group GWP
(2022: 3%)

3% of Group operating profit
(2022: 4%)

Part 5: Capital and balance sheet

OGL Group consolidated results overview

R' million	2023	2022	% change
1 Normalised earnings from continued operations	2 875	1 773	62.2%
<i>OUTsurance Holdings (89.8% interest)</i>	2 924	2 039	39.3%
2 <i>Central / Treasury Company</i>	(49)	(266)	81.6%
Diluted normalised earnings per share from continued operations	185.2	114.7	61.5%
Ordinary dividend per share	134.8	65.5	>100%
Special dividend per share	8.5	142.0	(94.0%)

- 1** OGL's earnings base changed significantly after the unbundling and sale of its historic interests in Discovery, Momentum Metropolitan and Hastings
- 2** The remaining portfolio interests are held in RMI Treasury Company
- 2** The Central/Treasury Company represents the net holding company costs of R49 million (2022: R266 million) and the earnings generated from the remaining investment portfolio
- 2** The reduction in head office costs is linked to the simplification of the structure post the listing transition

OHL Group consolidated results overview

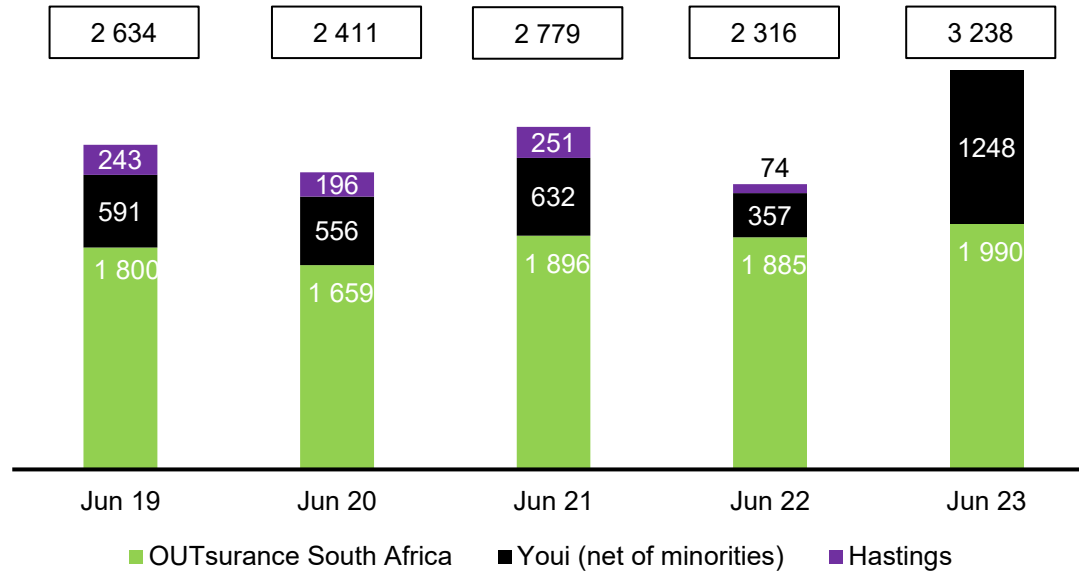
R' million	2023	2022	% change
Gross written premium	28 499	23 532	21.1%
Net earned premium	24 468	20 197	21.1%
Operating profit	4 068	2 874	41.5%
Normalised earnings	3 238	2 316	39.8%
Claims ratio	53.6%	56.1%	
Insurance cost-to-income ratio ¹	30.6%	30.4%	
Combined ratio ²	85.4%	86.7%	
Normalised ROE (%)	29.8%	22.0%	
Dividend declared	2 298	1 850	24.2%

¹ Excluding the financials effects of external call centre services offered. The increased year-on-year share-based payments increased the insurance cost-to-income ratio by 0.8%

² Net of profit share distributions paid to FirstRand and Shoprite.

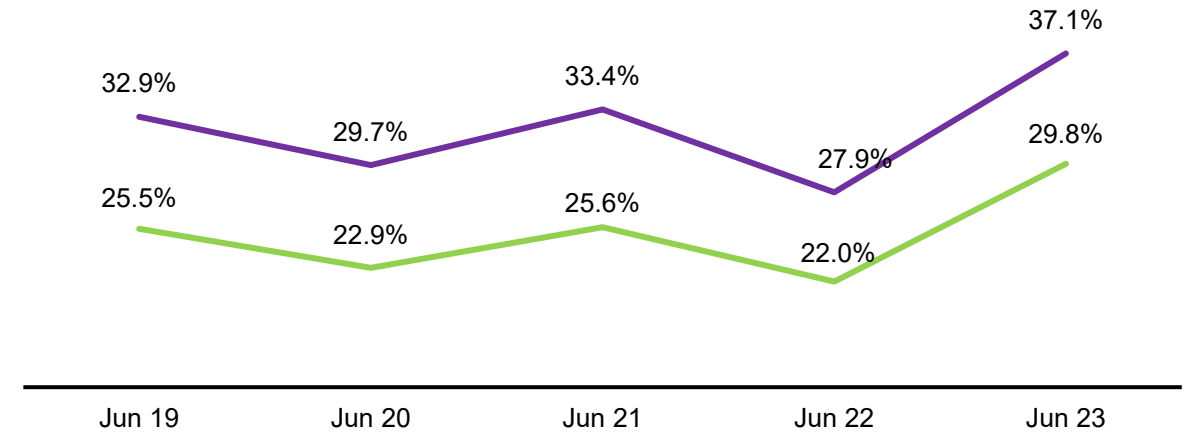
OHL Group consolidated results overview

OHL Group normalised earnings (R' million)



Youi's earnings is a more volatile component of the OHL Group's earnings due to the higher frequency of natural events and proportionately higher event retention.

OHL Group normalised ROE (%)



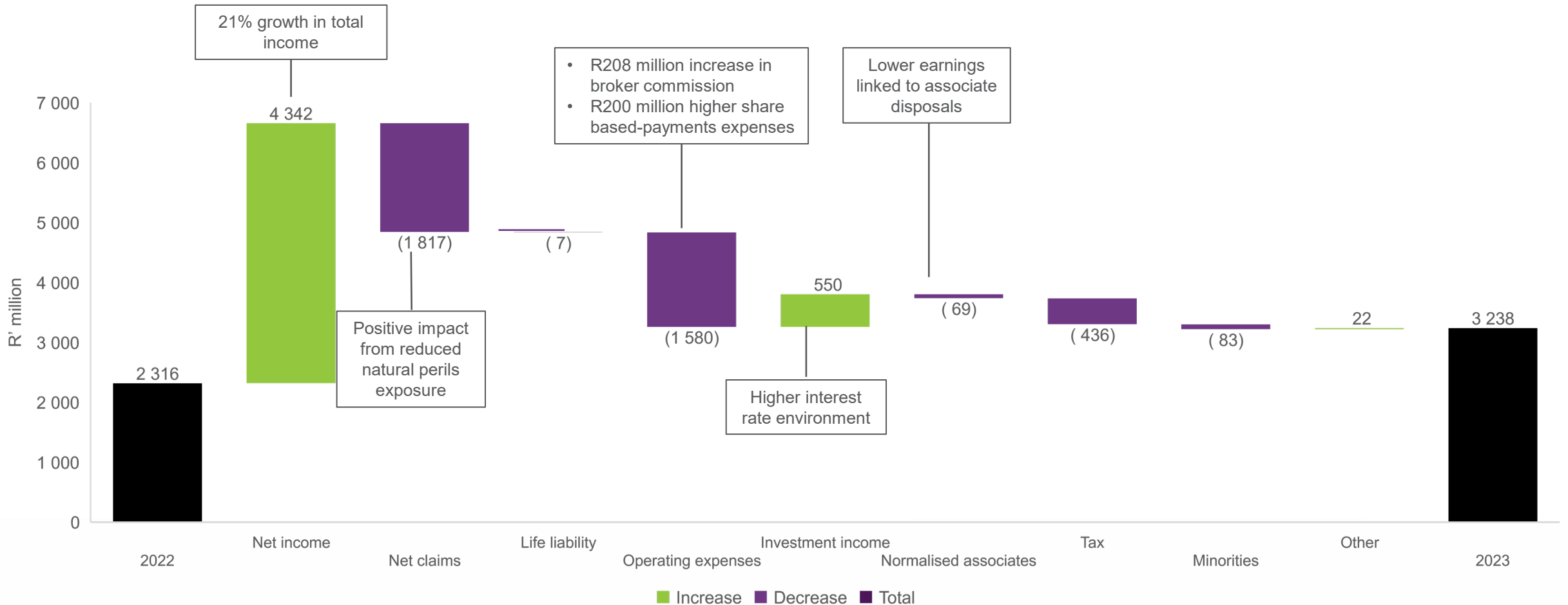
The differential between the Operational ROE and the Group Normalised ROE is explained by the surplus capital held at the OHL Group level to support:

- Further 2.6% interest in the Youi Group
- Partial funding of the Republic of Ireland Expansion.

OHL Group consolidated results overview

Drivers of normalised earnings

Normalised earnings – movement analysis (R' million)



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OUTsurance key financial outcomes

R' million	2023	2022	% change
Gross written premium	11 160	10 253	8.8%
Net earned premium	10 939	9 994	9.5%
Operating profit	2 244	2 109	6.4%
<i>OUTsurance Personal¹</i>	2 224	2 146	3.8%
<i>OUTsurance Business</i>	256	57	>100%
<i>Central costs</i>	(236)	(94)	>(100%)
Investment income	423	307	37.8%
Headline earnings	1 855	1 743	6.4%
Claims ratio (%)	52.8%	53.0%	
Cost-to-income ratio (%)	26.1%	25.3%	
Combined ratio (%) ¹	80.5%	79.7%	

¹ After profit share distribution paid to FirstRand Limited on HOC arrangement

- Premium growth supported by premium inflation
- Claims performance impacted by the effect of rising repair costs, loadshedding and the impact of rising theft on select vehicles
- Investment income bolstered by higher interest rates.
- Cost-to-income ratio negatively impacted by:
 - Significant increase in share-based payments expense
 - Channel mix change towards the OUTsurance Broker channel

OUTsurance Personal



- Excluding the HOC book in run-off personal lines gross written premium increased by 8.1%
- Operating profit grew by a slower 3.6% on account of the higher claims ratio and increased distribution cost related to the OUTsurance Broker channel business
- The OUTsurance Broker channel is writing an increasing proportion of new business

OUTsurance Business



- OUTsurance Business more than doubled operating profit
- OUTsurance Brokers is now the largest channel for commercial business representing 53.4% of GWP
- Monthly break-even achieved by OUTsurance Brokers which allows for further incremental investment in sales capacity
- Lower claims ratio is attributed to the maturing effect of OUTsurance Brokers
- Economies of scale in OUTsurance Brokers is contributing to the reducing cost-to-income ratio

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Youi Australia¹ key financial outcomes

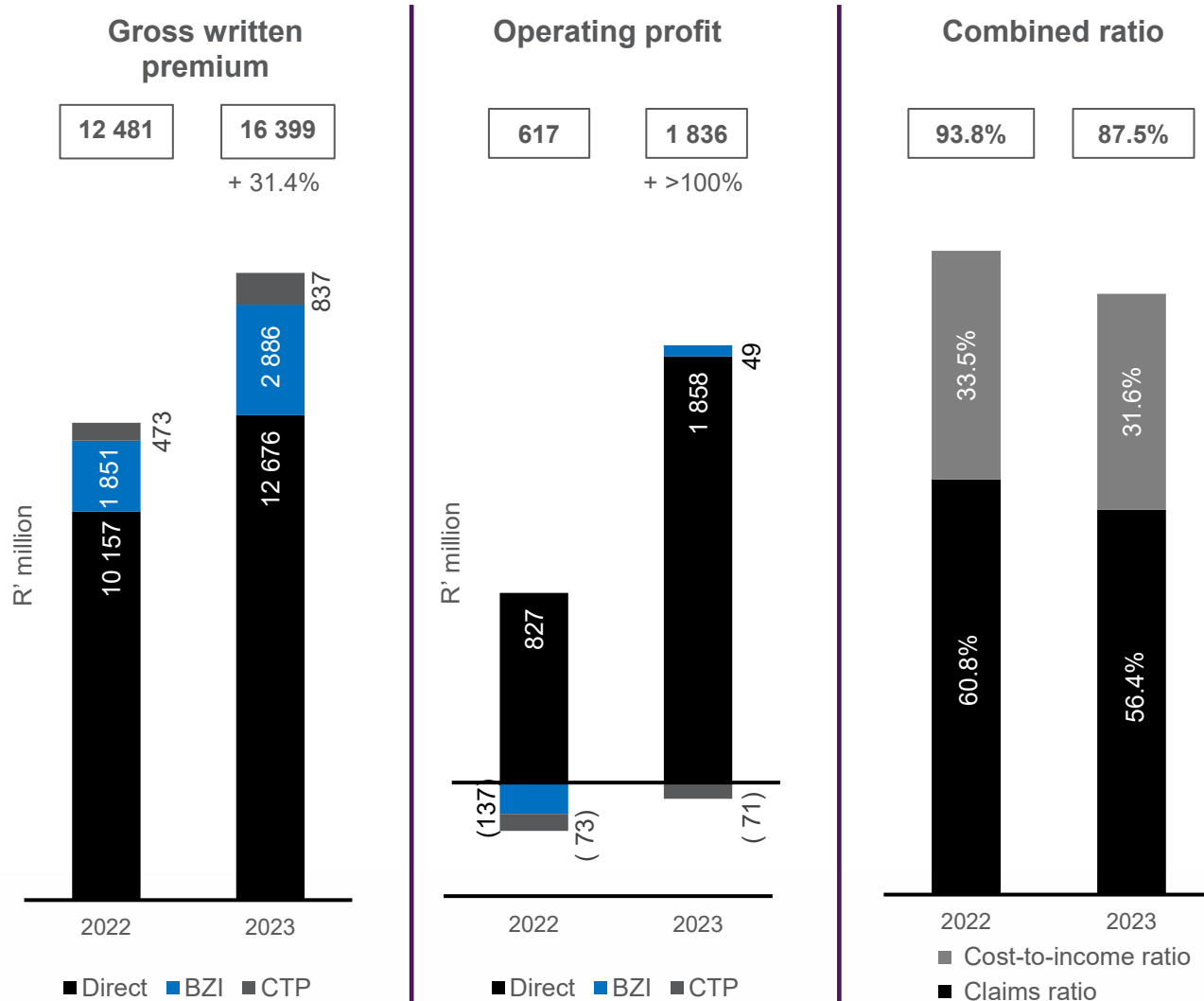
R'million	2023	2022	% change
Gross written premium	16 399	12 481	31.4%
Net earned premium	12 725	9 499	34.6%
Operating profit	1 836	617	>100%
<i>Personal²</i>	1 848	700	>100%
<i>Business²</i>	59	(10)	>100%
<i>CTP</i>	(71)	(73)	1.4%
Investment income	365	13	>100%
Headline earnings	1 385	401	>100%
Claims ratio (%)	56.4%	60.8%	
Cost-to-income ratio (%)	31.6%	33.5%	
Combined ratio (%)	87.5%	93.8%	

¹ Youi Australia operating entity results

² Consist of business written through the Direct and BZI channels

Youi

Impressive growth in premium and operating profit



- Significant premium inflation prompted by increasing claims costs and reinsurance cost inflation over the last two years
- In AUD, gross and net earned premiums grew by 21.5% and 24.5% respectively
- BZI contributing 18% to Youi gross written premium
- Improved claims ratio on account of contrasting weather experience between 2022 and 2023
- The reduced cost-to-income ratio is reflective of economies of scale
- Rapidly rising interest rates generated the large increase in investment income and higher contribution to overall earnings

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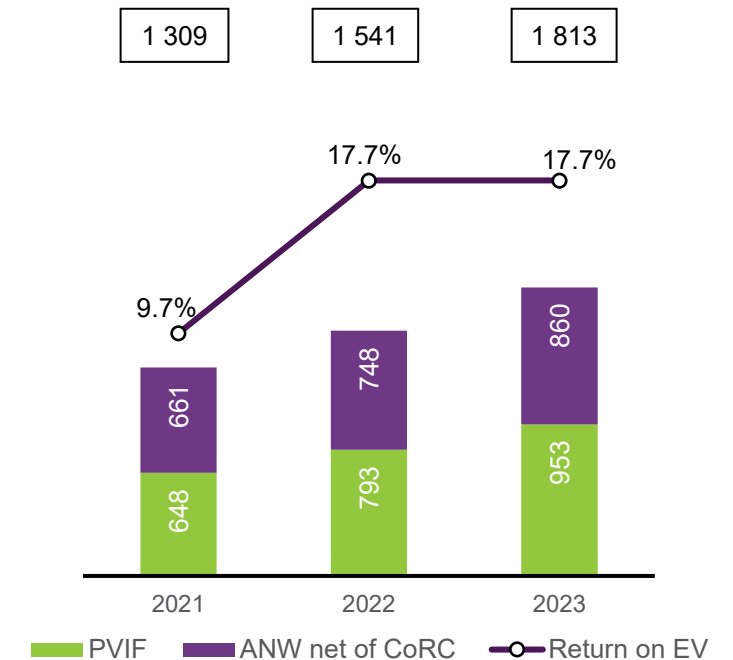
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R'million	2023	2022	% change
Gross written premium	940	798	17.8%
Net earned premium	804	704	14.2%
Operating profit	102	107	(3.7%)
<i>Underwritten life</i>	192	177	8.5%
<i>Funeral (incl Shoprite)</i>	3	(1)	>100%
<i>Underwritten life (F2F) (discontinued in June 2023)</i>	(93)	(68)	(36.8%)
Headline earnings	110	100	10%
Embedded value	1 813	1 541	17.7%
Return on embedded value	17.7%	17.7%	
VNB margin (excl F2F) (%) ¹	9.0%	15.1%	

¹ The VNB margin excludes the strain from Face-to-Face initiative which was discontinued in June 2023.

Embedded value (R' million)



- Exciting growth delivered by the Shoprite Funeral partnership with a strong cash generation profile
- Earnings recovered significantly in H2 on account of the contrasting impact of yields (Increasing long-term yields in H2)
- OUTsurance Life Face-to-face costs substantially extinguished from the start of the 2024 financial year
- VNB margin reduction is linked to higher per policy acquisition costs experienced in 2023 in the funeral direct and underwritten life segments

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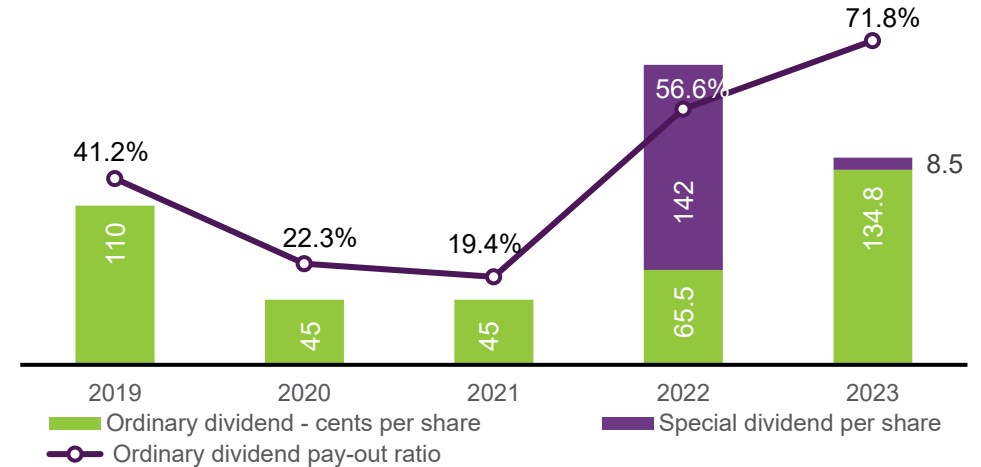
Capital and dividends

Solvency ratios

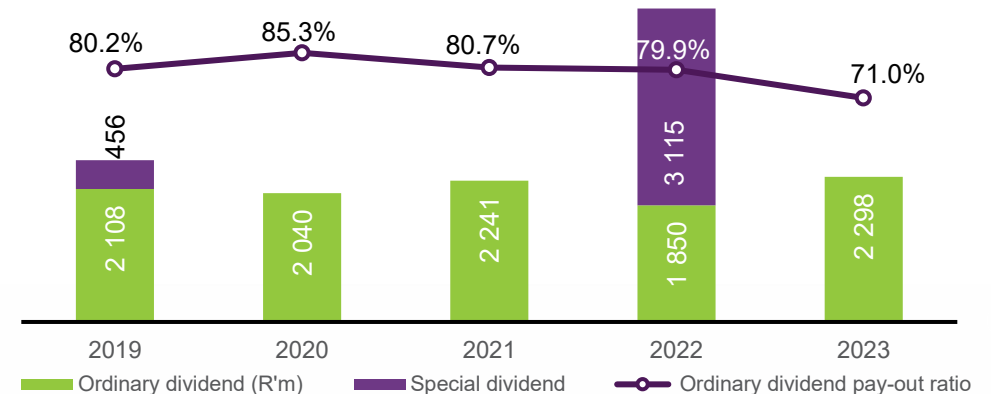
SCR ratio (times)	2023	2022	Target
OUTsurance	1.6	1.7	1.3
OUTsurance Life	3.2	3.0	1.5
Youi Group	2.3	2.3	1.6 - 1.9
OHL Group	2.2	2.2	1.5

- All operating units in strong solvency positions
- Youi dividend solvency multiple reviewed with minimum of 1.6 times and operational buffer of 0.3 times
- Youi delivered a dividend pay-out ratio of 65% for 2023
- OHL dividend calibration allows for fund retention for OUTsurance Ireland and balance of Youi minority acquisition
- Group surplus liquid of R1.1bn and to be deployed in full by end 2023 for capital commitments - Ireland, Youi acquisition, treasury share purchase to hedge share incentive exposure
- Debt of between R750 million and R1 billion to be raised to fund the balance of commitments. Debt to be incrementally settled over 5 years
- OGL special dividend represents portfolio profits from the remaining RMI Treasury Co assets

OGL dividend declared per share - cents



OHL dividend – R'million





IFRS 17 transition

IFRS 17 transitional impact

IFRS 17 applicable from the 2024 financial year

Item	Group	OUTsurance	Youi	OUTsurance Life
Key outcomes	<ul style="list-style-type: none"> Earnings is predominantly from short-term insurance business Pattern of earnings recognition is unchanged. 	<ul style="list-style-type: none"> Limited impact on earnings recognition pattern Most notable impact from claims liability discounting 		<ul style="list-style-type: none"> Large transitional impact Lower discretionary and compulsory margins being applied compared to IFRS 4
Net asset value (NAV) impact at transition	<ul style="list-style-type: none"> 2.5% to 5.5% increase in Group NAV 	<ul style="list-style-type: none"> 0.5% to 1.5% increase in NAV 	<ul style="list-style-type: none"> 0% to 1% increase in NAV 	<ul style="list-style-type: none"> 41% to 51% increase in NAV
Operating earnings	Not materially impacted			<ul style="list-style-type: none"> Faster recognition of earnings for new business as a result of the treatment of deferred acquisition costs and lower risk margins raised at inception. Due to transitional release of risk margins, earnings for in-force business will be lower compared to IFRS 4.
Cash generation	Not impacted			
Taxation	Not materially impacted	Limited to the impact of discounting claims liability		<ul style="list-style-type: none"> Transitional liability linked to NAV adjustment Ultimate impact of different tax base being applied under IFRS 17 is uncertain
Dividend strategy	Not impacted			Marginal due to tax liability associated with transitional impact
Regulatory solvency	No change in Own Funds or Solvency Capital Ratios			

Outlook

Group outlook

Well positioned for profitable organic growth across all business units

- Current interest rates and inflation levels will contribute to earnings momentum
- The Group is well positioned for profitable organic growth across all business units
- Pricing discipline to maintain target margins and steer new ventures to sustainable profitability
- Cost efficiency is a core focus to drive long-term premium competitiveness and organic growth
- Navigation of hardening reinsurance markets
- Subject to authorisation, the launch of OUTsurance Ireland is a large focus for 2024 and beyond
- Ongoing simplification of structure by disposal of non-core assets and focus on core business

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Contact: InvestorRelations@out.co.za

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