

OUTsurance
Group Limited

**UNAUDITED
INTERIM
FINANCIAL
RESULTS**

31 December 2023



Agenda

1. Operational review – Marthinus Visser

2. Financial review – Jan Hofmeyr

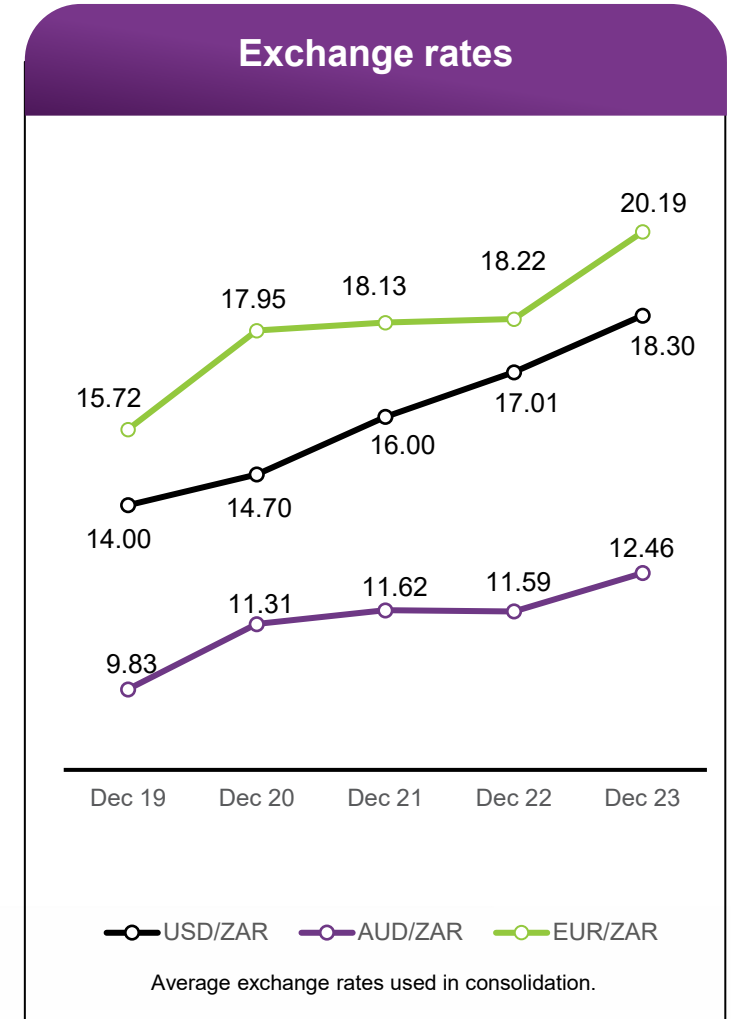
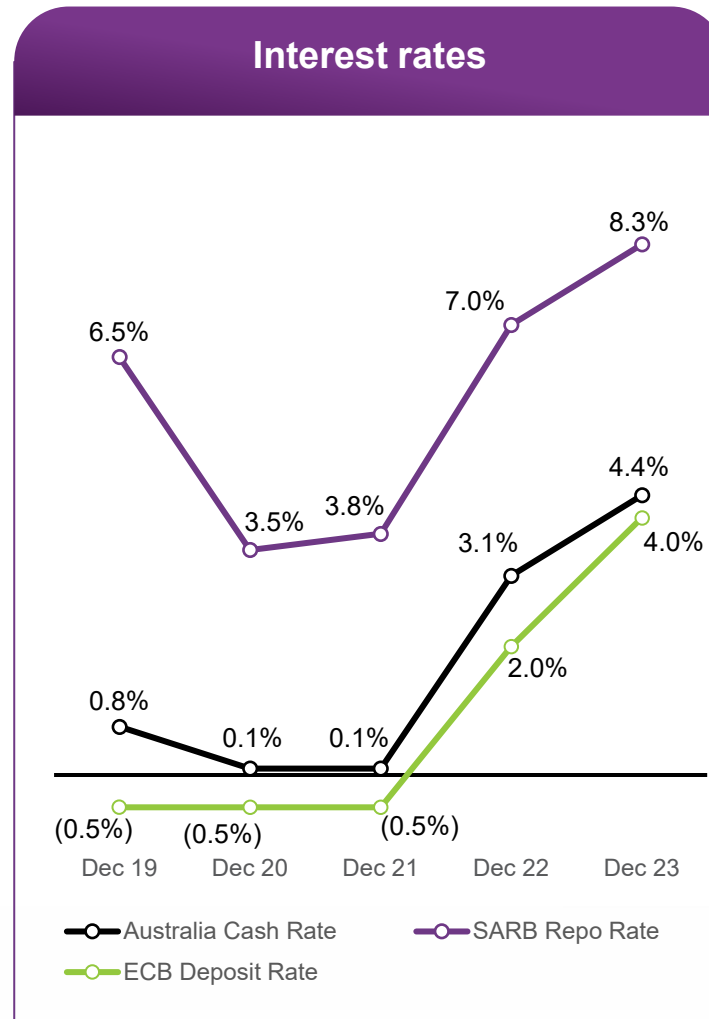
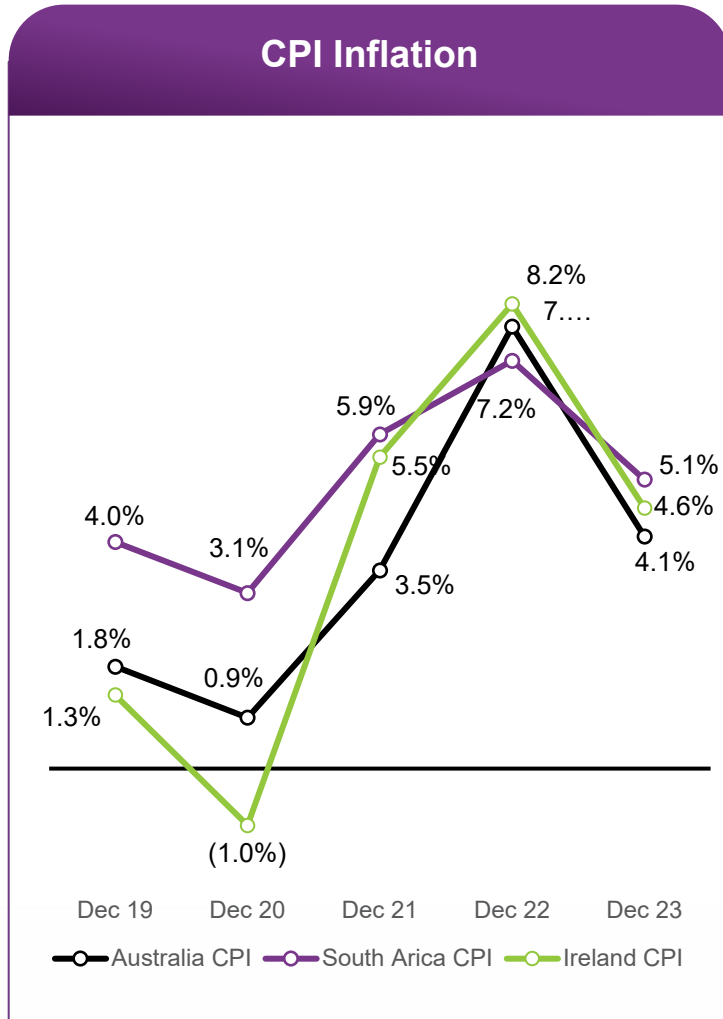
3. Outlook – Marthinus Visser



Operational review

Macro-economic trends

Inflation and interest rate environment impacting operational performance



Overview of key operational themes

OUTsurance South Africa

OUTsurance Personal

Persistent high inflation a primary driver in premium growth.

Real growth opportunity remains limited.

Pleasing claims ratio performance through pro-active pricing, claims cost and product management.

High value vehicle theft remains a concern.

Various small natural perils events that impacted claims performance in six months.

OUTsurance Business

Premium inflation continued to positively drive the growth in the Direct book.

Profitability of OUTsurance Brokers impacted by once-off take on of the OUTsurance Life F2F advisor force.

Focus on margin and realising break-even in the OUTsurance Broker channel have resulted in a slower revenue growth rate.

Pleasing claims improvement in OUTsurance Brokers.

OUTsurance Life

Continued strong new business performance in the Funeral segment.

Encouraging growth in Embedded Value and VNB margin in the Shoprite Funeral segment.

Favourable impact of yields compared to the prior year.

Overview of key operational themes

Youi

Youi Personal

Elevated claims inflation continues to drive high premium growth, particularly in Home.

New business stimulated by increased shopping activity.

R678 million more retained natural perils claims compared to H1-2023.

Youi Business

Emerging opportunity for growth. BZI channel (via Steadfast) activated in April 2023 with satisfactory performance.

Youi Direct continuing to grow off a low base.

Youi CTP

Improving claims ratio and pricing confidence.

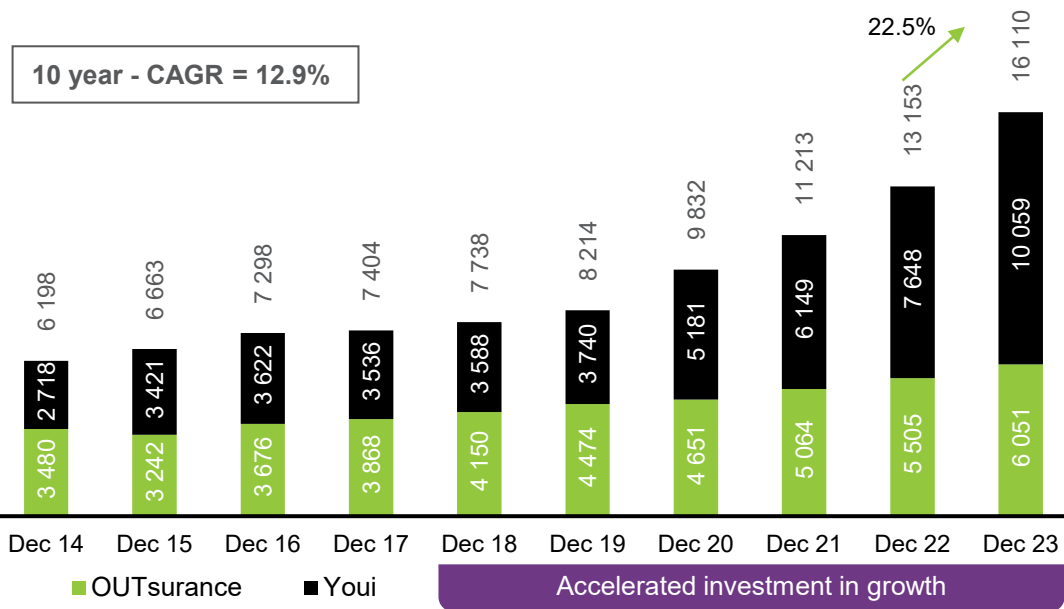
Improved cost ratio.

Youi Personal and Business distributes products through the Direct and Blue Zebra Insurance (BZI) distribution channels.

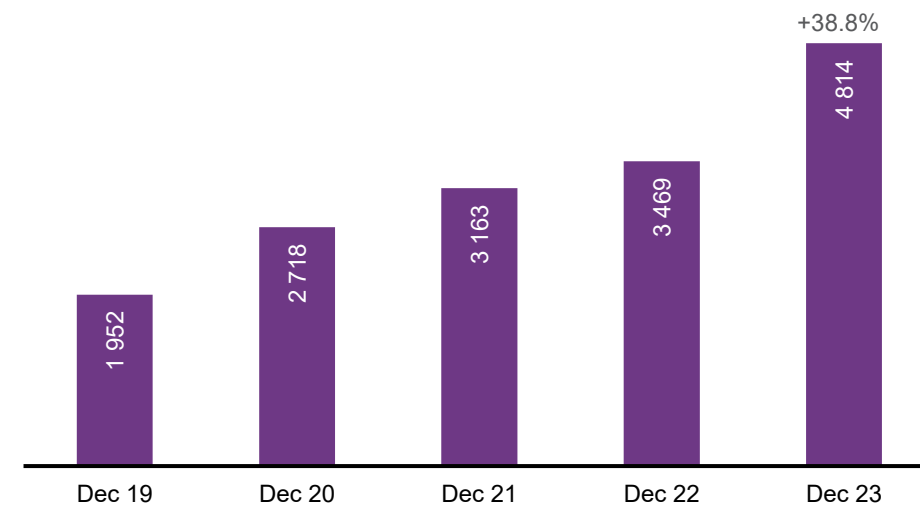
Premium performance

Inflation and good organic growth drive large increase in premium

P&C Gross Written Premium (R'million)



P&C Annualised new business premium written (R'million)

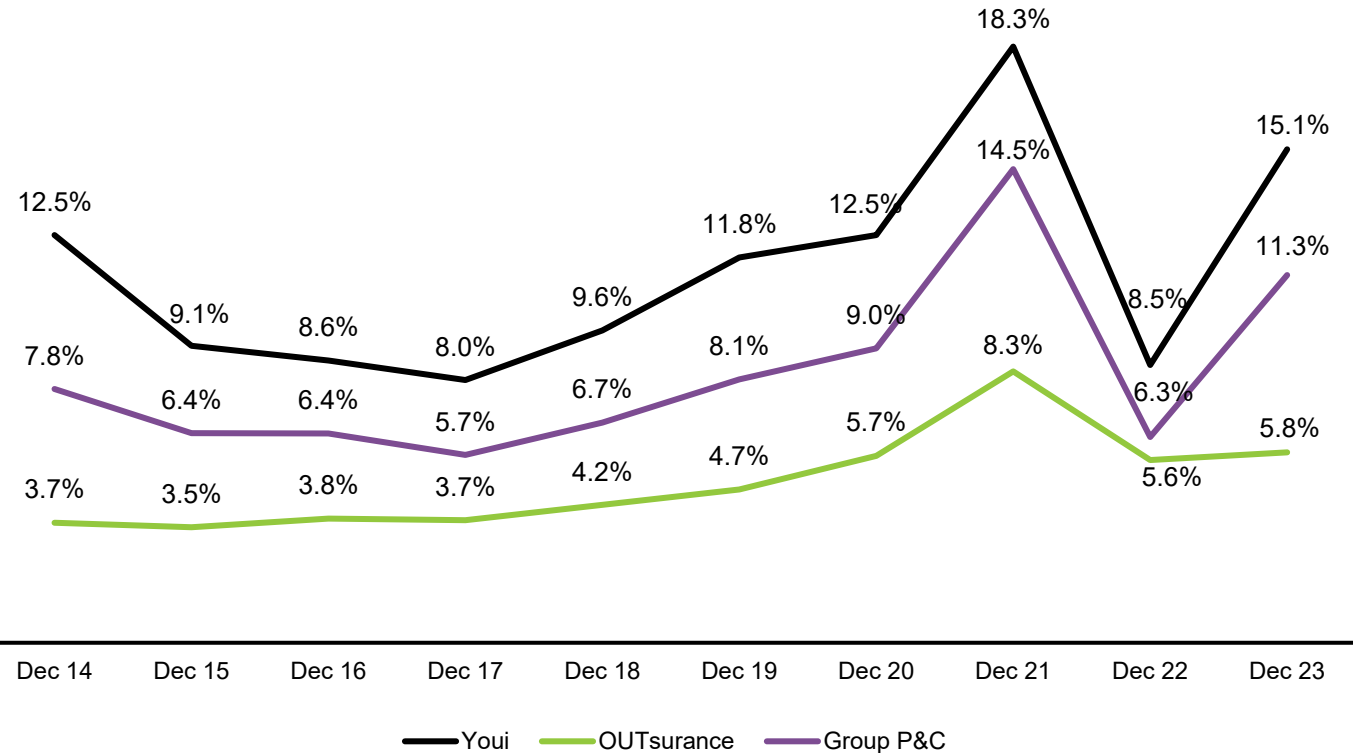


- P&C gross written premium and annualised new business premium accelerated by 22.5% and 38.8% respectively, stimulated by disciplined pricing for claims inflation and good organic growth.
- Group premium growth supported by 4.6% weaker AUD/ZAR.

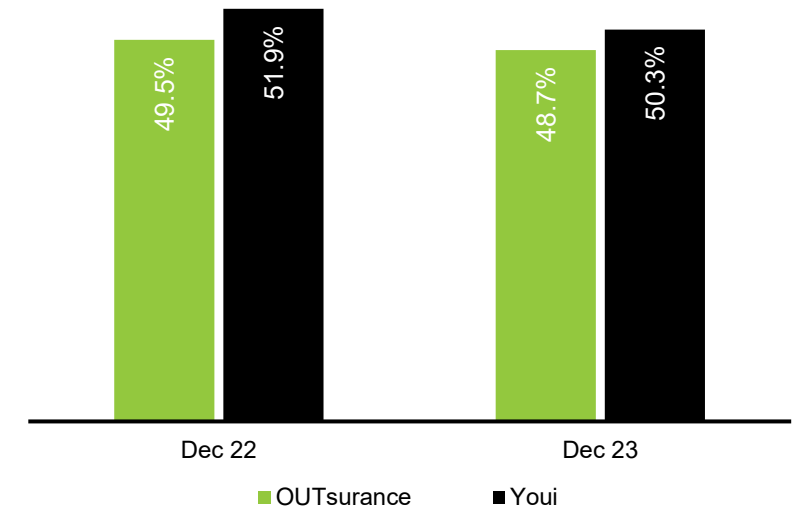
Natural perils exposure

Significant increase in natural perils claims following storm events in Australia

Net retained natural perils losses as % of net earned premium



2024 Accident year - working claims ratio (excluding natural perils)

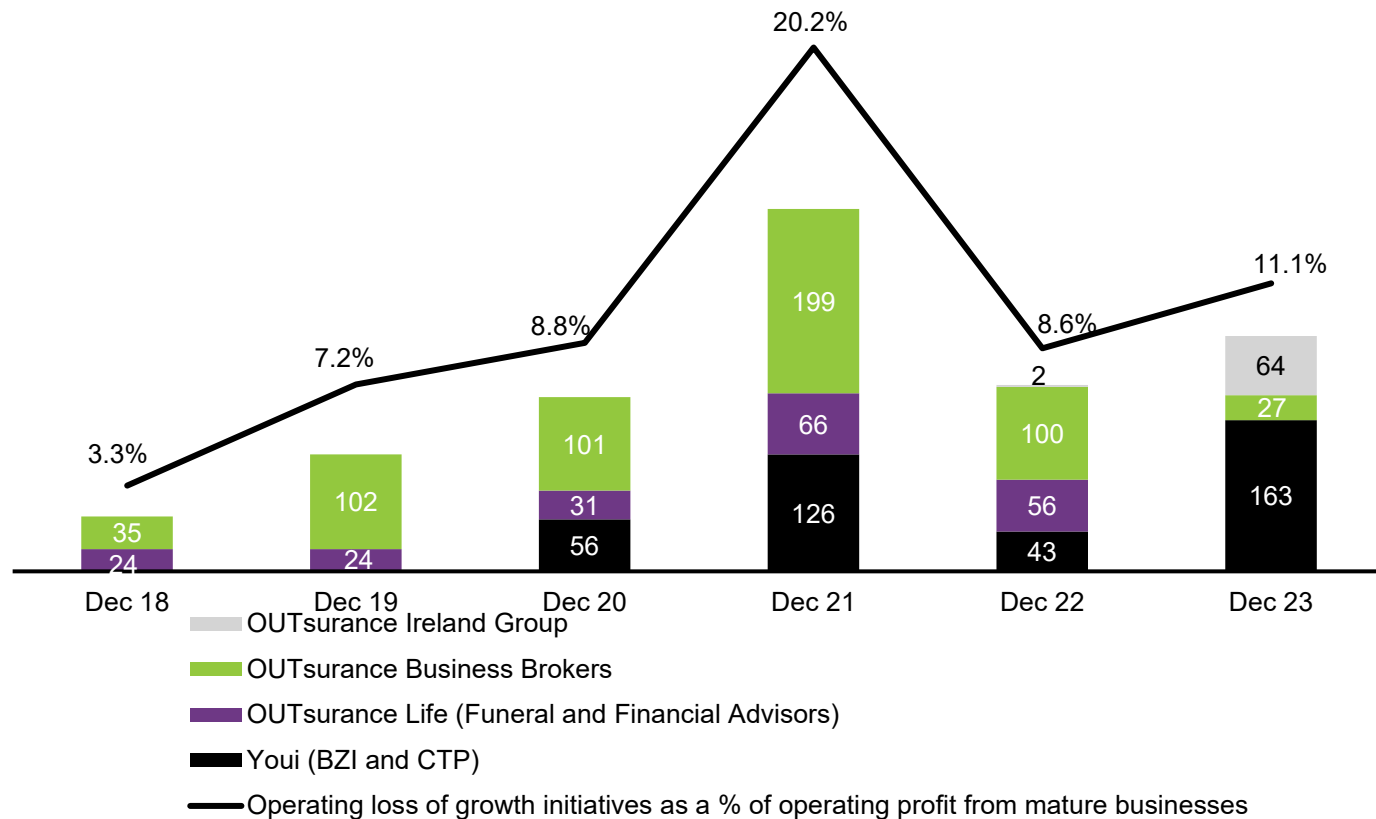


- Large increase in natural perils losses in Australia. Compares to a benign weather period in the comparative six months.
- Satisfactory improvement in the OUTsurance and Youi working claims ratios despite inflationary conditions.

Earnings profile – impact of growth initiatives

Reduced earnings strain from new initiatives and investment in Ireland ramping up

Operating losses generated by growth initiatives as % of profit from mature business units (R'million)



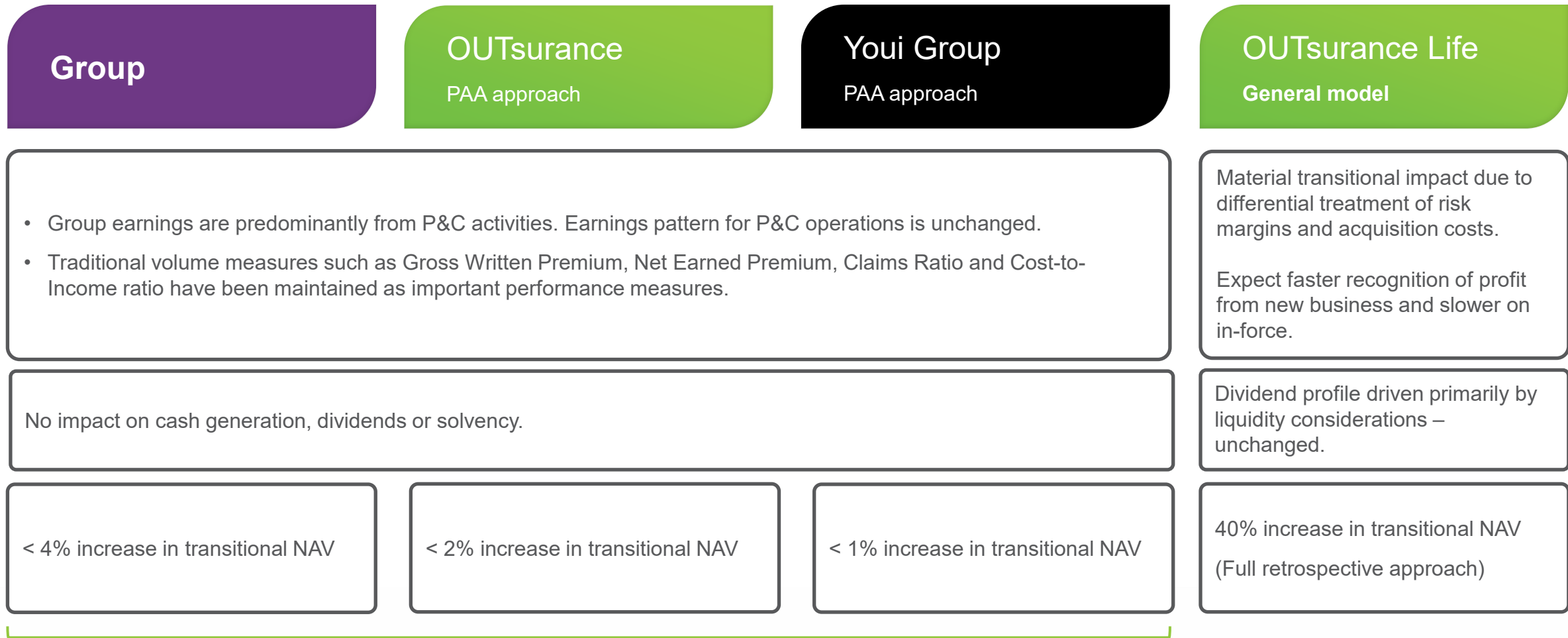
- Appetite for new venture losses is set at 10% of full year operating profit.
- OUTsurance Ireland operational loss has increased from R2 million to R64 million as the business ramps up capacity for launch.
- Youi’s BZI and CTP loss exacerbated by higher weather losses incurred in the BZI channel.



Financial review

IFRS 17 transition

First time adoption of IFRS 17 – limited impact on Group’s earnings profile

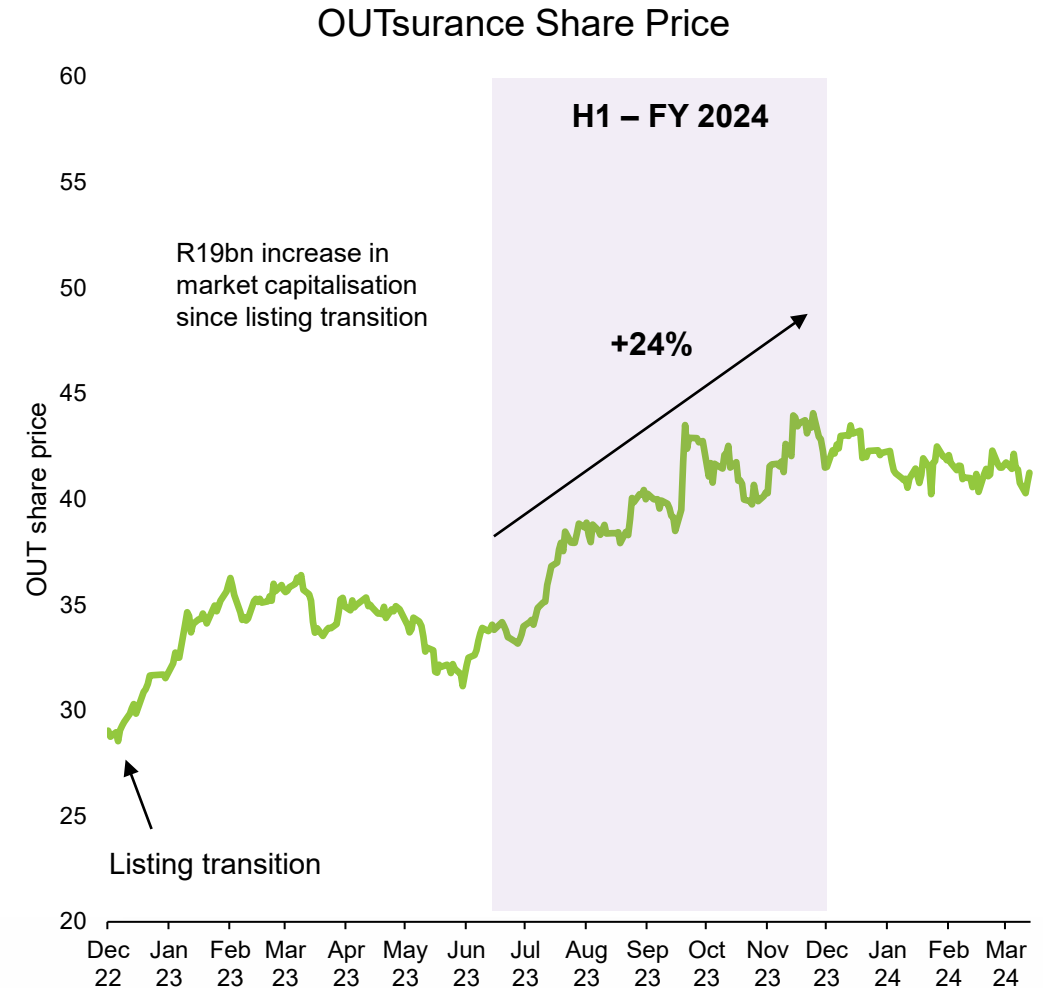


>95% of OHL normalised earnings

*Results for December 2022 have been restated to reflect the IFRS 17 accounting basis. Results for periods earlier than December 2022 represent historic IFRS 4 outcomes.

Impact of share-based payments expense

- The OUTsurance SA operation utilised Share Options as a long-term incentive (LTIP) prior the the listing transition.
- In 2023, new LTIP's were converted to Conditional Share Plan Awards (CSP) which are less geared than Share Options and provides a more stable expense going forward.
- All vintages of the LTIP's will be converted to the CSP scheme by FY 2026 which will eliminate volatility and provide a stable expense.
- Since the listing unvested Share Options are fair valued against the listed market price which results in volatility of the share-based payments expense.
- The volatility associated with the remaining Share Options have been significant in the period under review: The share-based payments expense was R270 million higher than expected. The impact of this excess expense is significant over the six-month earnings base.
- Adjusting for the once-off excess expense, the operating profit of the OHL Group would have been R270 million higher.
- The increase in the expense is not reflective of a change in management compensation philosophy, but rather reflective of the sharp increase in market capitalisation.



Financial Review

Part 1: OGL and OHL consolidated results

Part 2: OUTsurance results

Part 3: Youi Group results

Part 4: OUTsurance Life results

Part 5: Dividend and capital position

OGL Group consolidated results overview

Key performance outcomes

R' million	Dec 2023	Dec 2022	% change
Normalised earnings	1 411	1 404	0.5%
Normalised ROE	21.6%	23.0%	
Normalised earnings per share	92.1	91.6	0.5%
Diluted normalised earnings per share	90.6	90.7	(0.1%)
Dividend per share	61.2	56.8	7.7%

Contribution to normalised earnings

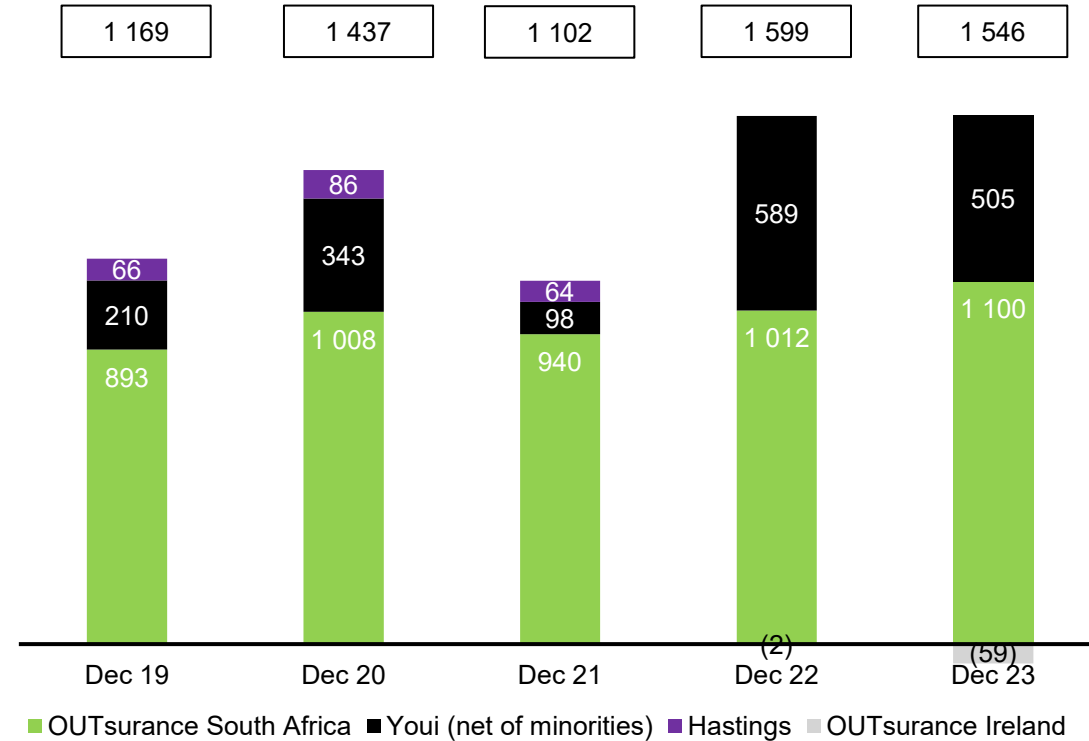
OUTsurance Holdings Limited (OHL)	1 546	1 599	(3.3%)
Non-controlling interest (OHL minorities)	(139)	(157)	11.5%
Central / RMI Treasury Company ¹	4	(38)	>100%
OUTsurance Group Limited (OGL)	1 411	1 404	0.5%

¹ Holds a portfolio of associate investments and financial assets. Included is the investment in the RMI Investment Managers Group which is being disposed of.

- Improved earnings of OGL are attributed to the lower head-office costs associated with reduced expenses linked to the simplification of the Group.
- The increased dividends supported by a stronger OHL dividend as described on slide 27.

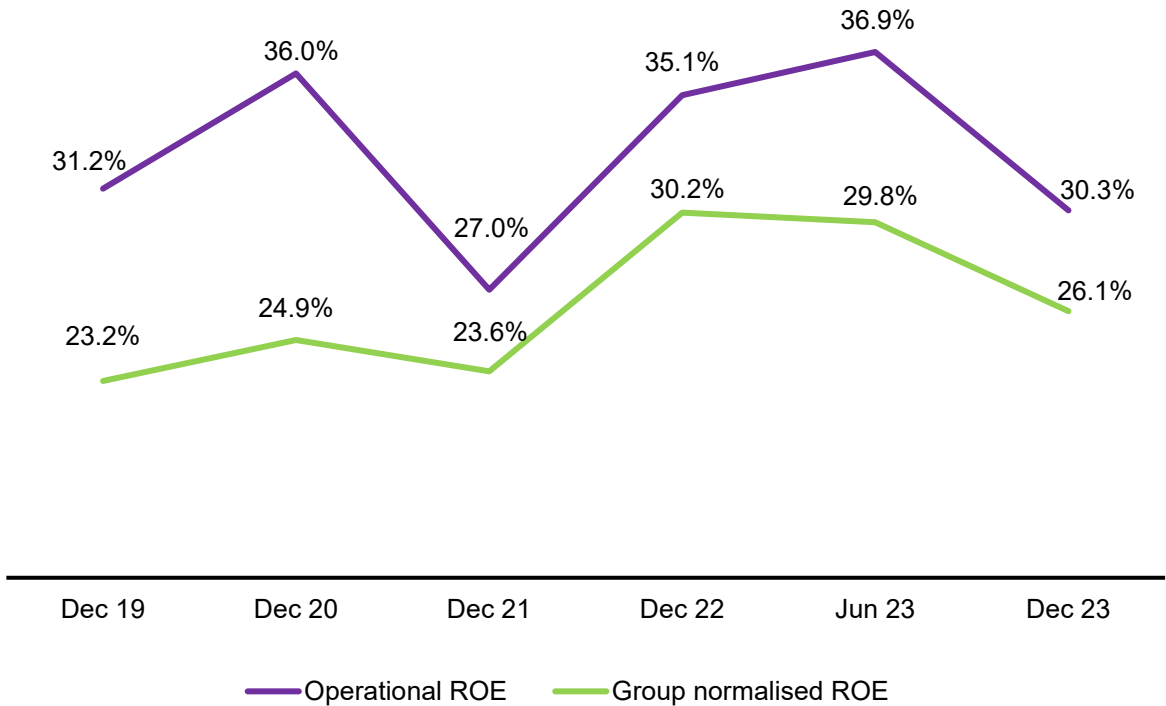
OHL Group consolidated results overview

OHL Group normalised earnings (R' million)



Youi's earnings are a more volatile component of the OHL Group's earnings contribution 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 to fund the OUTsurance Ireland expansion.

Operational performance – Property and Casualty

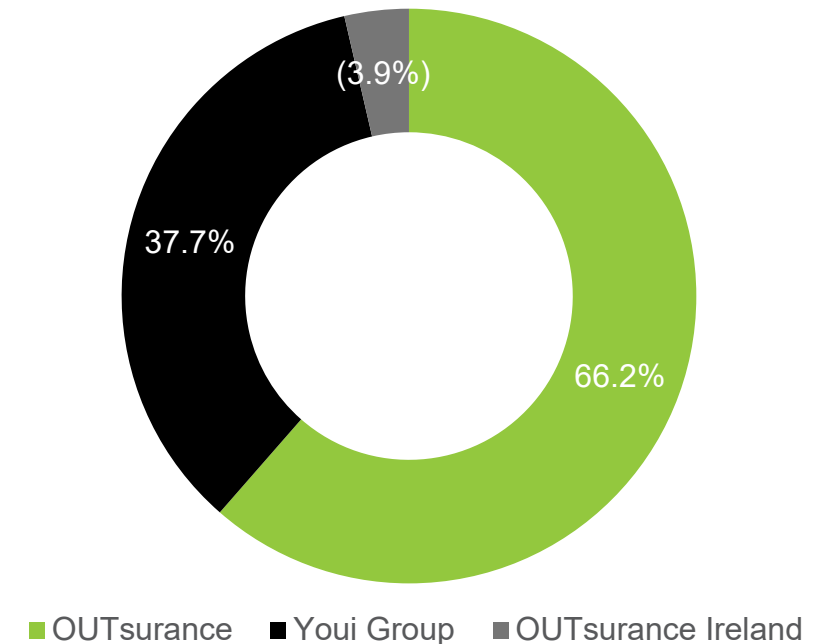
P&C key performance outcomes

R' million	Dec 2023	Dec 2022	% change
Gross written premium	16 110	13 153	22.5%
Net earned premium	13 761	11 357	21.2%
Annualised new business premium written	4 814	3 469	38.8%
Operating profit	1 643	2 030	(19.1%)
Normalised earnings	1 420	1 611	(11.9%)
Claims ratio	59.1%	54.4%	
Insurance cost-to-income ratio ¹	30.4%	28.3%	
Combined ratio ²	90.0%	83.5%	

¹ Excluding the financials effects of external contact centre services offered.

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

P&C operating profit contribution



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OUTsurance key financial outcomes

R' million	Dec 2023	Dec 2022	% change
Gross written premium	6 051	5 505	9.9%
Net earned premium	5 896	5 361	10.0%
Operating profit	1 088	1 127	(3.5%)
<i>OUTsurance Personal¹</i>	1 304	1 104	18.1%
<i>OUTsurance Business</i>	175	119	47.1%
<i>Central costs (including excess share-based payments)</i>	(391)	(96)	>100%
Investment income	306	266	15.0%
Headline earnings	923	955	(3.4%)
Claims ratio (%)	52.0%	53.3%	
Cost-to-income ratio (%)	29.9%	25.1%	
Combined ratio (%) ¹	83.0%	80.0%	

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

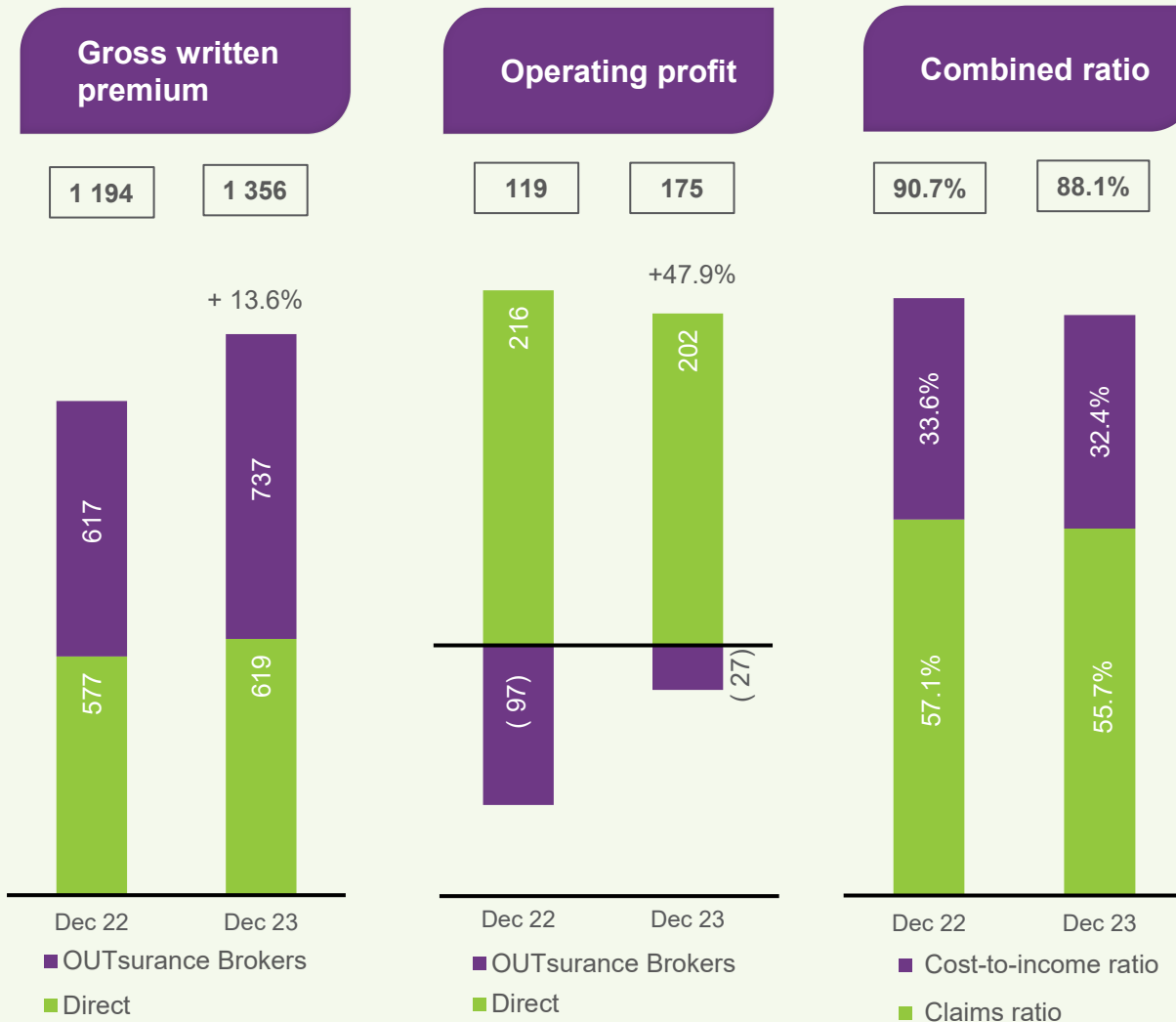
- Premium growth supported by premium inflation.
- Improved claims ratios despite persistent themes of rising repair costs, loadshedding and high value vehicle theft.
- Investment income bolstered by higher interest rates. Equity instruments delivered a lower return.
- Higher cost-to-income ratio reflects a significant increase in the share-based payments expense for the year and the channel mix change towards the OUTsurance Broker channel.
- Share-based payments will move to a lower and fixed expense as the conditional share plan replaces the option plan fully by the 2027 financial year.

OUTsurance Personal



- Excluding the HOC book in run-off personal lines gross written premium increased by 9.8%.
- The claims ratio reflects pro-active pricing discipline to counter the effects of claims inflation, loadshedding and vehicle theft.
- Operating profit grew by 18.1% owing to stronger premium growth and improved claims ratio.

OUTsurance Business



- Inflationary conditions have provided positive premium growth for the Direct channel.
- OUTsurance Brokers delivered 19.4% premium growth from a higher base. The slowing growth rate is also influenced by the focus on delivering target margins in this channel and achieving sustainable profitability.
- The break-even of OUTsurance Brokers has been influenced by the once-off cost of reallocating OUTsurance Life’s tied-agents to this segment. It is expected that this impact will normalise over the next six months.

Financial Review

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Part 3: Youi results

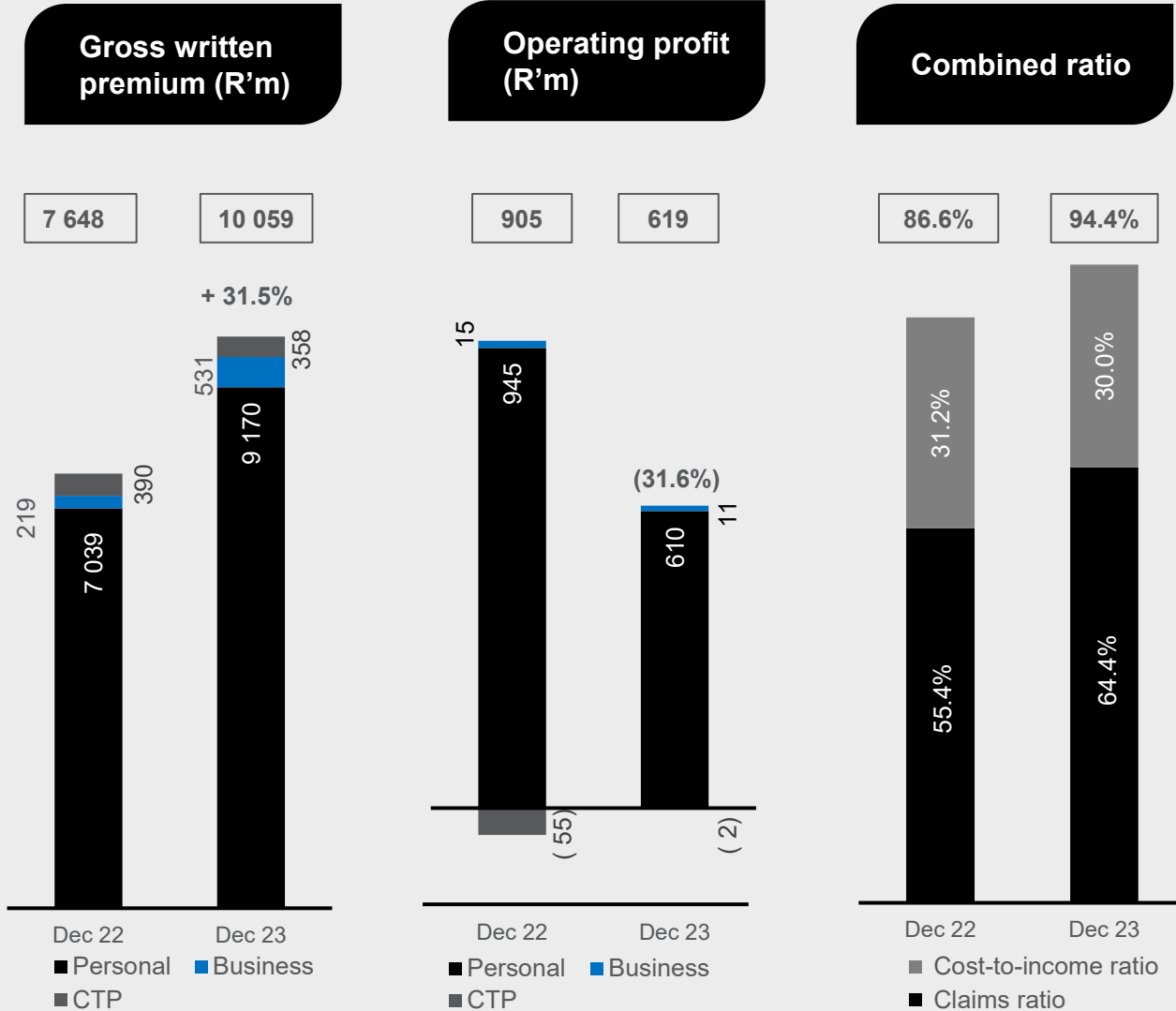
Part 4: OUTsurance Life results

Part 5: Dividend and capital position

Youi Group key financial outcomes

R'million	2023	2022	% change
Gross written premium	10 059	7 648	31.5%
Net earned premium	7 865	5 996	31.2%
Operating profit	619	905	(31.6%)
<i>Personal</i>	610	945	(35.5%)
<i>Business</i>	11	15	(26.7%)
<i>CTP</i>	(2)	(55)	96.4%
Investment income	317	131	>100%
Headline earnings	556	658	(15.5%)
Claims ratio (%)	64.4%	55.4%	
Cost-to-income ratio (%)	30.0%	31.2%	
Combined ratio (%)	94.4%	86.6%	

- Gross written premium growth accelerated by 31.5% in Rand and 25.6% in Australian Dollars.
- R678 million higher net retained natural perils losses compared to the H1-2022.
- Less favourable prior year claims liability release due to higher inflationary development on home claims.



- Significant premium inflation prompted by increasing claims repair costs and reinsurance cost inflation over the last two years.
- In AUD, gross and net earned premiums grew by 25.6% and 25.0% respectively.
- Higher claims ratio driven by natural perils claims and reduced positive prior year reserve development.
- The reduced cost-to-income ratio is reflective of disciplined cost management and scale.
- Rapidly rising interest rates generated the large increase in investment income and higher contribution to overall earnings.

Financial Review

Part 1: OGL and OHL consolidated results

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Part 4: OUTsurance Life results

Part 5: Capital and balance sheet

R'million	Dec 2023	Dec 2022	% change
Accounting measures			
Operating profit	57	(15)	>100%
<i>Underwritten life (incl F2F in run-off)</i>	71	(29)	>100%
<i>Funeral (incl Shoprite)</i>	33	18	83.3%
<i>Central</i>	(47)	(4)	>(100%)
Headline earnings	70	13	>100%
Contractual service margin (CSM per IFRS 17)	1 461	1 115	31.0%
EV and margins			
Embedded value	1 843	1 421	29.7%
Return on embedded value	21.8%	(17.6%)	
VNB margin (excl F2F) (%) ¹	9.6%	7.4%	

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

- Underwritten Life's operating profit benefitted from the discontinuance of the face-to-face initiative since July 2023.
- The Central segment contains excess share-based payments expenses which are above segmental budget outcomes.
- The CSM is IFRS 17's measure of pre-tax future profit contained in the in-force book. The growth of 31.0% since December 2022 and 12.0% since June 2023 is attributed to more new business profit added compared to existing profit running off.
- The improvement in the VNB margin results from a mix benefit towards Funeral business.

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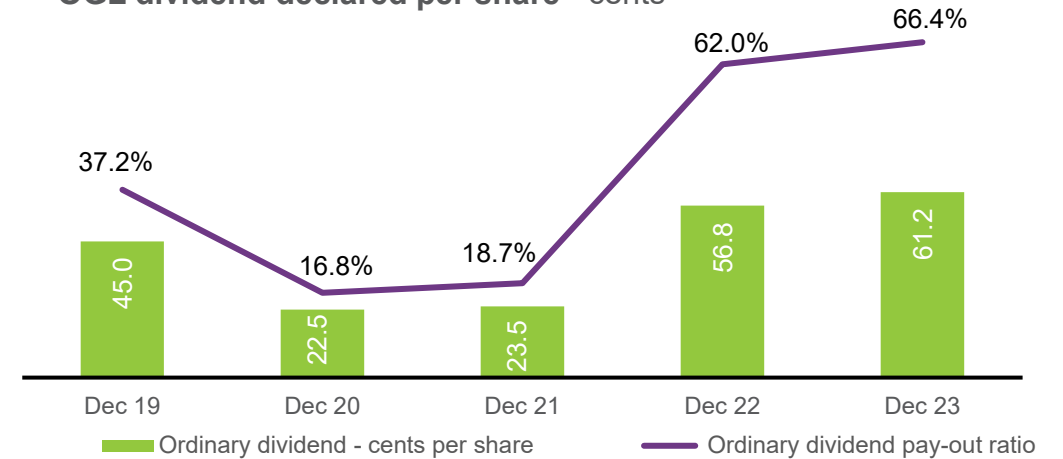
Capital and dividends

All operating units in strong solvency positions

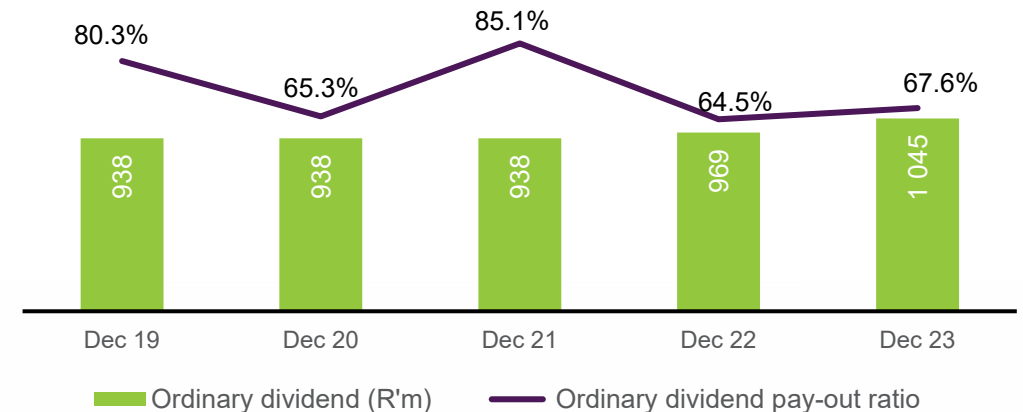
SCR ratio (times)	Dec 2023	Jun 2023	Target
OHL Group	2.2	2.2	1.5
Property and casualty insurance			
OUTsurance	1.5	1.7	1.3
Youi Group	2.2	2.4	1.6 - 1.9
OUTsurance Ireland Group	23.6	n/a	1.5
Long-term insurance			
OUTsurance Life	3.0	2.4	1.5

- Growth in dividend supported by:
 - Higher interim dividend pay-out ratio for Youi
 - Resumption of dividend payments by OUTsurance Life (since September 2023)
 - Less uncertainty regarding reinsurance markets

OGL dividend declared per share - cents



OHL dividend – R'million



Outlook

Group outlook

Operational outlook for remainder of FY 2024

- Elevated premium inflation is expected to persist in South Africa and Australia in the near term.
- We forecast that interest rates have peaked and will likely show a gradual decline starting in 2024. Investment income continues to benefit from this environment.
- Reinsurance markets are showing signs of softening.
- Good runway for organic growth given low market share in key segments.
- Climate change, solar penetration and electric vehicle penetration likely to continue to drive real growth in the P&C markets.
- Cost efficiency is a core focus to maintain target margins and drive long-term premium competitiveness.
- Market entry in Ireland will be a significant strategic milestone for the next quarter.
- Focus on incremental simplification of the Group through seeking monetisation opportunities for the portfolio investments.

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Examples of forward-looking statements include statements regarding a future financial position or future profits, expected profit or growth margins, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels, and other economic, fiscal and political factors.

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Contact: InvestorRelations@out.co.za

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