

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

RESULTS ANNOUNCEMENT AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2024 AND ISSUE OF NEW OGL SHARES IN EXCHANGE FOR SHARES IN OUTSURANCE HOLDINGS LIMITED

1. RESULTS ANNOUNCEMENT AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2024

1.1 Financial highlights

Normalised earnings

+20.3% to R3 536 million (2023: R2 939 million)

Full year ordinary dividend

+29.4% to 174.4 cents (2023: 134.8 cents)

Special dividend

40.0 cents (2023: 8.5 cents)

1.2 About the OUTsurance Group

The OUTsurance Group is a multinational insurance group that specialises in Property and Casualty insurance. The Group's activities are focused on the South African and Australian insurance markets with a recent expansion into the Republic of Ireland.

The Group's primary source of revenue is insurance premiums for risk underwritten in personal lines, commercial lines and life insurance products. Our customer proposition is focused on offering value for money insurance products and leading customer service outcomes that builds customer trust.

The Group services 2.8 million policies and employs over 7 000 employees across South Africa, Australia and Ireland.

1.3 Overview of results

The table below sets out the build-up of normalised earnings:

R million	2024	2023	% change
OUTsurance SA	2 212	1 884	17.4%
Youi Group	1 574	1 396	12.8%
OUTsurance Life	210	142	47.9%
OUTsurance Ireland	(180)	(56)	>(100%)
Administration service ¹	12	(35)	>100%
Central and consolidation adjustments	2	(21)	>100%
OUTsurance Holdings Limited	3 830	3 310	15.7%
Non-controlling interest	(353)	(322)	(9.6%)
Central/Treasury Company	59	(49)	>100%
OUTsurance Group Limited	3 536	2 939	20.3%
Normalised earnings per share (cents)	230.6	191.9	20.2%
Diluted normalised earnings per share (cents)	226.4	189.3	19.6%

1 Included in the normalised loss in the 2023 financial year is a loss of R27.6 million relating to OUTvest. OUTvest was disposed of effectively 1 February 2024 and the results for the year under review do not include any profit or loss related to the business.

IFRS 17 has introduced a major change in the reporting and presentation of the financial results of the insurance activities in the OGL Group. The materiality of this change is much more significant for the life insurance operation (accounted for under the general measurement model) compared to the Property and Casualty operations (accounted for under the premium allocation model).

The OUTsurance Holdings Limited (OHL) Group's normalised earnings were 15.7% higher at R3 830 million. The strong earnings result was supported by a good operational performance and investment income results. The improved earnings outcome for the year was achieved notwithstanding higher natural perils claims at Youi, the large increase in the share-based payments expense for the year and the startup-loss incurred by OUTsurance Ireland.

The share-based payments expense was R296 million higher than the 2023 financial year. This is linked to the historic Employee Share Option Scheme (ESOP) which was the primary long-term incentive mechanism for a large pool of participants before the listing transition. The final two tranches of outstanding ESOP instruments will be settled in September 2024 and September 2025 after which the ESOP will be fully replaced by the Conditional Share Plan (CSP) which is less geared and with a more predictable expense profile. The ESOP scheme is marked to market and is a cash-settled scheme which creates volatility in the share-based payments expense and consequently in the cost-to-income ratio. Since the announcement of the listing transition, the Group's market capitalisation has increased by R27 billion which resulted in higher gains realised by the large pool of participants.

OUTsurance Ireland, which launched in May 2024, incurred R180 million in start-up losses for the year. The company is following a measured approach to the launch phase and is performing in line with expectations.

The salient features of the Property and Casualty results are as follows:

- Gross written premium grew by a strong 20.5% driven by elevated inflation and good new business performance delivered by the Youi and OUTsurance SA operations.
- The claims ratio increase from 54.3% to 56.8% is attributed to the higher natural perils claims incurred by Youi and its increasing contribution to the shape of the Group's claims ratio. OUTsurance SA delivered improved claims ratios on the back of pricing discipline and continued improvement in claims experience in the OUTsurance Broker book.
- The cost-to-income ratio is distorted by the share-based payments expense as well as the expense strain from the OUTsurance Ireland start-up. Ignoring the increased share-based payments expense, the cost-to-income reduced from 29.4% to 28.4% which illustrates the positive momentum in Youi's cost-to-income ratio.
- Annualised new business increased by 30.4% from a higher base achieved in 2023. The outcome was delivered through excellent operational execution and higher premium inflation in our core direct channels.

OUTsurance Life delivered a much-improved operating result following the impact of stronger growth achieved in the funeral segment and the discontinuation of the face-to-face initiative.

The Central and Treasury Company showed a significant improvement in profitability. This improvement is attributed to stronger earnings from the portfolio investments and the effect of the first full year of reduced head office expenses following the listing transition. Higher interest rates earned on surplus financial assets also contributed positively. The current directors' valuation of the Treasury Company portfolio investments is between R1.8 billion and R 2.2 billion, after the impact of the special dividend.

1.4 Strategic focus

The Group's simplified strategic ambitions for the 2025 financial year are oriented towards focused operational execution and captured by the following themes:

- Disciplined scale-up of OUTsurance Ireland. The process to organically scale OUTsurance Ireland will be staged in line with our confidence to price and underwrite accurately as well as avoiding the risk of anti-selection, particularly as it relates to bodily injury exposure.
- Grow Youi's share of the Australian direct personal lines market. Youi's growth opportunity in the large Australian Property and Casualty market is our Group's major growth catalyst. Our medium-term focus is to ensure that Youi is positioned to incrementally and profitably grow market share whilst maintaining strong underwriting discipline and risk management to counter the effects of climate change.
- Profitably grow the OUTsurance Broker tied-agency channel. 2024 was a foundational year for OUTsurance Brokers where we focused on achieving profitability as well as bedding down operational and people management processes that will provide for stronger growth capacity in support of our ambitions to expand the sales force. The growth of OUTsurance SA's commercial insurance market share, off a low base, is a cornerstone of our South African strategy over the medium term.
- Systems modernisation, which is managed internally and deployed on an incremental basis. The modularity of this approach mitigates the risk of operational disruption and cost overrun.
- Structural simplification. Our simplified strategy is focused on organic growth in our existing three geographies. Over the course of 2024 and through to 2025, we will continue to take action to simplify our group structure and take advantage of opportunities to optimise capital utilisation. Our strategy to dispose of the portfolio of non-core portfolio investments will continue to be executed responsibly to ensure adequate shareholder returns.
- Environmental and societal matters. Our role of operating trusted insurance brands contributing to the stability of the financial services ecosystem and coupled with providing stable direct and indirect employment opportunities are the most material corporate contributions we make to society.

1.5 Outlook and value creation

From a South African perspective, we enter the 2025 financial year with renewed optimism concerning the prospects of economic progress in the country underpinned by the Government of National Unity. A more vibrant economy that grows the middle class could reverse the absence of real growth in the insurance market over the last decade.

We are excited about the organic growth prospects of Youi supported by a stable Australian economy, low current market share, growth momentum and a growing insurance market.

Herman Bosman
Chairman

Marthinus Visser
Chief executive officer

Centurion
16 September 2024

1.6 Cash dividend declaration

Notice is hereby given that a gross final cash dividend of 113.2 cents per ordinary share and a special dividend of 40.0 cents per ordinary share, payable out of income reserves, was declared on 17 September 2024 in respect of the year ended 30 June 2024.

These dividends will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net dividend of 90.56 cents per ordinary share in respect of the normal dividend and 32.0 cents per ordinary share in respect of the special dividend 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 1 549 615 031 ordinary shares.

Shareholders' attention is drawn to the following important dates:

- Finalisation date for the special dividend will be Tuesday, 8 October 2024.
- Last day to trade in order to participate in this dividend will be Tuesday, 15 October 2024.
- Shares commence trading ex-dividend on Wednesday, 16 October 2024.
- The record date for the dividend payment will be Friday, 18 October 2024.
- Dividend payment date will be on Monday, 21 October 2024.

No dematerialisation or rematerialisation of share certificates may be done between Wednesday, 16 October 2024 and Friday, 18 October 2024 (both days inclusive). The special dividend is subject to South African Reserve Bank approval. Shareholders will be notified accordingly by the finalisation date.

By order of the OGL Board.

Schalk Human
Company secretary
Centurion
16 September 2024

1.7 Key financial information

Consolidated statement of profit or loss for the year ended 30 June

R million	2024	2023 Restated
Insurance revenue ¹	31 913	26 833
Insurance service expenses ^{1,2}	(24 977)	(19 837)
Net expenses from reinsurance contracts held ¹	(1 347)	(1 989)
Insurance service result	5 589	5 007
Administration and other income ¹	502	450
Net investment income	1 628	1 198
Investment income	290	208
Interest income on financial assets using the effective interest method	1 284	911
Net gain from fair value adjustments on financial assets	51	80
Expected credit losses on financial assets	3	(1)
Net insurance finance expenses ¹	(241)	(94)
Finance expenses from insurance contracts issued ¹	(343)	(103)
Finance income from reinsurance contracts held ¹	102	9
Fair value adjustment to financial liabilities	(200)	(196)
Net insurance and investment result	7 278	6 365
Marketing and administration expenses ²	(1 646)	(1 510)
Finance costs	(73)	(40)
Equity accounted earnings	127	20
Profit on sale of assets held for sale	55	57
Profit on change in shareholding of investment in associates	509	7
Profit on sale of associates	44	-
Impairment of investment in associates	(9)	(23)
Profit before taxation	6 285	4 876
Taxation ¹	(1 794)	(1 459)
PROFIT FOR THE YEAR	4 491	3 417
Profit attributable to:		
Ordinary shareholders ¹	4 061	2 980
Non-controlling interests ¹	430	437
PROFIT FOR THE YEAR	4 491	3 417
Earnings per share (cents)	265.5	194.5
Diluted earnings per share (cents)	261.0	190.8

1 The prior financial year has been restated due to the adoption of IFRS 17.

2 For the year ended 30 June 2023 there was a reallocation from marketing and administration expenses to insurance service expenses relating to the update of the classification of certain directly attributable expenses.

Headline earnings reconciliation

R million	2024		2023	
	Gross	Net	Gross	Net
Earnings attributable to ordinary shareholders		4 061		2 980
Adjustments for:				
- Profit on dilution of investments in associates	(511)	(448)	(6)	(6)
- Profit on sale of assets held for sale	(52)	(52)	(47)	(38)
- Profit on disposal of investments in associates	(40)	(40)	-	-
- Impairments of investments in associates	9	9	17	17
- Realised foreign exchange gain of sale of investment in associate	(5)	(5)		
- Loss on write-down of intangible asset	-	-	13	9
- Loss on disposal of property and equipment	-	-	1	1
Headline earnings attributable to ordinary shareholders		3 525		2 963

Normalised earnings reconciliation

R million	2024	2023	% change
Headline earnings attributable to ordinary shareholders	3 525	2 963	19.0%
Adjustments for:			
- Fair value adjustments on derivative financial instruments	9	(3)	
- Amortisation of intangible assets relating to business combinations	4	4	
- Group treasury shares	(2)	(25)	
Normalised earnings attributable to ordinary shareholders	3 536	2 939	20.3%

Computation of earnings and dividend per share

R million	2024	2023	% change
Earnings attributable to ordinary shareholders	4 061	2 980	36.3%
Headline earnings attributable to ordinary shareholders	3 525	2 963	19.0%
Number of shares in issue (millions)	1 538	1 532	
Weighted average number of shares in issue (millions)	1 530	1 531	
Earnings per share (cents)	265.5	194.5	36.5%
Diluted earnings per share (cents)	261.0	190.8	36.8%
Headline earnings per share (cents)	230.4	193.4	19.1%
Diluted headline earnings per share (cents)	226.0	190.7	18.5%
Dividend per share			
Normal dividend (cents)	174.4	134.8	29.4%
Special dividend (cents)	40.0	8.5	>100%
Total dividend (cents)	214.4	143.3	49.6%

Computation of normalised earnings per share

R million	2024	2023	% change
Normalised earnings attributable to ordinary shareholders	3 536	2 939	20.3%
Number of shares in issue (millions)	1 538	1 532	
Weighted average number of shares in issue (millions)	1 533	1 532	
Normalised earnings per share (cents)	230.6	191.9	20.2%
Diluted normalised earnings per share (cents)	226.4	189.3	19.6%

2. ISSUE OF NEW OGL SHARES IN EXCHANGE FOR OHL SHARES

At the annual general meeting of OGL held on 23 November 2023, shareholders approved special resolution number 4 which allows the company to issue new shares in connection with the acquisition of further shares in OHL from its minority shareholders. Since 1 July 2022, the movement in the OHL share price was referenced to the movement in the 15-day volume weighted average price (VWAP) of the OGL shares.

On 16 September 2024, OGL acquired 69 996 930 OHL treasury shares held by the OUTsurance Holdings Share Trust (Trust), thereby increasing its interest in OHL from 90.5% to 92.3%. The acquisition cost was funded by OGL's surplus cash and the issuance of 12 079 169 new OGL ordinary shares at R48.69 per share to OHL. The issue price was based on the 15-day VWAP of the OGL share price at the close of the market on 11 September 2024. This new issuance of OGL shares resulted in the increase of the total number of issued shares from 1 537 535 862 to 1 549 615 031. OHL will partially declare these newly issued OGL shares as an in-specie dividend to its shareholders on 11 October 2024. OGL will subsequently cancel its 92.3% portion of the OGL shares received from OHL. The net effect of the issuance and subsequent cancellation (upon receipt of the in-specie dividend) of the OGL shares is a 0.2% increase in the issued ordinary shares of OGL.

The Trust is being wound-up in anticipation of the ultimate roll-up of the OHL minority shareholding to OGL shares over the next 12 to 18 months.

Directors

Chairman: HL Bosman

Lead Independent: K Pillay

Independent: B Hanise, ET Moabi, JA Teeger, JE van Heerden, 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 year ended 30 June 2024, Messrs Hedding and Burger stepped down as directors. On 12 September 2024, Mr Marx retired as a director.

Secretary and registered office

JS Human

Physical address: 1241 Embankment Road, Zwartkop Ext 7, Centurion, South Africa, 0157

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

Postal address: Private Bag X9000, Saxonwold, 2132

Telephone: +27 11 370 5000

Telefax: +27 11 688 5221

The Company has issued its audited annual financial statements and integrated report for the year ended 30 June 2024.

Whilst the audited annual financial statements are available through the JSE cloudlink

<https://senspdf.jse.co.za/documents/2024/jse/isse/OUTE/OGLEAFS24.pdf>, the integrated report and annual financial statements are available through the Company's weblink <https://group.outsurance.co.za>

KPMG, the Group's independent auditor, has audited the consolidated and separate annual financial statements and has expressed an unmodified audit opinion thereon.

Any investment decisions by shareholders and/or investors should be based on a consideration of the annual financial statements as a whole and shareholders and/or investors are encouraged to review the audited annual financial statements, which is available for viewing on the links as set out above.

17 September 2024

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)