PHOENIX GROUP

Phoenix Group Holdings plc: 2019 Half Year Results 7 August 2019

# Phoenix Group expects to be towards the upper end of its 2019 cash generation target and is on track to realise £1.2 billion Standard Life Assurance acquisition synergy target

Phoenix Group, Europe's largest life and pensions consolidator[1], announces strong results for the six months ended 30 June 2019.

**Financial highlights**

- Strong cash generation[2] of £287 million in H1 2019 (H1 2018: £349 million). The Group expects to be towards the upper end of its cash generation target range of £600 million - £700 million[3] for full year 2019.
- Solvency II surplus of £3.0 billion[4] as at 30 June 2019 (£3.2 billion[5] as at 31 December 2018).
- Shareholder Capital Coverage Ratio of 160%[4,6] as at 30 June 2019 (167%[5,6] as at 31 December 2018).
- Group operating profit of £325 million in H1 2019 (H1 2018: £216 million).
- Interim dividend of 23.4p per share, a 3.5%[7] increase on the 2018 interim dividend.
- New business contribution[8] of £116 million from UK Open and Europe (H1 2018 pro forma[9]: £100 million).
- £250 million of incremental long-term cash generation from H1 2019 new business (H1 2018 pro forma[9]: £303 million), enhancing the sustainability of our dividend.
- Assets under administration of £245 billion as at 30 June 2019 (£226 billion as at 31 December 2018).
- Leverage ratio[10] of 23% as at 30 June 2019 (22% as at 31 December 2018) remains under target range of 25% - 30% and new £1.25 billion revolving credit facility in place.

**Transition programme**

- Remains on track to deliver the £1.2 billion total synergy target for the Standard Life Assurance businesses transition.
- £115 million of capital synergies delivered in H1 2019 taking cumulative capital synergies to £615 million against a target of £720 million (85% of total).
- £21 million per annum cost savings delivered to date against a target of £75 million per annum (28% of total).
- £17 million one-off cost synergies delivered to date against a target of £30 million (57% of total).

**Delivering on strategic priorities**

- Brexit preparations complete with £250 million of capital injected into an Irish subsidiary prior to a Part VII transfer of our European branch businesses completed in March 2019.
- £3.5 billion gross new business inflows for UK Open and Europe businesses in H1 2019 (H1 2018 pro forma[9]: £4.6 billion).
- £0.5 billion of bulk purchase annuity liabilities contracted in the period (H1 2018: £0.5 billion) and a further £0.2 billion contracted in August.
- £1.1 billion buy-in from the PGL Pension Scheme successfully completed.
- £0.5 billion of illiquid assets sourced, taking allocation of illiquid assets backing annuity liabilities to 22%.
- Regulatory approval for two master trust schemes, looking after over 240,000 customers and £5 billion assets under administration, enabling Phoenix to access this rapidly growing market.

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**Commenting on the results, Group CEO, Clive Bannister said:**

"I am delighted to announce our H1 2019 results today which demonstrate Phoenix's commitment to meeting the targets it has set. Having delivered £287 million of cash generation year to date, Phoenix expects to be towards the upper end of the £600 - £700 million 2019 target range. We also continue to make good progress across all phases of our transition programme and remain on track to meet the £1.2 billion total synergy target announced in March.

Whilst net inflows into our Open businesses are down overall year on year reflecting market uncertainty from Brexit and a tail off in DB to DC transfers, contributions to our auto-enrolment workplace schemes have increased, and new annuity business in our Heritage segment has been strong. The £250 million of incremental long-term cash generation from this new business in H1 2019 brings sustainability to Phoenix and its dividend.

The life insurance sector continues to consolidate and the M&A pipeline remains strong. We are ready to do deals that meet our acquisition criteria and I am confident that Phoenix will continue to be the market leader in this consolidation process."

**Presentation**

There will be a presentation for analysts and investors today at 8.30am (BST) at J.P. Morgan, 1 John Carpenter Street, London, EC4Y 0JP

A link to a live webcast of the presentation, with the facility to raise questions, and a copy of the presentation will be available at www.thephoenixgroup.com

To register for the conference call please go to:

https://www.webcastphoenixgroup.com/2019-half-year-results/vip_connect

To register for the live webcast please go to:

https://www.webcastphoenixgroup.com/2019-half-year-results

A replay of the presentation will also be available through the website.

**Dividend**

The interim dividend of 23.4p per share is expected to be paid on 30 September 2019.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 15 August 2019. The record date for eligibility for payment will be 16 August 2019.

**Enquiries**

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## Notes

1. Phoenix Group is the largest life and pensions consolidator in Europe with 10 million policies and £245 billion of assets under administration.
2. Cash generation is a measure of cash and cash equivalents, remitted by the Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items.
3. 2019 cash generation target is net of the £250 million cost of capitalising Standard Life International Designated Activity Company for Brexit.
4. The Solvency II capital position is an estimated position and assumes a dynamic recalculation of transitionals as at 30 June 2019. Had a dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £0.2 billion and 5% respectively.
5. The 31 December 2018 Solvency II capital position includes the impact of a regulator approved recalculation of transitionals for Standard Life Assurance Limited only. Had a dynamic recalculation of transitionals been assumed for the Phoenix Life companies, the Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.1 billion and 3% respectively.
6. The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and the PGL Pension Scheme.
7. Rebased to take into account the bonus element of the rights issue completed in July 2018.
8. "New business contribution" is the increase in Solvency II own funds arising from new business written in the period excluding risk margin and contract boundary restrictions.
9. The pro forma assumes that the acquisition of the Standard Life Assurance businesses took place on 1 January 2018.
10. Current leverage ratio is estimated by management.
11. This announcement in relation to Phoenix Group Holdings plc and its subsidiaries (the 'Group') contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements and other financial and/or statistical data about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives.
12. Statements containing the words: 'believes', 'intends', 'will', 'may', 'should', 'expects', 'plans', 'aims', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward-looking. Such forward-looking statements and other financial and/or statistical data involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that the Group has estimated.
13. Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global economic and business conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities, including, for example, new government initiatives related to the financial crisis and the effect of the European Union's "Solvency II" requirements on the Group's capital maintenance requirements; the impact of inflation and deflation; the political, legal and economic effects of the UK's vote to leave the European Union; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; risks associated with arrangements with third parties; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate.

14. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements and other financial and/or statistical data within this announcement. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this announcement or any other forward-looking statements or data it may make or publish. Nothing in this announcement should be construed as a profit forecast or estimate.