



## Phoenix Group announces strong results after a transformational year. New cash generation targets set and synergy target increased by £500 million to £1.2 billion

Phoenix Group, Europe's largest life and pensions consolidator<sup>1</sup>, today announces a strong set of results for the year ended 31 December 2018.

### 2018 Highlights

- £664 million of cash generation<sup>2</sup> in 2018 (2017: £653 million). The Group has delivered £1.3 billion cash generation in 2017 and 2018, exceeding the upper end of its cash generation target range of £1.0 billion - £1.2 billion for this period.
- Solvency II surplus of £3.2 billion<sup>3</sup> as at 31 December 2018 (£2.5 billion pro-forma as at 31 December 2017).
- Shareholder Capital Coverage Ratio of 167%<sup>4</sup> as at 31 December 2018 (147% pro-forma as at 31 December 2017).
- Proposed final dividend of 23.4p per share, a 3.5% increase on the 2017 final dividend.
- Group operating profit of £708 million (2017: £368 million).
- Assets under administration of £226 billion as at 31 December 2018 (31 December 2017 pro-forma: £240 billion). Net business inflows of £3.9 billion on UK Open and European businesses.
- New business contribution<sup>5</sup> of £154 million (2018 pro-forma) demonstrates value accretive nature of Open new business in the UK and Europe.
- Fitch Ratings affirmed the Group's ratings at A+<sup>6</sup>; "stable" outlook. Leverage ratio 22%<sup>7</sup>.

### New cash generation targets

- 2019 cash generation target of £600 - £700 million<sup>8</sup>.
- Long-term cash generation target for 2019 – 2023 of £3.8 billion.

### Acquisition of the Standard Life Assurance businesses

- Acquisition of the Standard Life Assurance businesses completed on 31 August 2018.
- Total synergy target (net of £150 million transition costs) increased by £500 million from £720 million to £1,220 million:
  - Capital synergies new target of £720 million (increased from £440 million); with £500 million delivered to date; and
  - Capitalised cost synergies new target of £650 million (increased from £415 million); reflecting an increase from £50 million to £75 million per annum.

### Delivering on strategic priorities

- Successfully entered bulk purchase annuity market contracting £0.8 billion of liabilities in 2018.
- AXA and Abbey Life integrations completed ahead of plan and targets, delivering cost synergy benefits of £27 million per annum and cumulative cash generation of £968 million.
- Diligenta selected as Phoenix's partner to deliver a single, digitally enhanced outsourcer platform to a further 2 million legacy-Phoenix policies.
- Brexit preparations complete.



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- On-shoring project completed with UK plc in place.

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

“2018 was a very successful year for Phoenix in which we exceeded our cash generation targets, further improved our capital resilience and transformed the business through the acquisition of the Standard Life Assurance businesses.

These results show the strength of our Group and have enabled us to again increase our short and long term cash generation targets.

The transition of the Standard Life Assurance businesses continues to progress well and today we increase the total cost and capital synergy target by 70% from £720 million to £1.2 billion. Our end state operating model will incorporate the best of both legacy businesses and our management bench strength and strategic options as a combined Group have increased significantly.

Phoenix’s substantial new business flows across both our Heritage and Open businesses through our Strategic Partnership with Standard Life Aberdeen bring increased sustainability to our long term cash generation. We are confident about our opportunities to grow in the future both organically and through BPA and acquisitions.”

## Presentation

There will be a presentation for analysts and investors today at 8.30am (GMT) 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](http://www.thephoenixgroup.com)

Participants may dial in as follows:

Dial-in number: +44 20 3059 5868

Title of call: Phoenix Full Year Results

Please dial in 10 minutes prior to the beginning of the conference call in order to register.

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

## Dividend

The recommended final dividend of 23.4p per share is expected to be paid on 7 May 2019, subject to shareholder approval at Phoenix Group Holdings plc’s AGM on 2 May 2019.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 21 March 2019. The record date for eligibility for payment will be 22 March 2019.

## Enquiries

Investors/analysts:

**Claire Hawkins**, Head of Investor Relations, Phoenix Group  
+44 (0)20 3735 0575

Media:

**Andy Donald and Vikki Kosmalska**, Maitland + 44 (0) 20 7379 5151



**Shellie Wells**, Head of Corporate Communications, Phoenix Group  
+44 (0) 203 735 0922/ +44 7872 414137

## Notes

1. Phoenix Group is the largest life and pensions consolidator in Europe with 10.0 million policies and £226 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. The Solvency II capital position is an estimated position and 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.
4. The Shareholder Capital Coverage Ratio of 167% excludes Solvency II Own Funds and Solvency Capital Requirements of unsupported with-profit funds and the PGL Pension Scheme.
5. 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.
6. Insurer Financial Strength rating of Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited.
7. Current leverage ratio of 22% estimated by management.
8. 2019 cash generation target is net of the £250 million cost of capitalising Standard Life International Designated Activity Company for Brexit.
9. 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.
10. 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.
11. 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.
12. 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



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statements or data it may make or publish. Nothing in this announcement should be construed as a profit forecast or estimate.