Phoenix Group announces strong full year 2022 results and a 5% dividend increase

CASH		RESILIENCE		GROWTH
Operating companies' cash generation	+	Solvency II Surplus and SCCR	+	Incremental new business long-term cash generation
£1,504m		**£4.4bn and 189%**		**£1,233m**
FY 2021: £1,717m		FY 2021: £5.3bn and 180%		FY 2021: £1,184m

Commenting on the results, Phoenix Group CEO, Andy Briggs said:

"Phoenix has a simple strategy that is focused on the UK long-term savings and retirement market. We have continued to make excellent progress across all areas of that strategy in 2022, despite the challenging economic backdrop.

This has enabled us to deliver a strong set of financial results, with cash generation of £1.5 billion and our resilient balance sheet maintained. We have also grown our business both organically, with record new business growth of £1.2 billion, and inorganically, with the cash funded acquisition of Sun Life of Canada UK. Our strong strategic and financial performance has therefore enabled the Board to recommend a 5% dividend increase for the year.

At Phoenix, sustainability is embedded across our business and we are committed to putting the Planet and People at the heart of everything we do. If we are to live up to our purpose of helping people secure a life of possibilities, we need to play our part in tackling climate change and making retirement provision fit for the twenty first century. We have much more to do on both of these themes but the benefits of getting this right, both commercially and societally, are huge."

2022 financial highlights

Growing our dependable cash generation

- £1,504m of cash generation[1] in 2022 (FY21: £1,717m), which exceeds our £1.3bn-to-£1.4bn target range for the year.
- £12.1bn of Group in-force long-term free cash has increased by c.£0.3bn (FY21: £11.8bn) as our business grew year-on-year. This cash, which will be released over time, ensures our growing dividend is sustainable over the very long term.

Maintaining a resilient Solvency balance sheet

- £4.4bn[2] Solvency II Surplus at 31 December 2022 (FY21: £5.3bn), with our comprehensive risk management approach limiting the Solvency II Surplus economic impact to £(0.4)bn, in line with our published sensitivities.
- 189% Solvency II Shareholder Capital Coverage Ratio[2,3] ('SCCR') (FY21: 180%[3]) is currently above our target range of 140-180%, providing significant capacity to invest into growth.

Delivering record organic growth

- £1,233m of incremental new business long-term cash generation (FY21: £1,184m) comprises £934m from our Retirement Solutions business (FY21: £950m) and £299m from our capital-light fee-based businesses (FY21: £234m).
- £4.8bn of BPA premiums (FY21: £5.6bn) which generated a broadly stable level of incremental new business long-term cash generation, but with 20% less capital invested; capital strain reduced further to 5.8%[4] (FY21: 6.5%).
- £2.4bn of Workplace net fund flows (FY21: £0.2bn) and 53% increase in incremental new business long-term cash generation to £212m (FY21: £139m), as we retain our existing clients and benefit from new joiners to existing schemes and increased member contributions.

Strong dividend growth in 2022

- The Group's dividend policy is to 'pay a dividend that is sustainable and grows over time'.
- 5% increase in the Final 2022 dividend to 26.0 pence per share is recommended by the Board, comprising:
  - 2.5% organic dividend increase reflecting the Group's strong strategic and financial performance in 2022; and
  - 2.5% inorganic dividend increase that reflects the value from the Sun Life of Canada UK acquisition, which is expected to complete in April 2023 with regulatory approval now received.
- 50.8 pence per share Total 2022 dividend (FY21: 48.9 pence per share).

Other key financial metrics

- Assets under administration of £259bn (FY21: £310bn) are lower primarily due to c.£46bn reduction in asset values.
- IFRS adjusted operating profit of £1,245m (FY21: £1,230m); IFRS loss after tax of £(1,762)m reflects significant adverse investment variances due to the accounting volatility from our hedging approach and an accounting mismatch from our own pension schemes that have been subject to a buy-in (with an offset in Other Comprehensive Income).
- 30% Fitch leverage ratio[5] (FY21: 28%) remains within our target range of 25-30%, despite the impact of IFRS volatility.

Clear progress made against our strategic priorities and our key ESG themes

Optimising our in-force business

- £739m of Solvency II management actions delivered in 2022, primarily through BAU actions that included ongoing balance sheet efficiencies, further illiquid asset origination and optimisation of our liquid credit portfolio.
- Our comprehensive risk management approach protected both our capital position and long-term cash, and we comfortably met all collateral calls on our hedging instruments during the economic turmoil in the second half of 2022.
- £3.5bn of illiquid assets originated (FY21: £3.0bn), comprising £1.9bn of illiquid private debt and £1.6 billion of Equity Release Mortgages, demonstrating our enhanced asset management capabilities.

Growing organically and through M&A

- Delivered sustainable organic growth through our Standard Life branded Retirement Solutions and Pensions and Savings businesses, reflecting the investment into our propositions.
- Won 76 new Workplace schemes with an aggregate asset value of c.£2bn that will transfer over the next 12-24 months.
- Announced our first ever cash funded acquisition of Sun Life of Canada UK for £248m, which is expected to generate c.£470m[6] of incremental long-term cash generation.

Enhancing our operating model and culture

- Successfully migrated all c.400k annuities from Standard Life to the TCS BaNCS platform, and transferred c.1,200 customer service and IT colleagues to TCS Diligenta in line with our integration plan.
- Completed the integration of the ReAssure Group Functions and announced in February the transfer of all c.3m policies from the Alpha platform to TCS BaNCS, delivering a further £180m of net cost synergies.
- Improved diversity across the organisation, including gender balance achieved on our Group Board and Executive Committee.
- Ongoing support for colleagues with the cost of living challenges, including a £1,000 net payment to our colleagues[7].

Our strategic priorities are informed by, and in support of, our key ESG themes of: Planet and People

- Planet - by transitioning our business to net zero, we aim to deliver better outcomes for our customers and play our part in tackling the climate emergency. Key achievements include:
  - c.£15bn of assets and c.1.5m members transitioned to Standard Life's Sustainable Multi-Asset default fund as we begin to decarbonise our investment portfolios at scale.

- c.£340m of policyholder assets to be invested into an innovative multi-asset 'climate solutions' mandate as we maximise the opportunity of investing in climate solutions.
- 82% of key suppliers committed to setting science-based targets or Race to Zero based.
- c.80% reduction in the carbon emission intensity of our own operations since 2019.

- People - we want to help people live better longer lives. This means tackling the pension savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills. Key achievements include:
  - Our think tank, Phoenix Insights, published several insightful research reports raising awareness of under saving, advocating for reform of the state pension, and contributing to the debate on economic inactivity.
  - c.1.2m customers offered the chance to review our digital literacy materials.
  - Improved average colleague engagement eNPS score of +30 (FY21: +23).

Key financial targets and guidance

- **Cash:** 2023 cash generation target range of £1.3bn-£1.4bn; 3-year 2023-25 cash generation target of £4.1bn, which now includes future new business reflecting our confidence in delivering sustainable organic growth.
- **Resilience:** continue to operate within our target ranges for our SCCR (140-180%) and Fitch leverage ratio (25-30%).
- **Organic growth:** deliver further organic growth in 2023 as we progress towards our 2025 targets of c.£1.5bn of incremental new business long-term cash generation and c.£5bn of net fund flows in Workplace and c.£2bn in Retail.
- **M&A growth:** complete the acquisition of Sun Life of Canada UK and continue to assess further M&A opportunities.

Enquiries

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Presentation and financial supplement details

There will be a live virtual presentation for analysts and investors today starting at 09:30 (GMT).

A link to the live webcast of the presentation, with the facility to raise questions, as well as a copy of the presentation and a detailed financial supplement will be available at:

https://www.thephoenixgroup.com/investor-relations/results-reports-and-presentations

You can also register for the live webcast at: Phoenix Group 2022 full year results

A replay of the presentation and transcript will also be available on our website following the event.

Dividend details

The recommended Final 2022 dividend of 26.0 pence per share is expected to be paid on 10 May 2023.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 30 March 2023. The record date for eligibility for payment will be 31 March 2023.

Footnotes

1. Cash generation is a measure of cash and cash equivalents, remitted by Phoenix Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items.
2. 31 December 2022 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life companies and recognition of the foreseeable 2022 Final shareholder dividend of £260m. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.1bn and 2% respectively.
3. The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements of unsupported with-profit funds and unsupported pension schemes.
4. BPA capital strain is shown on a post Capital Management Policy (CMP) basis (on a pre-CMP basis it was 3.2%).
5. Current Fitch leverage ratio is estimated by management.
6. As at announcement in August 2022.
7. £1,000 net payment made in August 2022 to all permanent colleagues excluding our Top 100 leaders.

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