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Phoenix Group delivers another year of strong organic growth in 2022 and sets a new 2025 organic growth target at its Capital Markets Event

- **Phoenix Group expects to deliver c.£1.2 billion of incremental new business long-term cash generation in 2022 through organic growth**
- **Phoenix Group also remains on track to deliver 2022 cash generation at the top end of its target range of £1.3 to £1.4 billion**
- **Today's Capital Markets Event will outline the strong progress Phoenix Group has made in building its organic growth capabilities and will provide a deep-dive into its strategy to deliver future organic growth**
- **Phoenix Group is setting its first incremental new business long-term cash generation target of c.£1.5 billion by 2025, which is a c.25% increase on the strong performance in 2022**

Commenting on the trading update and Capital Markets Event, Phoenix Group CEO, Andy Briggs said:

"It is shaping up to be another outstanding year for Phoenix Group, as we expect to deliver around £1.2 billion of new business in 2022. This once again demonstrates that we are a growing, sustainable business.

I am also pleased that, despite the change in economic conditions seen in the second half of this year, our balance sheet remains as resilient as ever, thanks to our comprehensive hedging approach, and we are on track to deliver 2022 cash generation at the top end of our £1.3 to £1.4 billion target range.

Alongside optimising our in force business, and M&A, our organic strategy is to deliver sustainable growth. We will do this through both meeting more of the evolving needs of our existing customers on their journey to and through retirement, and by acquiring new customers, primarily through our trusted Standard Life brand. We are confident that this will allow us to achieve our new target of £1.5 billion of new business by 2025, which in turn will support future dividend growth."

2022 was another year of strong organic growth

Phoenix Group Holdings plc ("Phoenix Group" or "the Group") today announces that it expects to deliver c.£1.2 billion of incremental new business long-term cash generation in 2022, primarily through its Standard Life branded businesses. This comprises c.£0.9 billion from its Retirement Solutions business and c.£0.3 billion from its capital-light fee-based businesses (Pensions & Savings, Europe and SunLife). For the second consecutive year, the Group will therefore more than offset the run-off of its in-force business (currently c.£0.8 billion of annual cash generation), as it delivers sustainable organic growth.

Retirement Solutions primarily comprises the Defined Benefit Solutions business, which completed an additional 7 Bulk Purchase Annuity (BPA) transactions during the second half of 2022 covering £3.2 billion of premiums. This comprised £2.6 billion of external deals and the final tranche of the Group's Pearl Pension Scheme. The Group does not expect to complete any further transactions in 2022.

The Group has therefore contracted £4.8 billion of BPA premiums for the year (FY21: £5.6 billion). The capital invested for 2022 will be slightly less than £300 million, with an improved capital strain of c.6% (FY21: 6.5%) and an improved cash multiple of c.3x (FY21: 2.6x), which reflects Phoenix Group's disciplined approach to capital deployment.

Within Pensions & Savings, the Workplace business is expected to deliver a strong performance in 2022, with positive net fund flows of c.£2.0 billion (FY21: £0.2 billion) and a c.40% increase in incremental new business long-term cash generation to c.£200 million (FY21: £139 million). This is underpinned by the strong momentum that is building in this business, having won 68 new workplace schemes in 2022, with aggregate assets of c.£2 billion on behalf of c.47,000 members, which will transfer in future years. The Group is now winning in all parts of the market across small, medium and large schemes. These wins, together with a strong pipeline of future opportunities, firmly re-establishes Standard Life as a major player in the Workplace market.

In line with the Group's usual approach, the Board will make its annual assessment of the dividend alongside the Full Year 2022 results in March 2023. As previously stated, any organic increase would be in addition to the proposed 2.5% inorganic dividend increase that was already announced with the acquisition of Sun Life of Canada UK.

Phoenix remains resilient and is on track to deliver at the top end of its 2022 cash generation target range

Phoenix Group operates a comprehensive hedging approach whereby it hedges the majority of the market risks it is exposed to. As a result, the change in economic conditions seen during the second half of 2022 is expected to have only a limited impact on the Group's Solvency II capital position, broadly in line with the Group's published sensitivities. In addition, the Group continues to benefit from surplus liquidity in line with its conservative liquidity framework, which enabled it to meet all collateral calls on its hedging instruments during the unprecedented market volatility in September/October, and was not at any point a forced seller of assets. Phoenix Group does not participate in the Liability Driven Investment (LDI) market in any way and does not utilise the strategy for any of its own pension funds.

Phoenix Group's ongoing resilience ensures it remains on track to deliver 2022 cash generation at the top end of its target range of £1.3 to £1.4 billion.

Capital Markets Event – delivering sustainable organic growth, with a new target for c.£1.5 billion of incremental new business long-term cash generation by 2025

Phoenix Group is today hosting a Capital Markets Event for investors and analysts to provide a deep-dive into the Group's organic growth opportunities, which complement its market leading capabilities of optimising in-force business and M&A.

Phoenix Group is helping people secure a life of possibilities through its clear and differentiated strategy, as it supports its customers' on their journey to and through retirement. The scale of the Group's in-force business brings three key competitive advantages of capital efficiency, customer access and cost efficiency. The Group will leverage these to grow its in-force cash generation over time, both organically and through M&A.

Phoenix Group will therefore today outline the significant organic growth opportunities across the Standard Life branded Retirement Solutions and Pensions and Savings businesses, through both meeting more of the evolving needs of its existing customers and by acquiring new customers. Reflecting the investment made into building its capabilities, the Group is now confident of growing its incremental new business long-term cash generation, and has set a new target of £1.5 billion per annum by 2025, which is a 25% increase on the Group's strong 2022 performance.

This new target is expected to comprise c.£1.0 billion from Retirement Solutions and c.£0.5bn from Pensions & Savings (inclusive of Europe and SunLife). To deliver this, in Retirement Solutions the Group will continue investing c.£300 million of capital per annum into BPA and will look to achieve mid-teens IRRs. While in Pensions and Savings, the Group will grow its net fund flows, with an ambition for c.£5 billion of annual net fund flows in Workplace and c.£2 billion in its Retail businesses, by 2025.

Delivering this new growth target will enable the Group to generate significant net growth in its long-term free cash from 2025, which can support future dividend growth.

The event will be live-streamed on the Group's website from 10:00 (GMT) with the joining details below.

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Presentation details

There will be a live virtual presentation for analysts and investors today starting at 10:00 (GMT).

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

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

You can also register for the live webcast at: <https://phoenixcapitalmarkets2022.virtualhub.events/>

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

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