PHOENIX GROUP

Phoenix Group Holdings plc: 2021 Interim Results 11 August 2021

Phoenix Group delivers a strong H1 performance – £872m of cash generation, a resilient balance sheet and increased new business LTCG

Financial highlights

Delivering cash

- Strong cash generation[1] of £872m in H1 2021 (H1 2020: £433m) has more than doubled reflecting the scale of the enlarged Group; on track to deliver at top end of £1.5bn-to-£1.6bn target range for FY 2021.
- Interim dividend of 24.1p per share declared (2020 interim: 23.4p per share).

Delivering resilience

- Resilient balance sheet reflected in a Solvency II surplus of £5.1bn[2] as at 30 June 2021 (31 December 2020: £5.3bn[3]) following a £0.2bn debt repayment in March 2021.
- Shareholder Capital Coverage Ratio[2,4] of 166% as at 30 June 2021, comfortably within the Group's target range of 140%-to-180% (31 December 2020: 164%).
- Leverage ratio[5] of 28% as at 30 June 2021 is within target range of 25%-to-30% (31 December 2020: 28%).

Delivering growth

- £412m of new business long-term cash generation comprises £206m completed in H1 2021 and a further £206m subsequently completed in July 2021 through an additional c.£1bn buy-in tranche of the Pearl Pension Scheme (H1 2020: £358m[6]).
- Capital strain on all BPA new business reduced to 6% (FY 2020: 8% external deals and 12% Pearl Pension Scheme) reflecting expected efficiencies from internal model harmonisation.

Other key financial metrics

- Group operating profit of £527m in H1 2021 (H1 2020: £361m).
- Assets under administration of £304bn as at 30 June 2021 (31 December 2020: £338bn) due to the planned disposals of the Wrap SIPP, Onshore Bond and TIP products to abrdn plc and of Ark Life[7].

Continuing to deliver on our strategic priorities

- Acquired and now taken ownership of the Standard Life brand, which will be invested in to support future growth.
- Maximising shareholder value from our European operations through the sale of Ark Life for a total cash consideration of €230m (£197m[8]) equating to 0.91x Solvency II Own Funds.
- Fitch credit rating upgraded to AA- reflecting the resilience of the Phoenix Group's business model.
- Internal model harmonisation application submitted in March 2021 with a final decision expected from the PRA by the end of September 2021; estimated increase of £0.4bn to the Group's Solvency II surplus and £0.1bn to future cash generation.
- High quality £33bn shareholder debt portfolio is 99% investment grade with only 19% rated BBB and 2% BBB-
- 67% year-on-year increase in illiquid asset origination in H1 2021 with £1.3bn of assets originated (H1 2020: £0.8bn).
- £276m Solvency II benefit from H1 2021 management actions including £208m from business-as-usual actions such as illiquid origination and asset risk management, and £68m of integration synergies from Standard Life and ReAssure.
- Strong customer satisfaction scores maintained at >90%, exceeding our targets; our investment in digital is resonating with customers with a 34% year-on-year increase in mobile app logins.

Sustainability is at the core of our purpose and a key enabler of our strategy

- More than doubled the Phoenix Group's investment in ESG-related illiquid assets to £788m (H1 2020: £340m).
- Joined net-zero asset owner alliance and Race to Zero campaign, with an open letter sent to our asset management partners to drive change in the responsible investment eco-system.
- On track to reduce Scope 1 and Scope 2 greenhouse gas emissions from occupied premises per FTE intensity by 20% in 2021, with all occupied premises using 100% renewable electricity by the end of 2021.
- On track to deliver target of engaging 75% of our suppliers on decarbonisation plans with 55% engaged YTD.

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

"Phoenix has made further strong progress against our stated priorities of cash, resilience and growth. Our cash generation doubled to £872 million, we maintained a highly resilient balance sheet and we delivered 15% growth in new business long-term cash generation to £412 million. I am also pleased with the strategic progress we made in the period. Our ownership of the Standard Life brand will support our Open growth strategy, while the disposal of Ark Life will maximise value for shareholders and simplify our European operations.

We remain fully committed to our sustainability agenda which is aligned with our purpose of 'helping people secure a life of possibilities'. We have made good progress against our sustainability targets, including directing almost £800 million of long-term investment into ESG-related projects and we remain well placed to support the UK to build back better and greener. We look forward to continuing to execute against our strategic priorities in the second half of the year as we build on our position as the UK's largest long-term savings and retirement business."

Enquiries

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Presentation and financial supplement details

There will be a live virtual presentation for analysts and investors today starting at 08:30 (BST).

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: https://phoenixhalfyear2021.virtualhub.events/

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

Dividend details

The declared interim dividend of 24.1p per share is expected to be paid on 3 September 2021.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 19 August 2021. The record date for eligibility for payment will be 20 August 2021.

Footnotes

1. Cash generation is a measure of cash and cash equivalents, remitted by the Phoenix Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items.
2. The 30 June 2021 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 interim 2021 shareholder dividend of £241m. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £0.2bn and 2% respectively.
3. 31 December 2020 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 final 2020 shareholder dividend. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £0.1 billion and 1% respectively.
4. The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and unsupported pension schemes.
5. Current Fitch leverage ratio is estimated by management.
6. £358 million incremental new business long-term cash generation in H1 2020 includes £12 million for Wrap SIPP, Onshore Bond and TIP products. These products are not included in 2021 due to the economic interest having been transferred to abrdn plc effective 01 January 2021 following the announced sale in February 2021.
7. Completion of Ark Life disposal is expected by early 2022, subject to customary regulatory and anti-trust approvals.
8. Exchange rate of GBP/EUR of £1/€1.17 as at 12 July 2021.

Legal Disclaimers

This announcement in relation to Phoenix Group Holdings plc and its subsidiaries (the "Group") contains, and the Group 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.

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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, social, environmental 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, initiatives related to the financial crisis, the COVID-19 pandemic, climate change and the effect of the UK's version of the "Solvency II" requirements on the Group's capital maintenance requirements; the impact of inflation and deflation; the political, legal, social and economic effects of the COVID-19 pandemic and the UK's exit from 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 proposed or future acquisitions, disposals 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.

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 constitutes, nor should it be construed as, a profit forecast or estimate.