

Phoenix announces strong full year 2023 results and new progressive dividend policy

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

“Phoenix’s vision is to be the UK’s leading retirement savings and income business, and we are making great progress in delivering our strategy to achieve this, as our strong 2023 financial results demonstrate.

We have achieved our 2025 growth target two years early with £1.5bn of new business cash delivered by our Standard Life business – a new record. We delivered over £2bn of cash generation and maintained our resilient balance sheet, and our strong performance has enabled the Board to recommend a 2.5% dividend increase.

The next phase of our strategy will see us balance our investment across our strategic priorities to grow, optimise and enhance our business. This will support us in delivering the ambitious new 2026 targets we are announcing today. Our confidence in this strategy is demonstrated by the new progressive and sustainable dividend policy we will operate going forward.”

2023 financial results highlights

Cash: growing sustainable cash generation

- £2,024m total cash generation¹ in 2023 (FY22: £1,504m) exceeded our upgraded target of c.£1.8bn for the year, including a c.£400m benefit from the Part VII transfer of Standard Life and Phoenix Life as announced in November.
- £1,514m of incremental new business long-term cash generation (FY23: £1,233m), achieving our 2025 target of c.£1.5bn two years early.

Includes strong growth from our capital-light Pensions and Savings business to £395m (FY22: £249m) and an increase in our Retirement Solutions business to £1,066m (FY22: £934m), supported by enhanced capital efficiency.

Capital: resilient balance sheet

- £3.9bn² Solvency II (‘SII’) Surplus remains resilient (FY22: £4.4bn) and is inclusive of a prudent £70m Consumer Duty provision, following a comprehensive review of our back-book products ahead of the July 2024 compliance deadline.
- 176%^{2,3} SII Shareholder Capital Coverage Ratio (‘SCCR’) (FY22: 189%³), towards top-end of 140-180% operating range.
- 36% SII leverage ratio (FY22: 34%) and 23% Fitch ratio⁴ (FY22: 23%⁴).

Earnings: driving improved profitability

- IFRS adjusted operating profit before tax increased 13% year-on-year to £617m (FY22: £544m⁵), driven by strong growth in our Pension and Savings business, which is up 27% year-on-year to £190m (FY22: £150m).
- New business net fund flows of £6.7bn increased 72% year-on-year (FY22: £3.9bn), driven by strong Workplace flows.
- Significantly reduced IFRS loss after tax of £(88)m (FY22: £(2,657)m⁵) due to lower market volatility impacts in 2023.
- Contractual Service Margin of £2.9bn (gross of tax), grew 10% driven by new business and Sun Life of Canada UK.

Attractive 2023 dividend growth supported by strong business performance

- The Board is recommending a 2.5% increase in the Final 2023 dividend to 26.65p per share; Total dividend of 52.65p.

The next phase of our strategy delivers growing, sustainable cash generation and supports a new progressive dividend policy

- In the next phase of our strategy we will build the remaining capabilities required to deliver a full-service customer proposition, through developing compelling Retail market propositions and innovative retirement income solutions.
- We will also bring together our former Heritage and various Open businesses under a single Group-wide operating model, to offer a seamless journey for customers across their savings life cycle, and realise further cost efficiencies.

- Operating Cash Generation is our new primary cash metric, which is the sustainable level of annual surplus generation in our life companies, that is then remitted to our Group HoldCo. It comprises our ongoing surplus emergence (£0.8bn in 2023) and the recurring management actions (£0.3bn in 2023) which we expect to deliver every year into the long term.
- We expect to grow Operating Cash Generation by c.25% from £1.1bn in 2023 to £1.4bn in 2026, as we grow, optimise and enhance our business, after which it is expected to grow at a mid-single digit rate over the long term.
- The Board's confidence in the delivery of growing Operating Cash Generation supports the move to a new progressive and sustainable ordinary dividend policy⁶.

An evolved financial framework that delivers cash, capital and earnings, with new targets and guidance

- **Cash:** we will deliver growing Operating Cash Generation that more than covers our recurring uses and dividend, and generates excess cash.
 - Operating Cash Generation target of £1.4bn in 2026.
 - Total Cash Generation 1-year target range of £1.4bn-1.5bn in 2024 and 3-year target of £4.4bn across 2024-26.
- **Capital:** we will maintain a resilient balance sheet and allocate surplus capital in accordance with our new capital allocation framework.
 - Continue to operate within our 140-180% Shareholder Capital Coverage Ratio operating range.
 - We intend to repay at least £500m⁷ of debt by the end of 2026, targeting a SII leverage ratio of c.30%⁸ by the end of 2026.
- **Earnings:** drive strong growth in IFRS adjusted operating profit, through business growth and cost efficiencies.
 - Targeting £900m of IFRS adjusted operating profit in 2026 (FY23: £617m).
 - £250m of annual cost savings by the end of 2026.

New cash emergence profile disclosure demonstrates sustainability of cash generation

- We are today providing new disclosure on the profile of cash emergence from both our 2023 in-force and new business (contained on page 43 of the appendix of our Full Year 2023 Results presentation that is available on our website).
- This disclosure supports our cash targets and demonstrates the long-term sustainability of our cash generation.

Enquiries

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Presentation and webcast details

There will be a live virtual presentation for analysts and investors today starting at 09:30 (GMT). You can register for the live webcast at: [Phoenix Group 2023 Full Year results](#)

A copy of the presentation is available at:

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

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

Dividend details

The recommended Final 2023 dividend of 26.65 pence per share is expected to be paid on 22 May 2024.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 11 April 2024. The record date for eligibility for payment will be 12 April 2024.

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 2023 Solvency II capital position is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2023 and recognition of the foreseeable Final 2023 shareholder dividend of £267m.
 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. Fitch leverage ratio is estimated by management based on Fitch's published methodology. Ratio allows for currency hedges over foreign currency denominated debt.
 5. 2022 restated comparative to reflect adoption of IFRS 17 and incorporates changes to the Group's methodology for determining adjusted operating profit since HY 2023.
 6. The Board will continue to prioritise the sustainability of our dividend over the very long term. Future dividends and annual increases will continue to be subject to the discretion of the Board, following assessment of longer-term affordability.
 7. £500m of debt repayment includes the £250m Tier 2 Bond that is callable in June 2024, subject to regulatory approval.
 8. Assuming economic conditions in line with 31 December 2023.
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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, ambitions, outlook, guidance and expectations relating to future financial condition, performance, results, strategy and/or objectives.

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.

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, political, social, environmental and business conditions; asset prices; market-related risks such as fluctuations in investment yields, interest rates and exchange rates, the potential for a sustained low-interest rate or high interest rate environment, and the performance of financial or credit markets generally; the policies and actions of governmental and/or regulatory authorities including, for example, climate change and the effect of the UK's version of the 'Solvency II' regulations on the Group's

capital maintenance requirements; developments in the UK's relationship with the European Union; the direct and indirect consequences for European and global macroeconomic conditions of the conflicts in Ukraine and the Middle East, and related or other geopolitical conflicts; political uncertainty and instability; the impact of changing inflation rates (including high inflation) and/or deflation; information technology or data security breaches (including the Group being subject to cyber-attacks); the development of standards and interpretations including evolving practices in ESG and climate reporting with regard to the interpretation and application of accounting; the limitation of climate scenario analysis and the models that analyse them; lack of transparency and comparability of climate-related forward-looking methodologies; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets); the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; 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 any acquisitions, disposals or other strategic transactions; risks associated with arrangements with third parties; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; and the impact of changes in capital, and implementing changes in IFRS 17 or any other regulatory, solvency and/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, ambitions, outlook, guidance 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.