Phoenix Group is building operating momentum as it executes on its 3-year strategy

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 I am pleased with the initial progress we have made in executing on our 3-year strategy, as our 2024 interim financial results demonstrate.

We have delivered 19% growth in Operating Cash Generation and remitted total cash generation of £950 million in the first half. We have generated 3%pts of recurring Solvency II capital and our resilient balance sheet has enabled us to repay £250 million of debt and to invest in our business. Strong growth in our capital-light Pensions and Savings business in particular has supported a 15% increase in operating profit. The Board has declared an Interim dividend which is a 2.5% year-on-year increase.

I am confident that as we continue to execute on our strategy we are building a growing business that is on track to deliver our financial targets and create shareholder value."

H1 2024 financial results highlights

Cash

- £647m Operating Cash Generation[1] (H1 2023: £543m) increased 19%, driven by increased surplus from our growing business and strong delivery of recurring management actions.
- £950m total cash generation[2] (H1 2023: £898m) and we are confident of delivering at the top-end of our £1.4-1.5bn target range in 2024.

Capital

- +3%pts of recurring Solvency II ('SII') capital generation in H1, supported by recurring Own Funds growth.
- £3.5bn[3] SII surplus remains resilient (FY 2023: £3.9bn), after planned £0.25bn debt repayment and c.£0.2bn investment into our strategic priorities.
- 168%[3,4] Shareholder Capital Coverage Ratio (FY 2023: 176%[4]), remains in top-half of our 140-180% operating range.
- £250m of debt repayment in the period, in line with our intention to repay at least £500m by the end of 2026; SII leverage ratio reduced to 35% (FY 2023: 36%), with (2)%pts debt repayment benefit partly offset by a reduction in Regulatory Own Funds from higher interest rates due to our SII hedging approach.

Earnings

- IFRS adjusted operating profit increased 15% to £360m (H1 2023: £313m[5]), driven by profitable growth in both Pensions and Savings (£149m) and Retirement Solutions (£210m).
- IFRS loss after tax of £(646)m (H1 2023: £(245)m), primarily due to £(698)m of adverse economic variances from higher interest rates and global equities which are the consequence of our SII hedging approach.
- IFRS shareholders' equity therefore reduced to £1.8bn (FY 2023: £2.7bn[6] restated), but the reduction in interest rates since June has reversed some of the economic variances and this reversal will continue as interest rates reduce further.
- Contractual Service Margin (gross of tax) grew 10% to £3.1bn (FY 2023: £2.9bn), driven by new business, management actions and the one-off impacts of the buy-out of an internal pension scheme and modelling refinements.

A progressive and sustainable ordinary dividend policy[7]

- The Board has declared a 2024 Interim dividend of 26.65p per share, equal to the 2023 Final dividend, a 2.5% increase compared to the 2023 Interim dividend.

H1 financial performance enabled by progress across our strategic priorities of Grow, Optimise and Enhance

Grow

- 83% growth in Workplace net fund flows to £3.3bn (H1 2023: £1.8bn), as we retain our existing customers and win new schemes; H1 includes c.£900m new scheme win asset transfer from a technology business.
- Launched Standard Life Smoothed Return Pension Fund and Standard Life Guaranteed Fixed-term Income products to support reduction in net fund outflows over time.
- £1.7bn of annuity premiums written (H1 2023: £3.2bn), with a further £0.4bn of BPAs transacted since the end of June and an additional £2.2bn of exclusive BPA transactions in progress.
- Reduced annuity capital strain to c.3%[8] (FY 2023: 4.7%), reflecting full benefit of the Part VII funds merger completed in 2023 and balance sheet diversification.
- Expect to deploy c.£200m of capital into annuities this year and to write annual premiums of c.£6bn.

Optimise

- £250m debt repayment in June as we deleverage our balance sheet.
- £264m of recurring management actions in H1 across a large number of BAU actions to more efficiently manage our portfolio, with no change in our risk profile; now expect to deliver c.£400m of recurring management actions in 2024.
- Launched a new private markets investment manager – Future Growth Capital – in partnership with Schroders.

Enhance

- Combined our Heritage and Open divisions into a single Group-wide structure and continue to progress our migrations with c.550k ReAssure customers scheduled to migrate to the TCS Diligenta platform by the end of September.
- Business simplification progress means we expect to deliver c.£50m of run-rate cost savings by the end of 2024.

Phoenix discontinues the SunLife sale process

- SunLife is a leading provider of financial protection products direct to the over 50s market in the UK and a valuable asset which contributes to the Group's new business growth.
- Given the current uncertainty in the protection market, the Board has decided to discontinue the sale process and will focus on enhancing the value it generates within the Group.

On track to deliver our financial targets which support our progressive and sustainable dividend

- **Cash:**
  - Operating Cash Generation target of £1.4bn in 2026.
  - Total cash generation 1-year target range of £1.4-1.5bn in 2024 and 3-year target of £4.4bn across 2024-26.
- **Capital**
  - Continue to operate within our 140-180% Shareholder Capital Coverage Ratio operating range.
  - Targeting a SII leverage ratio of c.30% by the end of 2026.
- **Earnings**
  - Targeting £900m of IFRS adjusted operating profit in 2026.
  - £250m of annual run-rate cost savings by the end of 2026.

Information required under the Disclosure Guidance & Transparency Rules ('DTR')

Information required to be communicated in unedited full text, in accordance with DTR 6.3.5R(1A), is included in the Interim Report.

In accordance with Listing Rule 6.4.1, a copy of the Interim Report has been submitted to the National Storage Mechanism and will shortly be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

The document may also be accessed via the Phoenix Group website at:
https://www.thephoenixgroup.com/investors/results-reports-and-presentations/

Enquiries

Investors/analysts:

Claire Hawkins, Director of Corporate Affairs & Investor Relations, Phoenix Group
+44 (0)20 4559 3161

Andrew Downey, Investor Relations Director, Phoenix Group
+44 (0)20 4559 3145

Media:

Douglas Campbell, Teneo
+44 (0)7753 136 628

Shellie Wells, Corporate Communications Director, Phoenix Group
+44 (0)20 4559 3031

Presentation and webcast details

There will be a live virtual presentation for analysts and investors today starting at 09:30 (BST). You can register for the live webcast at: Phoenix Group 2024 half year results

A copy of the presentation and a detailed financial supplement will be 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 declared 2024 Interim dividend of 26.65 pence per share is expected to be paid on 31 October 2024.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 3 October 2024. The record date for eligibility for payment will be 4 October 2024.

Footnotes

1. Operating Cash Generation ('OCG') represents the sustainable level of ongoing cash generation from our underlying business operations, that is remitted from our Life Companies to the Group.
2. Total cash generation represents the total cash remitted from the operating entities to the Group, comprising OCG, non-recurring management actions and the release of free surplus above capital requirements in the Life Companies.
3. 30 June 2024 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life Companies. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.2 billion and 3%pts 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. Incorporates changes to the Group's methodology for determining adjusted operating profit since HY 2023. Further information on these changes can be found in Note 3 to the condensed consolidated financial statements in the 2024 Interim Financial Report.
6. The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY 2023 shareholders' equity from £2.5 billion as reported to £2.7 billion. Further information on this restatement can be found in Note 1 to the condensed consolidated financial statements in the 2024 Interim Financial Report.
7. The Board will continue to prioritise the sustainability of our dividend over the long term. Future dividends and annual increases will continue to be subject to the discretion of the Board, following assessment of longer-term affordability.
8. Annuity capital strain on a Post Capital Management Policy basis.

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, targets, 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, targets, 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.