Phoenix Group's strong strategic and financial progress drives target upgrades

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

"We made good progress in 2024 executing our 3-year strategy, delivering sustainable and profitable growth in both our Pensions and Savings and Retirement Solutions businesses. This has supported strong 2024 financial performance across our key metrics of cash, capital and earnings.

We are ahead of plan from both a strategic and financial perspective, delivering Operating Cash Generation of £1.4bn two years ahead of our 2026 target. We continue to operate in the top half of our Shareholder Capital Coverage Ratio range and our strong cash generation has enabled us to repay debt whilst also investing in our business. Group IFRS adjusted operating profit was up 31% supported by particularly strong growth in our capital-light Pensions and Savings business. This performance has enabled the Board to recommend a Final dividend of 27.35p per share, representing a 2.6% annual increase.

Our strong performance in 2024 and the operating momentum we have built will support us in delivering our growth strategy and have led us to upgrade our cash generation and adjusted operating profit targets through to 2026. Delivery will give us the financial flexibility to reduce our leverage, while also sustaining our progressive dividend for shareholders. It also brings us closer to realising our vision to be the UK's leading retirement savings and income business."

Strong 2024 performance across cash, capital and earnings drives upgrades of our 3-year financial targets

Cash

FY 2024 progress

- £1,403m Operating Cash Generation[1] ('OCG') (FY 2023: £1,146m) increased 22%, driven by increased surplus from our growing businesses and strong delivery of recurring management actions. This more than covers our recurring uses, including our progressive dividend, and will produce c.£300m excess cash per annum.
- £537m of recurring management actions (FY 2023: £313m) enabled by enhanced capabilities in our scaled asset management function.
- £1,779m total cash generation[2] (FY 2023: £2,024m) exceeding the top end of our 2024 £1.4-1.5bn target range.

Upgrading cash targets

- OCG expected to grow mid-single digit percentage per annum going forward having achieved the 2026 target of £1.4bn in 2024.
- Total cash generation cumulative 3-year target increased from £4.4bn to £5.1bn across 2024-26 driven by the sustained growth in OCG. We therefore expect to generate excess cash of £1.1bn across 2024-26 and this will be allocated in accordance with our capital allocation framework, with a clear focus on deleveraging.

Capital

FY 2024 progress

- 172%[3,4] Shareholder Capital Coverage Ratio ('SCCR') (FY 2023: 176%[3]), remains comfortably in the top-half of our 140-180% operating range.
- £3.5bn[4] Solvency II ('SII') surplus remains resilient (FY 2023: £3.9bn), with recurring capital generation of £0.2bn more than offset by £0.3bn debt repayment and £0.3bn planned investment into our strategic priorities.
- We continue to be well-hedged on an economic basis under SII, experiencing only £0.1bn of adverse economic variances in the year, largely due to rising yields.

- £250m of debt repayment in the period, in line with our intention to retire historic M&A-related debt to support our c.30% SII leverage ratio[5] target. The ratio at the end of 2024 was flat at 36% (FY 2023: 36%), with (2)%pts debt repayment benefit offset by a reduction in Regulatory Own Funds. A further $250m of debt has been repaid post year-end in February.

Reaffirming capital targets

- Continue to operate within our 140-180% SCCR operating range.
- Targeting a SII leverage ratio[5] of c.30% by the end of 2026. There are a number of actions that will underpin the achievement of this target, most importantly deleveraging enabled by the expected £850m of excess cash generation remaining, and also supported by £0.3bn of recurring Own Funds generation per annum.

Earnings

FY 2024 progress

- IFRS adjusted operating profit increased 31% to £825m (FY 2023: £629m[6]), driven by profitable growth in both Pensions and Savings (£316m) (FY 2023: £190m) and Retirement Solutions (£474m) (FY 2023: £378m).
- £63m of run-rate cost savings delivered by the end of 2024; on track for our £250m target by the end of 2026.
- IFRS loss after tax of £(1,078)m (FY 2023: £84m profit[6]), primarily due to £(1,297)m of adverse economic variances as well as £520m of non-operating expenses, including planned investment. Economic variances reflected the accounting mismatch of our hedging programme which protects our cash and SII capital, and supports our progressive and sustainable dividend policy.
- IFRS shareholders' equity therefore reduced to £1,213m (FY 2023: £2,742m[6]) and IFRS adjusted shareholders' equity including Contractual Service Margin ('CSM') reduced to £3,656m (FY2023: £4,882m).
- Contractual Service Margin (gross of tax) grew 14% to £3,257m (FY 2023: £2,853m), driven by new annuity business and positive assumption and experience changes.

Upgrading earnings targets

- Now targeting c.£1.1bn of IFRS adjusted operating profit in 2026, increased from a previous target of £900m. This level of IFRS adjusted operating profit is expected to fully cover our recurring uses and create an excess to fund non-recurring uses. Our aim is for IFRS shareholders' equity, excluding economic variances, to grow in 2027.
- Continuing to target £250m of annual run-rate cost savings by the end of 2026 with benefits expected to be back-end loaded.

A progressive and sustainable ordinary dividend policy[8]

- The Board is recommending a 2.6% increase in the Final 2024 dividend to 27.35p per share; Total dividend 54.00p per share.
- In operating its progressive and sustainable dividend policy and assessing longer-term affordability the Board considers the quantum and trajectory of the Group's OCG, SII surplus, SCCR, and the distributable reserves of the Group's holding company. In this overall context and consistent with previous guidance, and given the Board's confidence in the Group's 3-year strategy as evidenced by our revised targets, the Board considers that the Group's consolidated IFRS shareholders' equity is not a constraint to the payment of our dividends.
- At 31 December 2024, distributable reserves at Phoenix Group Holdings plc, the Group's holding company that pays the dividends to shareholders, stood at £5,571m (FY 2023: £4,632m).

Operating momentum in key trading businesses, underpinned by Phoenix Asset Management, is delivering sustainable and profitable growth

Pensions and Savings - our capital-light businesses help customers journey to and through retirement

- IFRS adjusted operating profit growth of 66% to £316m (FY 2023: £190m) driven by 11% growth in average assets under administration ('AUA') vs. 2023 and cost efficiency leading to operating margin expansion, with a 5bps improvement to 17bps in 2024.

Workplace:

- Maintained our top-3 market position with 13% growth in Workplace net fund flows of £5.3bn (FY 2023: £4.7bn) increasing Workplace AUA to £66.5bn.
- Successfully executing our strategy of retaining our existing schemes and attracting new ones with record gross flows of £9.3bn (FY 2023: £8.5bn) including £1.8bn of new scheme wins (FY 2023: £2.0bn) and an 84% improvement in bulk scheme retention year-on-year.
- This success has been driven by our leading employer proposition, excellent digital-first member engagement and competitive pricing.
- In-year achievements include enhancements to our Master Trust to meet bespoke customer requirements and new digital tools to support customers' financial wellness.

Retail

- 34% improvement in retail gross inflows to £5.1bn (FY 2023: £3.8bn). FY 2024 reflects green shoots of our retail strategy as we pursue our ambition to become a top-5 player.
- Delivering growth by better supporting and engaging the one-in-five adults who are already Phoenix Group customers to stay and consolidate with us, and to attract new customers, both directly and through advisers.
- Launched the Standard Life Smoothed Return Pension Fund to meet evolving customer needs and a new private markets investment manager – Future Growth Capital – in partnership with Schroders, to unlock additional investment opportunities in private markets to benefit our customers.
- Retail gross outflows also rose year on year to £14.1bn reflecting the run-off profile of our in-force business and higher outflows due to consumer behaviour in response to the UK budget uncertainty in the year.

Retirement Solutions – our capital utilising businesses help customers secure income certainty in retirement

- IFRS adjusted operating profit growth of 25% to £474m (FY 2023: £378m) driven by £6.1bn of premiums written at a reduced annuity capital strain[7] of c.3% and c.£200m capital deployed.

Bulk purchase annuities ('BPA')

- £5.1bn of premiums written in the year (FY 2023: £6.2bn) with disciplined capital deployment which has enabled us to achieve a top-5 average position in the BPA market over the last three years.
- Our success in the market is driven by the excellent member experience and leading employer proposition we offer together with competitive pricing driven by our asset management and balance sheet optimisation capabilities, and an expanding panel of reinsurance partnerships.
- Introduced digital self-service allowing customers to understand their annuity position online, in real-time, supported by other communication channels with a focus on clarity of customer messaging.

Individual annuities

- Rapidly built a 12% market share of the individual annuity market having re-entered the market in 2023; £1.0bn individual annuity premiums written in 2024 (FY 2023: £0.6bn).
- Expanding our product range to better meet customer needs with the launch of the Standard Life Guaranteed Fixed-term Income product in September.
- We can now offer fast, guaranteed pricing with 90% of digital annuity quotes provided in seconds. The recent launch of the annuity desk for Standard Life customers supports our great digital customer experience.

Phoenix Asset Management

- £537m of recurring management actions (FY 2023: £313m) enabled by enhanced capabilities in our scaled asset management function.
- Enhanced capabilities have included investment in headcount, which now comprises 400 full-time employees, investment in leading edge technology, which supports our robust credit risk management framework.
- These recurring management actions can be broadly categorised as annuity portfolio re-optimisation, capital improvements and fund simplification.

Summary of FY2024 financial progress and upgraded targets

	FY2024 Progress	Our 3-year targets	
Cash	• £1,403m OCG[1]	Upgraded	• Achieved OCG[1] £1.4bn target 2 years early, now expect to grow at mid-single digit percentage per annum going forward
	• £1,779m Total cash generation[2]	Upgraded	• 3-year Total cash generation[2] target upgraded from £4.4bn to £5.1bn
Capital	• 172% SCCR[3,4]	Reaffirmed	• 140-180% SCCR[3] operating range
	• 36% Solvency II leverage ratio[5]	Reaffirmed	• c.30% Solvency II leverage ratio[5] target by end of 2026
Earnings	• £825m IFRS adjusted operating profit	Upgraded	• 2026 IFRS adjusted operating profit target upgraded from £900m to c.£1.1bn
	• £63m of run-rate cost savings	Reaffirmed	• £250m run-rate cost savings target by 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 Annual Report and Accounts.

In accordance with Listing Rule 6.4.1, a copy of the Annual Report and Accounts will be submitted to the National Storage Mechanism for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism and will be available in due course.

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

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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 2024 full 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 recommended Final 2024 dividend of 27.35 pence per share is expected to be paid on 21 May 2025.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 3 April 2025. The record date for eligibility for payment will be 4 April 2025.

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. The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements of unsupported With-Profit funds and unsupported pension schemes.
4. 31 December 2024 Solvency II capital position is an estimated position.
5. Solvency II leverage ratio calculation = debt (all debt including RT1) / SII regulatory Own Funds. Ratio allows for currency hedges over foreign currency denominated debt.
6. The Group identified material corrections to previously reported results, leading to the restatement of 2023 adjusted operating profit from £617m reported to £629m, the 2023 loss after tax from £88m as reported to a profit of £84m, the 2023 shareholders' equity from £2,496m as reported to £2,742m, and 2023 adjusted shareholders' equity from £4,636m as reported to £4,882m. Further information on this restatement can be found in note A3 to the consolidated financial statements.
7. Annuity capital strain on a Post Capital Management Policy basis.
8. The Board will continue to prioritise the sustainability of our dividend over the long term. Future dividends and annual increases will be subject to the discretion of the Board, following assessment of longer-term affordability. At 31 December 2024, distributable reserves at Phoenix Group Holdings plc, the Group's holding company that pays dividends to shareholders, stood at £5,571 million (FY 2023: £4,632 million), supported by sizeable distributions from its main operating subsidiaries which continue to report under UK GAAP and carry significant distributable reserves. In 2024 the Group's main operating subsidiaries generated strong UK GAAP net profits after covering hedging , which supported the cash remittances to Group. In the consolidated IFRS financial statements, the Group is targeting a positive pre-hedge post-dividend IFRS net profit contribution to the IFRS shareholders' equity. The Group accepts the hedge-related volatility that impacts IFRS shareholders' equity, which is a known consequence of our Solvency II hedging strategy that is designed to protect our cash, capital and dividend. In this overall context and consistent with previous guidance, the Board considers that the Group's consolidated IFRS shareholders' equity is not a constraint to the payment of our dividends.

Legal Disclaimers

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 of the conflicts in Ukraine and the Middle East for European and global macroeconomic conditions, and related or other geopolitical conflicts; political uncertainty and instability including the rise in protectionist measures; the impact of changing inflation rates (including high inflation) and/or deflation; information technology (including Artificial Intelligence) or data security breaches (including the Group being subject to cyber-attacks); the development of standards and interpretations including evolving practices in sustainability 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 information in this announcement does not constitute an offer to sell or an invitation to buy securities in Phoenix Group Holdings plc or an invitation or inducement to engage in any other investment activities. 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. No representation is made that any of these statements will come to pass or that any future results will be achieved. As a result, you are cautioned not to place undue reliance on such forward-looking statements contained in this presentation.