

OUTSURANCE GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2010/005770/06
ISIN: ZAE000314084
Share code: OUT
(OGL or the Group)

UNAUDITED SUMMARY RESULTS ANNOUNCEMENT AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

FINANCIAL PERFORMANCE HIGHLIGHTS

Normalised earnings R1 411 million up 0.5%
P&C gross written premium R16 110 million up 22.5%
P&C annualised new business premium R4 814 million up 38.8%
Ordinary dividend per share 61.2 cents up 7.7%

OVERVIEW OF GROUP RESULTS

The reporting period reflects the first-time adoption of IFRS 17. The adoption of IFRS 17 has resulted in a significant change in the accounting policies of the Group and in particular, the measurement approach for the Life insurance operation. Comparative results have been restated as a result of the IFRS 17 transition.

OUTSURANCE GROUP LIMITED (OGL)

The table below sets out the sources of normalised earnings as attributed to the OHL and ultimately OGL Groups:

R million	Six months ended 31 December			Year ended 30 June
	2023	2022 Restated	% change	2023 Restated
OUTsurance	923	955	(3.4%)	1 884
Youi Group	556	658	(15.5%)	1 396
OUTsurance Life	70	13	>100%	142
OUTsurance Ireland	(59)	(2)	(>100%)	(56)
Administration services ¹	20	(17)	>100%	(35)
Central and consolidation adjustments	36	(8)	>100%	(21)
OUTsurance Holdings Limited	1 546	1 599	(3.3%)	3 310
Non-controlling interest	(139)	(157)	11.5%	(321)
Central/Treasury Company	4	(38)	>100%	(50)
OUTsurance Group Limited	1 411	1 404	0.5%	2 939

¹ Included the normalised loss of OUTvest in the prior period of R15 million and the 2023 financial year of R28 million. OUTvest was disposed of effectively 1 February 2024 and the results for the six-months under review do not include any profit or loss related to the business.

The improvement in the Central and RMI Treasury Company profit component is associated with a large reduction in head-office cost resulting from the simplification of the OGL Group following the listing transition in December 2022. This amount includes interest earned on surplus financial assets coupled with the equity accounted earnings from the portfolio investments.

RMI Treasury Company is in the process of concluding the disposal of RMI Investment Managers Group, excluding the Group's investment in PolarStar Management, to Momentum Metropolitan Holdings. The financial effects of the disposal will impact the results of the second half of the financial year. The OHL Group disposed of its investment in OUTvest with effect 1 February 2024.

OUTSURANCE HOLDINGS LIMITED (OHL)

The table below sets out the key financial outcomes of the consolidated OHL Group:

R million	Six months ended 31 December			Year ended 30 June
	2023	2022 Restated	% change	2023 Restated
Consolidated operating performance - OHL				
Normalised earnings	1 546	1 599	(3.3%)	3 310
Operating profit	1 788	2 003	(10.7%)	4 167
Investment income generated	746	505	47.7%	1 091
Normalised ROE ¹	26.1%	30.2%		29.8%
Group cost-to-income ratio	30.5%	28.9%		30.2%
Property and Casualty insurance activities ²				
Gross written premium ⁴	16 110	13 153	22.5%	27 559
Insurance revenue ³	14 888	12 437	19.7%	25 977
Net earned premium ⁴	13 761	11 357	21.2%	23 726
Annualised new business premium written	4 814	3 469	38.8%	7 710
Operating profit	1 643	2 030	(19.1%)	4 086
Normalised earnings	1 420	1 611	(11.9%)	3 224
Claims ratio ⁴	59.1%	54.4%		54.3%
Insurance cost-to-income ratio ⁴	30.4%	28.3%		29.4%
Combined ratio ^{4,5} (%)	90.0%	83.5%		84.4%
Life insurance activities				
Operating profit/(loss)	57	(15)	>100%	145
Normalised earnings	70	13	>100%	142
Value of new business written	37	(12)		15
Embedded value	1 843	1 421		1 878

1 Attributable to ordinary shareholders.

2 Aggregate results of OUTsurance/Youi Group/OUTsurance Ireland.

3 IFRS 17 naming convention and equivalent to gross earned premium under IFRS 4.

4 Management definitions related to key performance metrics for P&C insurance operations.

5 After Homeowners profit distribution paid to FirstRand and insurance finance expense.

The OHL Group's normalised earnings was 3.3% lower at R1 546 million. This reduction in earnings was driven by the impact of higher natural perils claims incurred, most prominently in Australia.

Also impacting the results is a material increase in the cost of the OUTsurance South African Employee Share Option Scheme (ESOP) following the increase in the OGL share price over the six month period under review. The ESOP scheme is marked to market and is a cash-settled scheme which creates volatility in the share-based expense and consequently in the cost-to-income ratio. We are in the process of replacing the ESOP with a Conditional Share Plan (CSP) which will remove volatility in the cost of the share-based expense. The volatility of the share-based payments expense will therefore rebase incrementally over the next two financial years before being fully replaced by the CSP scheme. The share-based payments expense was R293 million higher than the comparative six months. The OHL Group's operating earnings would have been R293 million higher if this expense is adjusted for and similarly normalised earnings would have been R214 million (post-tax) or 13.4% higher.

OUTsurance Ireland incurred R59 million in start-up losses during the six months under review. Expenses are escalating as the business is operationalising for the launch phase. The loss increased from R2 million in the comparative period.

The salient performance features of the P&C insurance activities are as follows:

- Gross written premium grew by a strong 22.5% which is testament to good operational execution, navigating effectively through the high inflationary environment and the contribution made by new business initiatives.
- Annualised new business increased by 38.8% which points to an accelerated new business trend over the period and supported by a persistently high inflationary environment.
- The claims ratio which increased from 54.4% to 59.1% is attributed to R678 million higher natural perils claims incurred by Youi. Youi's working loss ratio (excluding natural perils) improved from 51.9% to 50.8%, which illustrates that the deterioration was fully accounted for by the higher natural perils. OUTsurance delivered improved claims ratios for both the Personal and Business segments.
- The P&C insurance cost-to-income ratio of 30.4% is distorted by the share-based payments expense. The start-up expenses of OUTsurance Ireland are contributing to the higher expense base and ratio of the Group. Ignoring the increased share-based payments expense and Ireland costs, the P&C cost-to-income ratio would be 27.8%. The mix effect of Youi's faster growth in the Group and its higher inherent cost ratio, also contribute to the higher cost-to-income ratio.

The life insurance business delivered a much improved operating result following the impact of stronger growth achieved in the funeral market place and favourable yield movements compared to the comparative six months.

LOOKING AHEAD

Over the last year we have taken significant action to rationalise our portfolio of products and channels to ensure that our growth strategy is focussed to where we optimise our return on capital. This year's focus is to continue investing in our core businesses where we see opportunities for organic growth and profitable market share expansion. Our teams are focused on cost optimisation as a core ingredient to pricing competitively.

We look forward to a successful market entry of OUTsurance Ireland over the next quarter. Our entry will be measured to ensure that systems and processes, pricing and customer service are streamlined to form a foundation for a successful business.

Our new initiatives will continue to emerge from losses and contribute to Group profitability. A particular focus is on the OUTsurance Business Broker initiative and the profitability of business written in the BZI channel.

We expect that the South African economy will continue to deliver range bound economic growth. We expect some real growth opportunities stimulated by higher natural perils claims and solar penetration. Our focus is to drive competitive alternatives for customers through the optimisation and efficiency of our core businesses.

The Australian economy is in a stronger position and offers real growth opportunities in the insurance sector where shopping activity is stimulated by the high inflationary environment. As a challenger brand, we remain excited by Youi's growth prospects.

We expect that premium inflation will start normalising over the next 12 to 24 months with a sticky near term outlook.

Weather patterns will continue to impact our earnings volatility in the Group and periods of high weather related losses coupled with reinsurance pricing disruption will drive higher premium inflation in the markets in which we operate. We look forward to the long-term earnings diversification that the OUTsurance Ireland opportunity offers as well as organic diversification enabled through increased Business, CTP and life insurance penetration.

CASH DIVIDEND DECLARATION

Notice is hereby given that an ordinary gross interim cash dividend of 61.2 cents per OUTsurance Group Limited ordinary share, payable out of income reserves, was declared on 18 March 2024 in respect of the six months ended 31 December 2023.

These dividends will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net dividend of 48.960 cents per ordinary share for those shareholders who are not exempt.

The company's tax reference number is 9469/826/16/9. Its issued share capital at the declaration date comprises 1 533 388 983 ordinary shares. Shareholders' attention is drawn to the following important dates:

Last day to trade in order to participate in the ordinary dividend	Tuesday 09 April 2024
Shares commence trading ex-dividend on	Wednesday 10 April 2024
The record date for the payment of the dividend will be	Friday 12 April 2024
Dividend payment date	Monday 15 April 2024

No dematerialisation or rematerialisation may be done between Wednesday 10 April 2024 and Friday 12 April 2024 (both days inclusive).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

R million	Six months ended			Year ended
	31 December	2022	%	30 June
	2023	Restated	change	Restated
Insurance revenue ¹	15 328	12 865	19.1%	26 833
Insurance service expenses ¹	(12 388)	(9 485)	30.6%	(19 714)
Net expenses from reinsurance contracts held ¹	(605)	(919)	(34.2%)	(1 989)
Insurance service result	2 335	2 461	(5.1%)	5 130
Non-insurance related income ¹	244	197	23.9%	450
Net investment income	805	561	43.5%	1 198
Investment income	110	97	13.4%	208
Interest income on financial assets using the effective interest method	659	357	84.6%	911
Net gain from fair value adjustments on financial assets	29	104	(72.1%)	80
Expected credit losses reversed/(expensed) on financial assets	7	3	>100%	(1)
Net insurance finance expenses ¹	(139)	(139)	-	(94)
Finance expenses from insurance contracts issued ¹	(205)	(172)	19.2%	(103)
Finance income from reinsurance contracts held ¹	66	33	100.0%	9
Fair value adjustment to financial liabilities	(74)	(91)	(18.7%)	(196)
Net insurance and investment result	3 171	2 989	6.1%	6 488
Marketing and administration expenses ¹	(928)	(645)	43.9%	(1 633)
Finance costs	(17)	(8)	>100%	(40)
Equity accounted earnings/(losses)	33	(1)	>100%	20
Profit on change of shareholding in investment in associates	471	-	>100%	7
Profit on sale of associates	82	57	43.9%	57
Impairment of investment in associates	-	-	-	(23)
Profit before taxation	2 812	2 392	17.6%	4 876
Taxation ¹	(738)	(718)	2.8%	(1 459)
Profit for the period	2 074	1 674	23.9%	3 417
Profit attributable to:				
Ordinary shareholders	1 891	1 453	30.1%	2 980
Non-controlling interests	183	221	(17.2%)	437
Profit for the period	2 074	1 674	23.9%	3 417
Earnings per share (cents)	123.6	94.8	30.4%	194.5
Diluted earnings per share (cents)	122.0	93.9	29.9%	190.8

1 The prior periods have been restated due to the adoption of IFRS 17.

COMPUTATION OF HEADLINE EARNINGS

R million	Six months ended 31 December		% change	Year ended 30 June 2023
	2023	2022 Restated ¹		Restated ¹
Earnings attributable to ordinary shareholders	1 891	1 453	30.1%	2 980
Adjustment for:				
Profit on dilution of associates	(471)	-		(1)
Profit on disposal of associates	(78)	(47)		(47)
Realised foreign exchange gain on sale of investment in associates	(5)	-		-
Loss/(profit) on disposal of property and equipment	1	-		(4)
Profit on distribution of associates	-	(1)		-
Impairments of investments in associates	-	-		17
Loss on write-down of intangible asset	-	-		13
Tax effect of headline earnings adjustments	63	9		5
Headline earnings attributable to ordinary shareholders	1 401	1 414	(0.9%)	2 963

1 The prior periods have been restated due to the adoption of IFRS 17.

COMPUTATION OF NORMALISED EARNINGS

R million	Six months ended 31 December		% change	Year ended 30 June 2023
	2023	2022 Restated ¹		Restated ¹
Headline earnings attributable to ordinary shareholders	1 401	1 414	(0.9%)	2 963
Adjustment for:				
Losses/(gains) on derivative financial instruments relating to capital investments	10	-		(3)
Group treasury shares	(2)	(12)		(25)
Amortisation of intangible assets relating to business combinations	2	2		4
Normalised earnings attributable to ordinary shareholders	1 411	1 404	0.5%	2 939

1 The prior periods have been restated due to the adoption of IFRS 17.

COMPUTATION OF EARNINGS AND DIVIDEND PER SHARE

R million	Six months ended 31 December		% change	Year ended 30 June 2023
	2023	2022 Restated ¹		Restated ¹
Earnings attributable to ordinary shareholders	1 891	1 453	30.1%	2 980
Headline earnings attributable to ordinary shareholders	1 401	1 414	(0.9%)	2 963
Number of shares in issue (millions)	1 533	1 532	-	1 532
Weighted average number of shares in issue (millions)	1 530	1 532	(0.1%)	1 532
Dilutory impact on earnings	(24)	(14)	71.4%	(57)
Dilutory impact on headline earnings	(23)	(14)	64.3%	(42)
Earnings per share (cents)	123.6	94.8	30.4%	194.5
Diluted earnings per share (cents)	122.0	93.9	29.9%	190.8
Headline earnings per share (cents)	91.6	92.3	(0.8%)	193.4
Diluted headline earnings per share (cents)	90.0	91.4	(1.5%)	190.7
Dividend per share				
Interim dividend (cents)	61.2	56.8	7.7%	56.8
Final dividend (cents)	-	-	-	78.0
Special dividend (cents)	-	-	-	8.5
Total dividend per share (cents)	61.2	56.8	7.7%	143.3

1 The prior periods have been restated due to the adoption of IFRS 17.

COMPUTATION OF NORMALISED EARNINGS PER SHARE

R million	Six months ended 31 December			Year ended 30 June 2023
	2023	2022 Restated ¹	% change	Restated ¹
Normalised earnings attributable to ordinary shareholders	1 411	1 404	0.5%	2 939
Number of shares in issue (millions)	1 533	1 532	-	1 532
Weighted average number of shares in issue (millions)	1 533	1 532	-	1 532
Dilutory impact on normalised earnings	(23)	(14)	64.3%	(40)
Normalised earnings per share (cents)	92.1	91.6	0.5%	191.9
Diluted normalised earnings per share (cents)	90.6	90.7	(0.1%)	189.3

1 The prior periods have been restated due to the adoption of IFRS 17.

ADMINISTRATION

OUTsurance Group Limited (OGL)
(formerly Rand Merchant Investment Holdings Limited (RMI))
Registration number: 2010/005770/06
JSE ordinary share code: OUT
ISIN code: ZAE000314084

Directors: Chairman: HL Bosman; Lead Independent: K Pillay
Independent: B Hanise, ET Moabi, GL Marx, JA Teeger, JE van Heerden, MM Mahlare, M Morobe, RSM Ndlovu, SV Naidoo
Non-executive: A Kekana, JJ Durand, WT Roos; Executive: MC Visser (CEO), JH Hofmeyr (CFO); Alternates: F Knoetze, UH Lucht.

During the six months ended 31 December 2023, Messrs Hedding and Burger stepped down as directors.

Secretary and registered office: JS Human

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Sponsor: (in terms of JSE Listings Requirements) Rand Merchant Bank
(a division of FirstRand Bank Limited)
Physical address: 1 Merchant Place, Corner of Fredman Drive and
Rivonia Road, Sandton, 2196

Transfer secretaries: Computershare Investor Services Proprietary Limited Physical address: Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
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ADDITIONAL INFORMATION

This announcement contains certain forward-looking information with respect to OUTsurance. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently all forward-looking statements have not been reviewed or reported on by the Group's external auditors.

The contents of this short-form announcement are the responsibility of the board of directors of the company. These summary interim results have not been audited.

Shareholders and/or investors are advised that this short-form announcement represents a summary of the information contained in the interim results and does not contain full or complete details.

The interim results are available for viewing on OUTsurance's website at <https://group.outsurance.co.za/financial-results/reports-and-results/> or at <https://senspdf.jse.co.za/documents/2024/jse/isse/OUTE/OUT24Int.pdf>

Any investment decisions by shareholders and/or investors should be based on a consideration of the interim results as a whole and shareholders and/or investors are encouraged to review the interim results, which are available for viewing on the JSE's website and on the company's website as set out above.

The interim results are also available for inspection, at no charge, at the registered office of the company (1241 Embankment Road, Zwartkop Ext 7, Centurion, South Africa, 0157) and at the offices of OGL's Sponsor, Rand Merchant Bank (a division of FirstRand Bank Limited) (1 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton) from 09:00 to 16:00 weekdays. Shareholders and/or investors may request copies of the interim results from the company secretary at humansch@out.co.za.

Centurion
18 March 2024

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)