

DISCOVERY LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1999/007789/06)
Legal Entity Identifier: 378900245A26169C8132
JSE share code: DSY ISIN: ZAE000022331
JSE share code: DSBP ISIN: ZAE000158564
Debt company code: DSYI
Company tax reference number: 9652/003/71/7
("Discovery" or "the Company" or "the Group")

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2024 AND CASH DIVIDEND DECLARATION

KEY FINANCIAL RESULTS

For the year ended 30 June

			Restated ⁽¹⁾	
Group earnings	Unit	2024	2023	% change
Normalised profit from operations	R million	11 604	9 917	17
Profit attributable to ordinary shareholders	R million	7 283	6 510	12
Headline earnings	R million	7 202	6 720	7
Normalised headline earnings	R million	7 329	6 400	15
Basic earnings per share	Cents	1 082.7	972.6	11
Basic headline earnings per share	Cents	1 089.4	1 021.5	7
Basic normalised headline earnings per share	Cents	1 108.6	972.8	14
Business volumes				
Core new business annualised premium income	R million	26 667	22 622	18
Total income from non-insurance lines ⁽²⁾	R million	6 191	5 349	16
Group net asset value and embedded value				
Net asset value	R million	57 719	49 724	16
Embedded value ⁽³⁾	R million	110 354	98 176	12
Annualised ROEV	%	13.2	13.2	
Basic embedded value per share	R	166.95	149.11	12
Financial leverage and capital management				
Financial leverage ratio ⁽⁴⁾	%	20.0	20.4	
Final ordinary dividend declaration per share	Cents	152.00000	110.00000	38

¹ Includes restatements as a result of the adoption of IFRS 17 *Insurance Contracts*. Refer discussion below

² Includes income from business lines and activities not covered by the new business API definition. Restated to include solutions revenue from external clients for Vitality Network

³ Non-covered businesses are included at their net asset values only

⁴ Allowing for the inclusion of 50% of the contractual service margin (CSM) net of reinsurance and net of tax in the denominator

Discovery Group achieved strong growth in the year ended 30 June 2024, with normalised operating profit up 17% to R11 604 million, headline earnings up 7% to R7 202 million, normalised headline earnings up 15% to R7 329 million, and core new business annualised premium income (API) up 18% to R26 667 million.

The year under review was characterised by continued macroeconomic complexities. Global inflation rates declined from the prior year highs, but cumulative interest rate increases heightened consumer pressures in many regions, constraining economic growth. The uncertainty around elections in South Africa (SA) created further economic headwinds during the year. A positive election outcome towards the end of the reporting period, following the formation of the Government of National Unity (GNU), resulted in a significant shift in confidence, with some immediate relief in market indicators. The National Health Insurance (NHI) Act, which was signed over the period, is not workable in its current form, however the Group is engaging at multiple levels to facilitate a viable journey to

universal healthcare coverage in SA. In the United Kingdom (UK), fiscal challenges and the knock-on impact on the National Health Service (NHS) backlogs, accelerated the demand for, and utilisation of, private medical insurance (PMI). Many markets in Asia experienced post-COVID-19 recoveries, however, China continued to face significant macroeconomic and growth constraints.

The Group focused on the following over the year:

1. Delivering strong growth in earnings, value, cash generation and capital resilience;
2. Entering a new phase in the lifecycle of the Group; and
3. Arranging the Group into two distinct composites to drive the new phase of growth.

STRONG GROWTH IN EARNINGS, VALUE, CASH GENERATION AND CAPITAL RESILIENCE

The IFRS 17 *Insurance Contracts* accounting standard became effective for the Discovery Group on 1 July 2023. Full-year earnings have been reported under the standard for the first time, with comparative restatement of the prior year, and a restatement of the opening Statement of financial position as at 1 July 2022. The details of these restatements are covered in the reviewed condensed consolidated financial statements.

The Group grew normalised profit from operations by 17% with strong contributions from Discovery SA and Vitality Global (VG), increasing 16% and 57% respectively. Vitality UK declined 14%, impacted by two specific issues: claims experience in VitalityHealth and a basis strengthening for the back book under VitalityLife.

Normalised headline earnings grew 15% while headline earnings increased 7%, the difference explained by the considerable prior period fair value gain from the UK interest rate swaption. The swaption was realised towards the end of the prior financial year, with no profit impact in the current period. Consistent with prior reporting, headline earnings were normalised for this.

The Group's embedded value increased to R110 billion, which represents a 13.2% return on embedded value (RoEV). This included a positive contribution from experience variances over the period, reflecting the competitive dynamics of the Shared-value Insurance model, as well as a strong improvement from non-covered businesses.

The Group demonstrated continued financial resilience over the year. The financial leverage ratio (FLR) improved to 20.0%, despite prudently raising R1.5 billion of debt, ahead of the election in SA, to derisk the refinancing of a maturity towards the end of the current calendar year. Capital and liquidity ratios remained strong across every business and central liquidity increased, even before the additional debt. This was driven by improved organic cash generation, with cash conversion now at 66% of after-tax normalised operating profit (64% in the prior period), and lower spend on new initiatives.

BUSINESS UNIT PERFORMANCE

	Normalised profit from operations (Current year, in ZAR million)	% change (Current year vs prior year)	Core new business API (Current year, in ZAR million)	% change (Current year vs prior year)
Discovery Health	3 972	7%	11 069	26%
Discovery Life	4 765	9%	2 942	4%
Discovery Invest	1 522	20%	3 300	8%
Discovery Insure ⁽¹⁾	248	>100%	1 388	11%
Discovery Bank	(454)	41% lower		
Other SA initiatives and central costs	(336)	20%	1 038	38%
Discovery SA	9 717	16%	19 737	19%
VitalityHealth	435	(47%)	2 488	21%
VitalityLife	375	(20%)	1 956	14%
Closure costs of VitalityInvest and VitalityCar	(75)	84% lower		
Other UK initiatives and central costs	(88)	10%		
Vitality UK	647	(14%)	4 444	17%
Vitality Network	533	30%		
VHI – Ping An Health Insurance	1 124	85%	2 486	14%

VHI – Other	(386)	98%		
Other VG initiatives and central costs	(31)	11% lower		
Vitality Global	1 240	57%	2 486	14%
Normalised profit from operations	11 604	17%		

¹ Includes Discovery Insure's share of equity accounted profits of its associates.

Within the composites:

Discovery SA performed strongly, with a compelling contribution from each business in the composite.

- Discovery Bank exceeded expectations, with excellent progress across all metrics. The acquisition of quality clients continued to accelerate, resulting in strong revenue growth.
- Discovery Life delivered robust earnings, despite the result for Group Life being elevated in the prior year.
- Discovery Health generated solid earnings growth, while continuing to invest in technology, innovation and artificial intelligence.
- Discovery Invest delivered strong profit growth due to an increase in the value of assets under management. In addition, the earnings profile of certain contracts was amended to provide a more even ongoing profit release profile.
- Discovery Insure delivered a strong recovery in the second half of the reporting year, as prior period management actions took effect.

Vitality UK achieved strong growth in customers, new business and earned premiums. Normalised operating profit was impacted by two specific issues: claims experience in VitalityHealth and a basis strengthening for the back book under VitalityLife.

- VitalityHealth's membership reached 1 million during the reporting year, having grown strongly from the increased demand for PMI given the backlogs experienced by the NHS. There was a concomitant increase in claims during the reporting period which negatively impacted earnings by £30 million, given the lag of premium increases. VitalityHealth has significantly increased prices in response to the higher claims, in line with the market, with little impact on observed lapse rates. Post the reporting period, claim levels are in line with actuarial expectation. As such, margins are expected to recover strongly in the 2025 financial year.
- VitalityLife's underlying performance was robust with new business value generation improving in the second half of the reporting year. In light of continued lower lapses than expected for a block of whole of life business within the Prudential Assurance Company (PAC) book, VitalityLife strengthened the lapse basis resulting in a negative impact on earnings of £12.5 million for the period. While VitalityLife has contractual service (CSM) and risk adjustment (RA) margins in excess of £400 million, these margins are not applicable to this particular cohort resulting in the basis change directly impacting in period earnings. This is not expected to recur.

Vitality Global delivered exceptional performance over the year.

- Ping An Health Insurance (PAHI) delivered an excellent operating result, with a reduction in the combined ratio, and strong cash generation. Importantly, PAHI commenced the payment of dividends at a payout ratio of 30% of 2023 calendar year distributable profits.
- Vitality Network generated strong profit and membership growth, with improving margins.
- Vitality Health International represents a key growth area for the Group, with investment made over the period to capitalise on the opportunity.

ORDINARY SHARE CASH DIVIDEND DECLARATION

Shareholders are advised that a final gross cash dividend of 152.00000 cents was declared (121.60000 cents net of dividend withholding tax) per ordinary share, out of income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The number of ordinary shares in issue at the declaration date is 676 374 092.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 15 October 2024
Shares commence trading "ex" dividend	Wednesday, 16 October 2024
Record date	Friday, 18 October 2024
Payment date	Monday, 21 October 2024

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday 16 October 2024 and Friday 18 October 2024, both days inclusive.

DIRECTORS' STATEMENT

This results announcement is the responsibility of the Board of Directors of the Company (Board).

Shareholders and/or investors are advised that this results announcement is a summary of the information contained in the reviewed condensed consolidated financial statements for the year ended 30 June 2024 and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on a consideration of the reviewed condensed consolidated financial statements available via the JSE link <https://senspdf.jse.co.za/documents/2024/JSE/ISSE/DSY/FY2024.pdf> and published on our website at <https://www.discovery.co.za/corporate/financial-results> on 19 September 2024.

The results announcement has itself not been reviewed, however, the financial information included herein has been extracted from the reviewed condensed consolidated financial statements which have been reviewed by the independent joint auditors, KPMG Inc. and Deloitte & Touche, who expressed an unmodified review conclusion.

On behalf of the Board

ME Tucker

Chairperson

18 September 2024

A Gore

Group Chief Executive

Directors ME Tucker (UK) (Chairperson), A Gore* (Group Chief Executive), LM Chiume¹, R Farber, WM Hlahla, FN Khanyile, D Macready, Dr TV Maphai², TT Mboweni, KC Ramon¹, M Schreuder, B Swartzberg*, BA van Kralingen, DM Viljoen* (Group Chief Financial Officer), SV Zilwa²

* *Executive.*

¹ *Appointed effective 18 September 2023*

² *Retired effective 16 November 2023*

Debt officer

DM Viljoen

Registered office and business address

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Transfer secretaries

Computershare Investor Services Proprietary Limited

Equity and Debt Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)

Company secretary

AC Ceba

Independent auditors

Deloitte & Touche
KPMG Inc.

www.discovery.co.za

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