



OLD MUTUAL

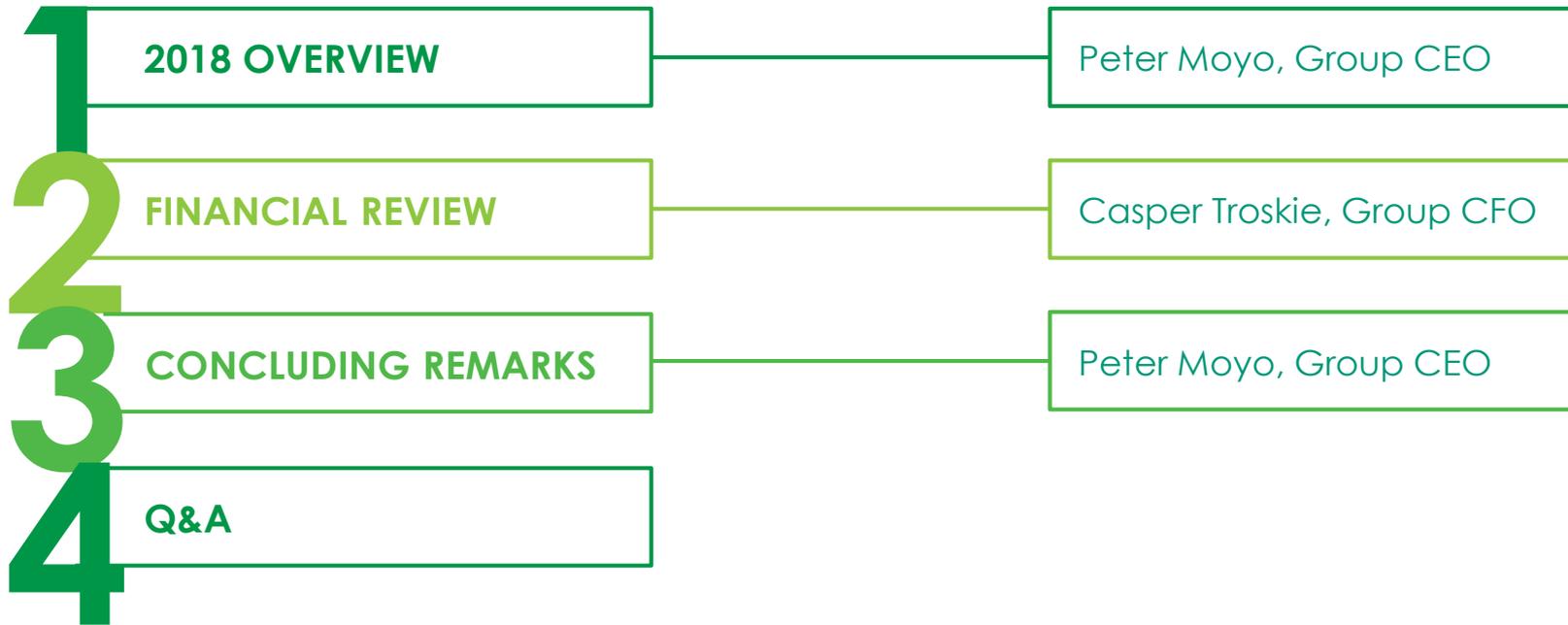
# 2018 RESULTS



DO GREAT THINGS EVERY DAY



# AGENDA





# 2018 – A YEAR OF DELIVERY AND EXECUTION



✓ **Progress on our eight battlegrounds**

✓ **Managed Separation** activities and transactions completed

✓ **On track to deliver** against our medium term targets, although some headwinds ahead

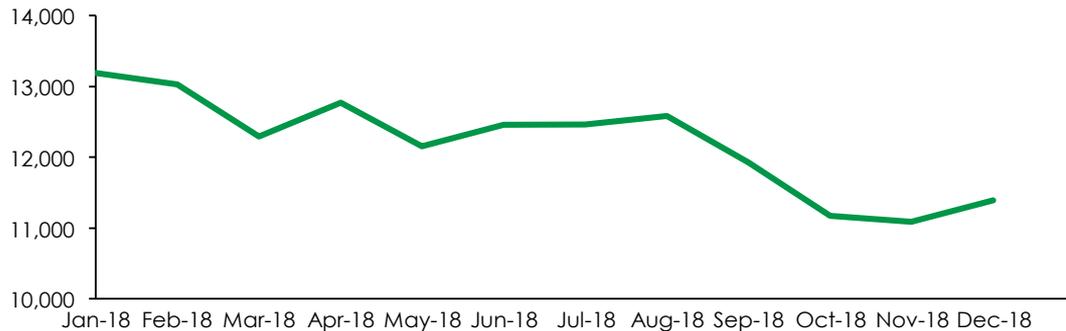
Delivered in a **sustainable and responsible** way



# IMPACT OF THE SOUTH AFRICA MACRO ENVIRONMENT



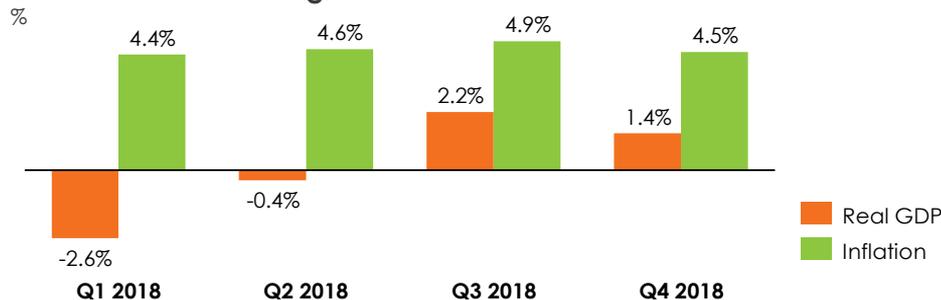
## Equity market levels <sup>1</sup>



## Impact on our business

- Closing equity market levels down 14%<sup>1</sup> in 2018
- Average FUM levels in SA of R957 billion, up 3%, supported by strong NCCF

## Real GDP and inflation growth<sup>2</sup>



## Impact on our customers

- Low GDP growth, low real wage growth and higher VAT rate putting pressure on levels of disposable income
- Reduction in propensity to save

1. Market levels represents the JSE Shareholder Weighted Index (SWIX)

2. Real GDP growth is seasonally adjusted and calculated on a quarter-on-quarter (QoQ) annualised basis

Source: Bloomberg

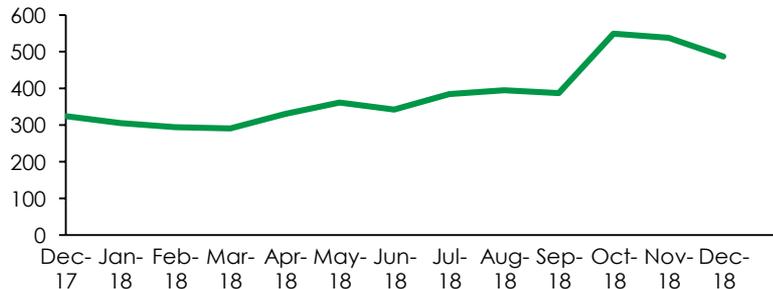


# OVERVIEW OF THE REST OF AFRICA MACRO ENVIRONMENT

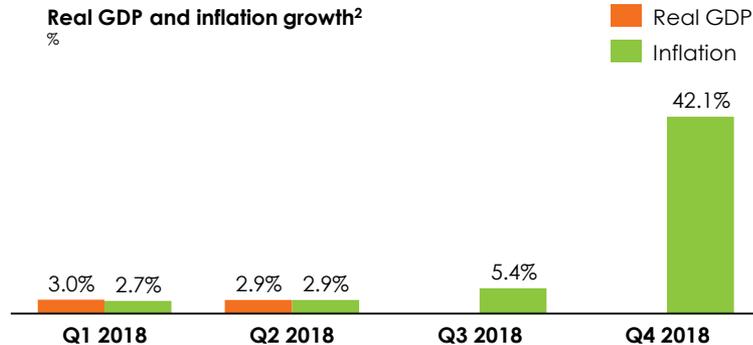


## Zimbabwe

Equity market levels<sup>1</sup>

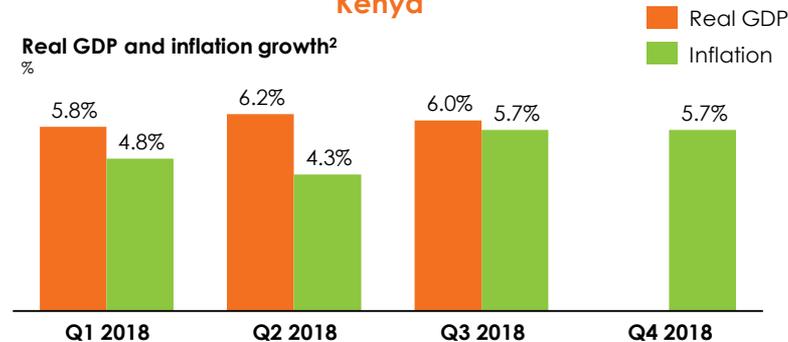


Real GDP and inflation growth<sup>2</sup>



## Kenya

Real GDP and inflation growth<sup>2</sup>



## Nigeria

Real GDP and inflation growth<sup>2</sup>



1. Market levels Equity market level represents the Zimbabwe Industrial Index

2. Real GDP growth is not seasonally adjusted and is calculated on a year-on-year (YoY) basis

Source: Bloomberg



# DELIVERING AGAINST OUR MEDIUM TERM TARGETS



	KPI	Target	Performance 2018	
RETURNS	RoNAV	Average COE <sup>1</sup> + 4%	18.6%	✓
GROWTH	Results from operations	CAGR of Nominal GDP + 2%	Down 4%	✗
EFFICIENCY	Cost efficiencies	R1 billion by end 2019 pre-tax run-rate cost savings	R750 million	✓
	Underwriting result	Old Mutual Insure underwriting margin of 4%-6%	5.3%	✓
CAPITAL	Solvency	Old Mutual Limited: 155%-175%	Old Mutual Limited: 170%	✓
		OMLACSA: Greater than 200%	OMLACSA: 225%	
CASH RETURNS	Dividend cover	Target cover 1.75 to 2.25x	Ordinary dividend cover of 2.04x 1.10x including special dividend	✓



# ATTRACTIVE CAPITAL RETURNS IN 2018 AND BEYOND



**R45.9 billion distributed in 2018**  
930 cents per share



**At least R5.6 billion to be distributed in 2019**



**Total value**

**Interim dividend**

**R2.2 billion**

45 cents per share

**Special dividend**

**R4.9 billion**

100 cents per share

**Nedbank unbundling**

**R38.8 billion<sup>1</sup>**

785 cents per share

**Final dividend**

**R3.6 billion**

72 cents per share

**Share buyback**

**R2 billion**

40 cents per share<sup>2</sup>

**R51.5 billion**

1,042 cents per share



# SOLID PROGRESS ON OUR BATTLEFIELDS





# DEFEND AND GROW SA MARKET SHARE IN MASS MARKET



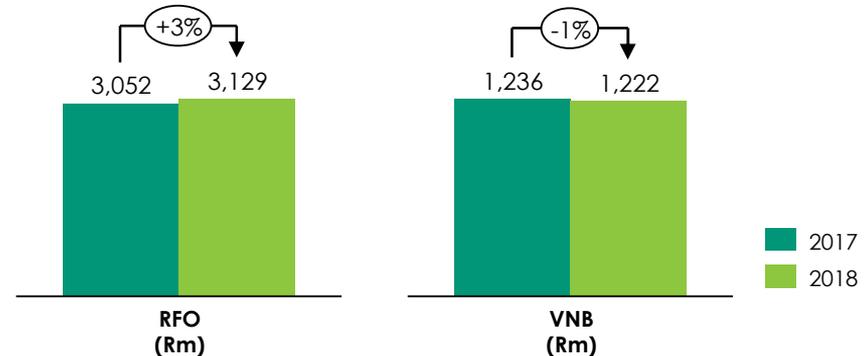
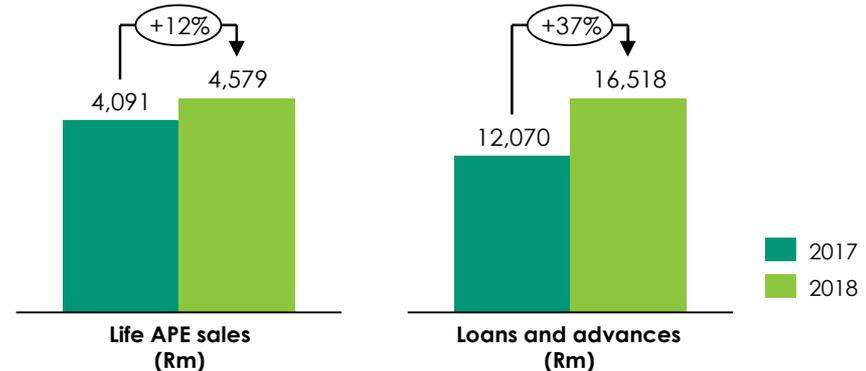
## Strong sales despite economic headwinds

- Life APE sales up 12% due to higher average adviser headcount and improved productivity
- Loans and advances up 37% due to higher consultant productivity, customer take-on enhancements and improved scorecard

## Growing distribution footprint

- Opened 25 new branches in 2018 to 348
- 211,000 active money accounts, up 67%,  
1 million money accounts opened to date

**Reduced claim pay out times** – claims initiated via the Money Account app or call centre **paid in 4 hours**





# DEFEND AND GROW SA MARKET SHARE IN CORPORATE MARKET

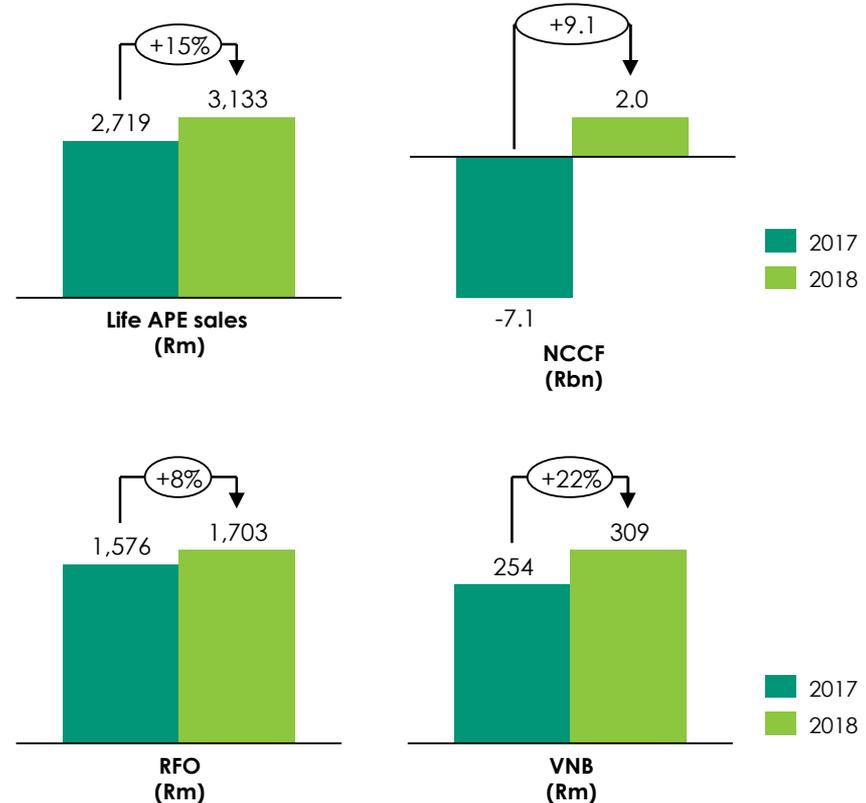


## Excellent flows in competitive environment

- Life APE sales up 15% - reflects good growth across all major product lines except annuities
- NCCF improved following new mandates secured and improved termination experience

Launch of new self service portal for Old Mutual SuperFund customers

Good profit growth as a result of **management actions** and **resolution of risk exposures**





# DEFEND AND GROW IN SA PERSONAL FINANCE MARKET



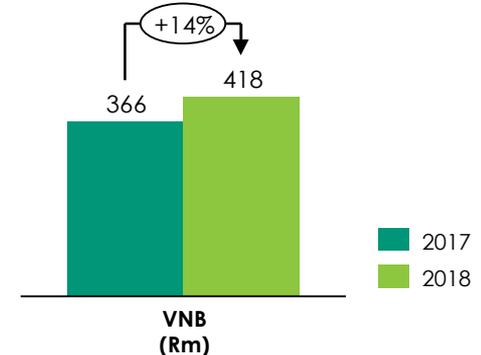
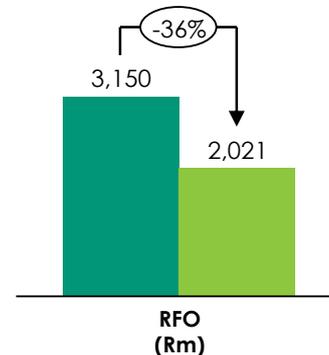
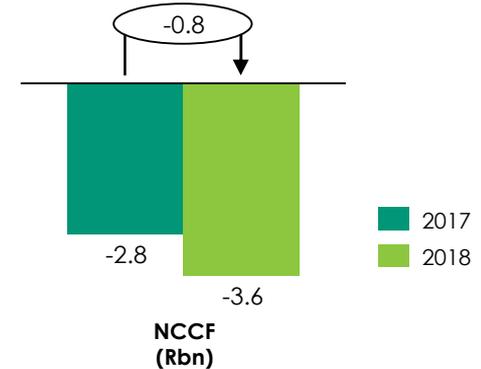
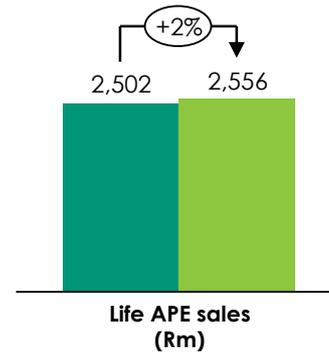
## Stable Life APE sales, decline in NCCF

- Good growth in single premium and annuity sales
- Lower recurring premium savings sale, risk flat
- NCCF weaker due to poor claims experience and higher disinvestments

Distribution channels generated gross flows of over R69.2 billion, R37.2 billion reported in Wealth and Investments

Increased focus on digital sales channels

Profit lower due to **lower year on year reserve releases** and **poor mortality and morbidity experience**





# IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS



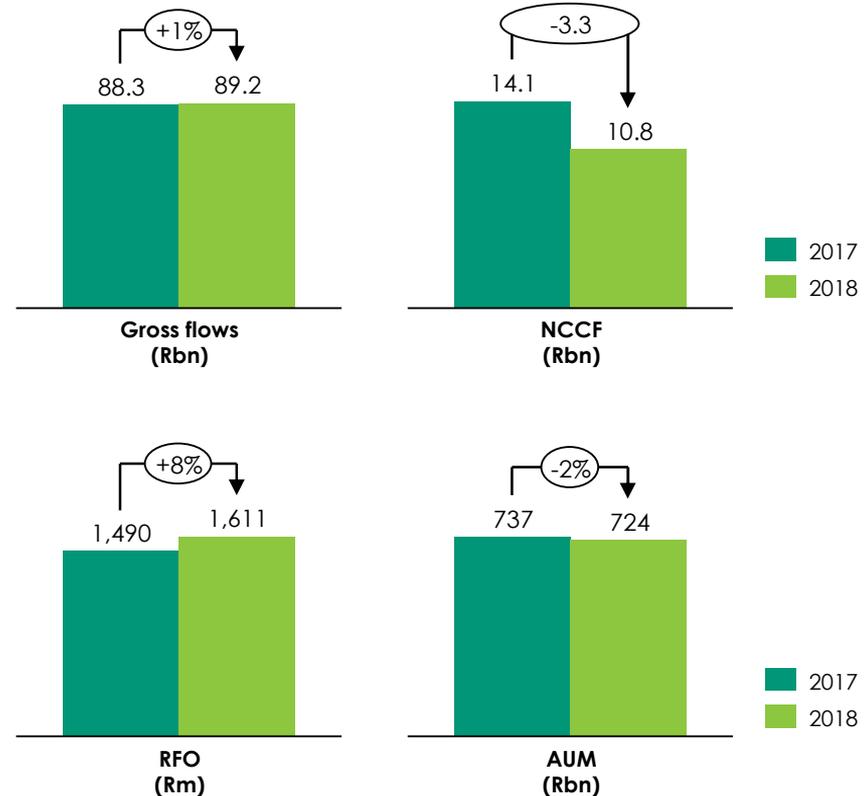
## Strong flows in difficult market and competitor environment

- Strong retail flows in Old Mutual International and on the Wealth platform
- Positive NCCF supported by excellent retail flows (up 35%). Outflows in Alternatives following asset realisations and low margin terminations by multi-managers internalising indexation capabilities

Improved investment performance

**Good profit growth** and **operating margin of 32%**, demonstrating strength of diversified earnings stream

**Khaya Gobodo appointed as MD**





# CONTINUED TURNAROUND OF OLD MUTUAL INSURE



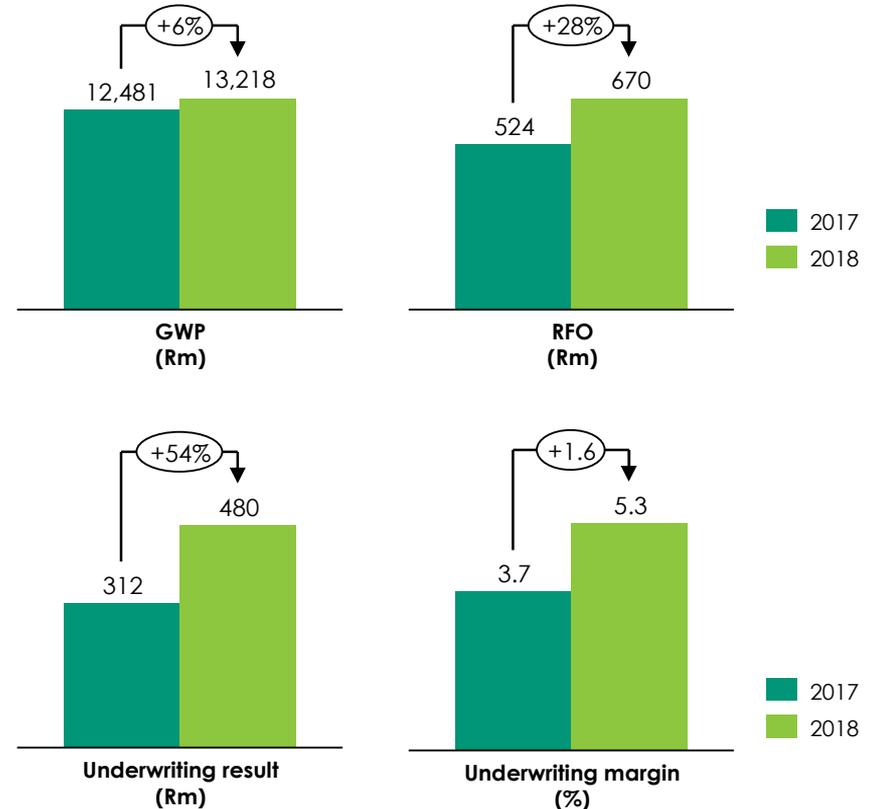
## Modest Gross Written Premium (GWP) growth in challenging market conditions

- Growth driven by pricing improvements
- Increase in flows through strategic partnerships
- Strong growth in iWye

Underwriting margin maintained at upper end of our range – 5.3% for 2018 vs target of 4%-6%

Significant increase in RFO given low claims experience, especially in H1 2018 and tight expense management

Garth Napier appointed as MD





# TURNAROUND EAST AFRICAN BUSINESS AND IMPROVE RETURNS ACROSS ROA

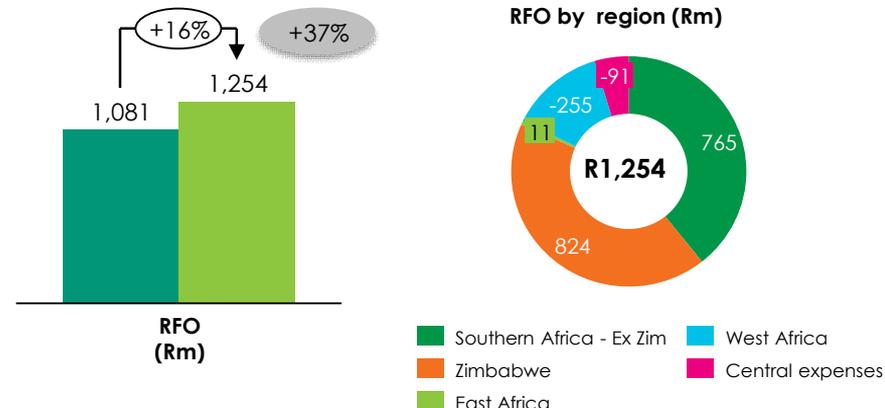
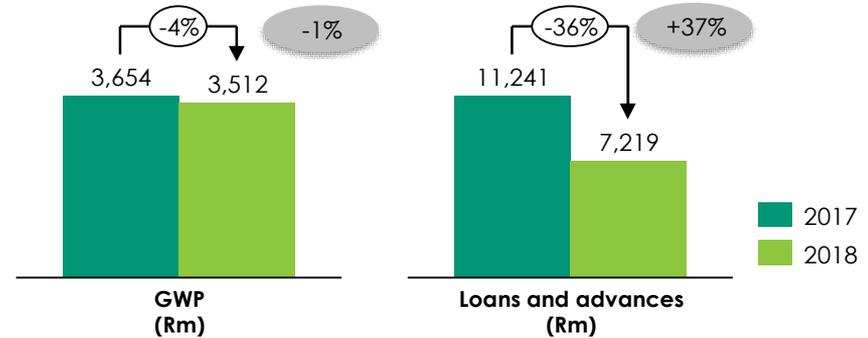


## Mixed top line growth reflects difficult economic environment

- **Southern Africa** – gross flows flat despite impact of recession in Namibia. Large non life inflows secured in Malawi
- **East Africa** – Life sales up 23% due to improved productivity. Gross Written Premium (GWP) down 2% due to increased competitor activity and tough economic environment
- **West Africa** – gross flows up 13% reflecting higher non life sales in Ghana. Life sales and GWP impacted by slower than expected rollout in Ecobank

## Increase in RFO reflects robust profits in Southern Africa and evidence of turnaround in some markets

**Zimbabwe** – RFO impacted by functional currency change



Indicates growth rate before applying the functional currency change for Zimbabwe



# WIN THE WAR FOR TALENT



## Built a diverse, engaged and talented Executive team to lead the organisation



**Executive team build completed** with appointments of Khaya Gobodo and Garth Napier



**Transformed and renewed executive team**

**Diversity** of age, experience, gender and race

- Average age of our Executive team has reduced
- Youngest member is **37**

## Extensive engagement with our employees to drive required culture shifts



Engaged **10,000 employees** through face to face and mobile campaign, approximately a third of our employees



Committed to embed the desired culture shifts required to transform the organisation. We are building teams that are:

- Delivery orientated
- Customer centric
- Externally competitive

Investing in leadership development and youth talent programmes to build future generation of our leadership



# REFRESH THE TECHNOLOGY OFFERING



**Launched MyOldMutual**, our new secure customer portal, on cloud infrastructure

Rapid adoption of **AI technologies** including robotic process and system automations

Deliver in line with our **customers' changing wants and needs**

**Simplified** and **digital enabled** advice tools

What it meant for our customers

Customers have access to **34 digital products**.

**New** digital products include:

- Online funeral policy
- Online life insurance
- Self service portal for retirement members
- Dream Enabler

- 64 bots in production
- 1.4 million minutes of processing time saved
- 250k cases automated

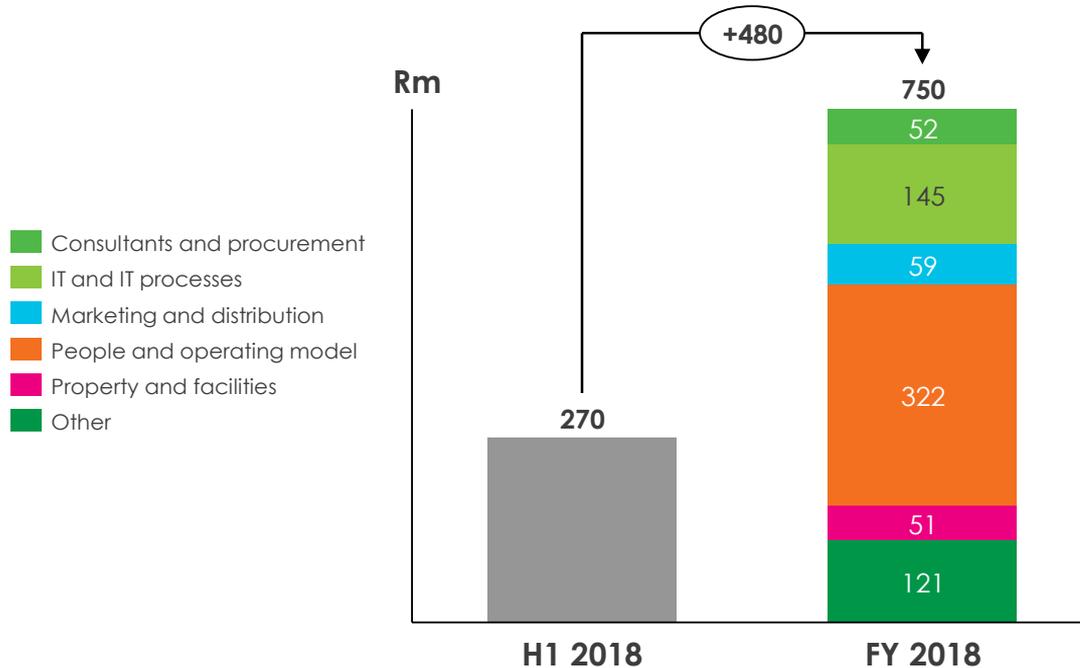
Leading to **quicker turnaround** and **improved customer experience**

Deliberate **shift in our culture to better serve customers** and intermediaries

On track to launch **refreshed protection proposition** in H1 2019



# COST EFFICIENCY LEADERSHIP



**R750 million of gross recurring savings** achieved in 2018, on track **for R1 billion in 2019** and expect to **maintain expense growth within inflation thereafter**

# FINANCIAL REVIEW

Casper Troskie





# KEY REPORTING JUDGEMENTS IN 2018



## Zimbabwe functional currency

- Change in functional currency to RTGS applied from 1 October 2018
- Estimated rate of 3.3 RTGS to 1 USD
- Material impact on reported profits and net asset value

## Nedbank and Quilter

- IFRS profits include profits of R23.2 billion related to the distribution and unbundling of Quilter and Nedbank respectively
- These are one off and excluded from AHE and Headline Earnings but included IFRS profits

## Experience variances and assumption changes

- Operating variances for IFRS and MCEV are positive
- Material positive assumption changes from prior year not repeated

## Prudential Standards

- Yet to be designated as an insurance group
- Approvals for certain methodology choices received and reflected in OMLACSA solvency ratio
- Prior year ratio has been adjusted to remove impact of iterative risk margin



# FINANCIAL DELIVERY IN 2018



## Headline Earnings

**R14,241 million**

Mainly reflecting  
lower Residual  
plc losses

## RoNAV

**18.6%**

Above COE<sup>1</sup> +4%

## Free surplus generated from operations

**R6,585 million**

Free cash  
covering  
dividend  
payments

## Group solvency ratio

**170%**

Mainly reflecting  
higher holding  
company cash  
and lower  
Zimbabwe  
fungibility

**Supporting returns to shareholders**

1. Cost of Equity (COE) = 13.4%

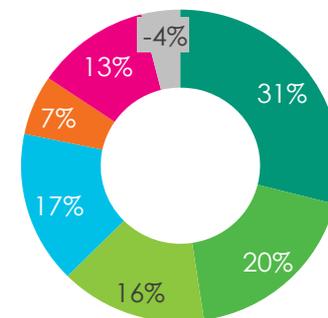


# SEGMENT DELIVERY



Rm	FY 2018	FY 2017	% Change
Mass and Foundation Cluster	<b>3,129</b>	3,052	3%
Personal Finance	<b>2,021</b>	3,150	(36%)
Wealth and Investments	<b>1,611</b>	1,490	8%
Old Mutual Corporate	<b>1,703</b>	1,576	8%
Old Mutual Insure	<b>670</b>	524	28%
Rest of Africa	<b>1,254</b>	1,081	16% <span>+37%</span>
Central expenses	<b>(425)</b>	(506)	16%
<b>Results from operations</b>	<b>9,963</b>	10,367	(4%) <span>-2%</span>

### Segment contribution to Results from operations



- Mass and Foundation Cluster
- Personal Finance
- Wealth and Investments
- Old Mutual Corporate
- Old Mutual Insure
- Rest of Africa
- Central expenses



# ADJUSTED HEADLINE EARNINGS



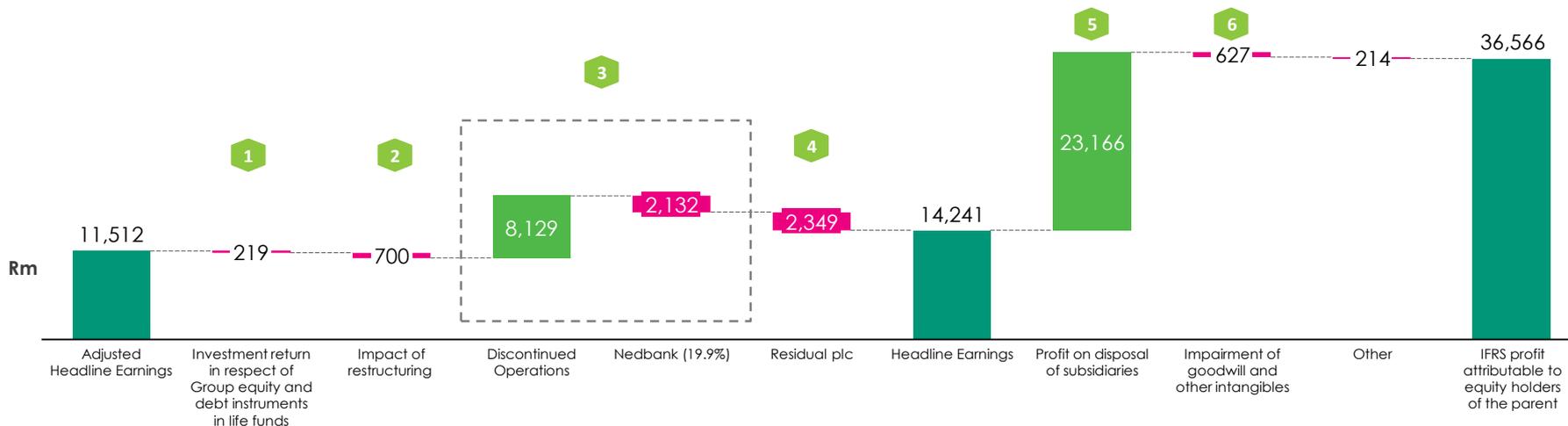
Rm	FY 2018	FY 2017	% Change
Operating segments	10,388	10,873	(4%)
<b>1</b> Central expenses	<b>(425)</b>	(506)	16%
<b>Results from operations</b>	<b>9,963</b>	10,367	(4%)
<b>2</b> Shareholder investment return	<b>2,880</b>	4,920	(41%)
<b>3</b> Finance cost	<b>(601)</b>	(622)	3%
<b>4</b> Income from associates	<b>2,593</b>	2,305	13%
<b>Adjusted headline earnings before tax</b>	<b>14,835</b>	16,970	(13%)
Shareholder tax	<b>(2,947)</b>	(3,535)	17%
Non-controlling interest	<b>(376)</b>	(488)	23%
<b>Adjusted headline earnings</b>	<b>11,512</b>	12,947	(11%)

- 1 Reflects benefit of cost allocation to segments, offset by increase in costs to establish standalone listed functions
- 2 SA returns down – weak equity markets, strong equity market returns in Zimbabwe offset by functional currency change
- 3 Increase in finance costs offset by fair value gains on interest rate swaps
- 4 Increase driven by higher Nedbank earnings due to ETI turnaround

+1%



# AHE TO IFRS PROFIT IN 2018



1 Adds back policyholder returns eliminated in IFRS

2 Managed Separation transaction costs and accelerated vesting

3 Earnings attributable to Nedbank, Quilter and Latin America

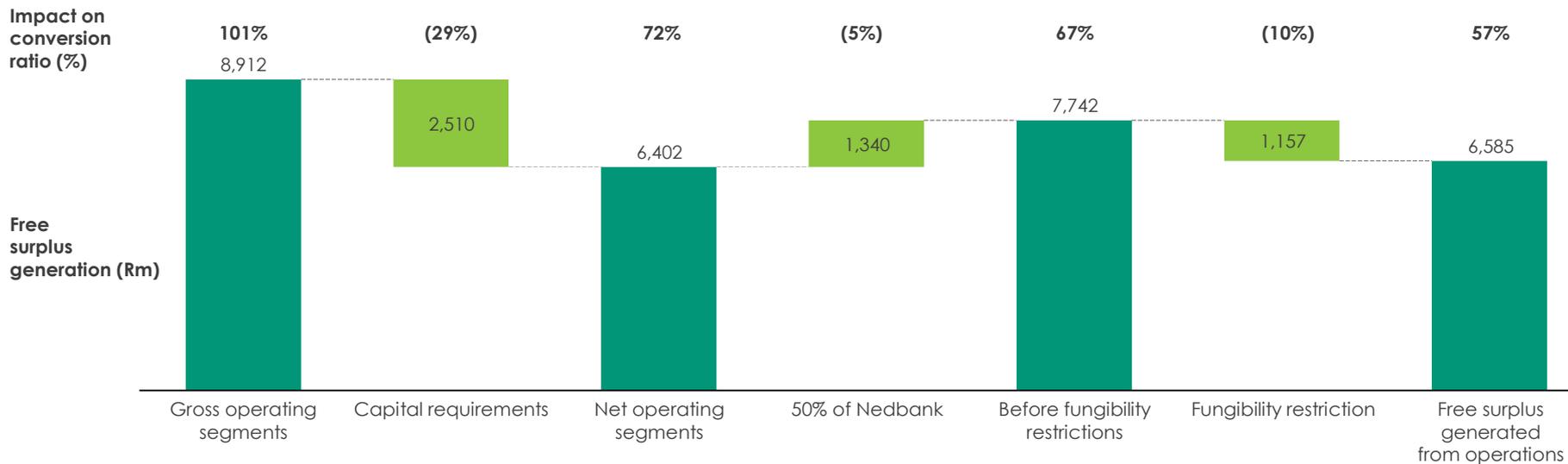
4 Largely Managed Separation costs, finance costs and wind down costs

5 Profit on distribution relating to Quilter and Nedbank

6 Impairment of UAP related goodwill and intangibles



# CASH GENERATION IN 2018



- Increase in capital requirements (FY 2017: R2,237m) reflects growth in loans and advances in our Banking and Lending business and a strengthening of capital levels at subsidiary level in our Life and Savings business
- Nedbank cash conversion of 50% in line with their dividend policy
- Earnings related to Zimbabwe reflected as non fungible



# PROGRESS ON BALANCE SHEET SIMPLIFICATION



## Latin America

- Majority of regulatory approvals received
- On track to complete in H1 2019
- Proceeds of \$308m – transaction, tax and associated costs expected to be \$40m

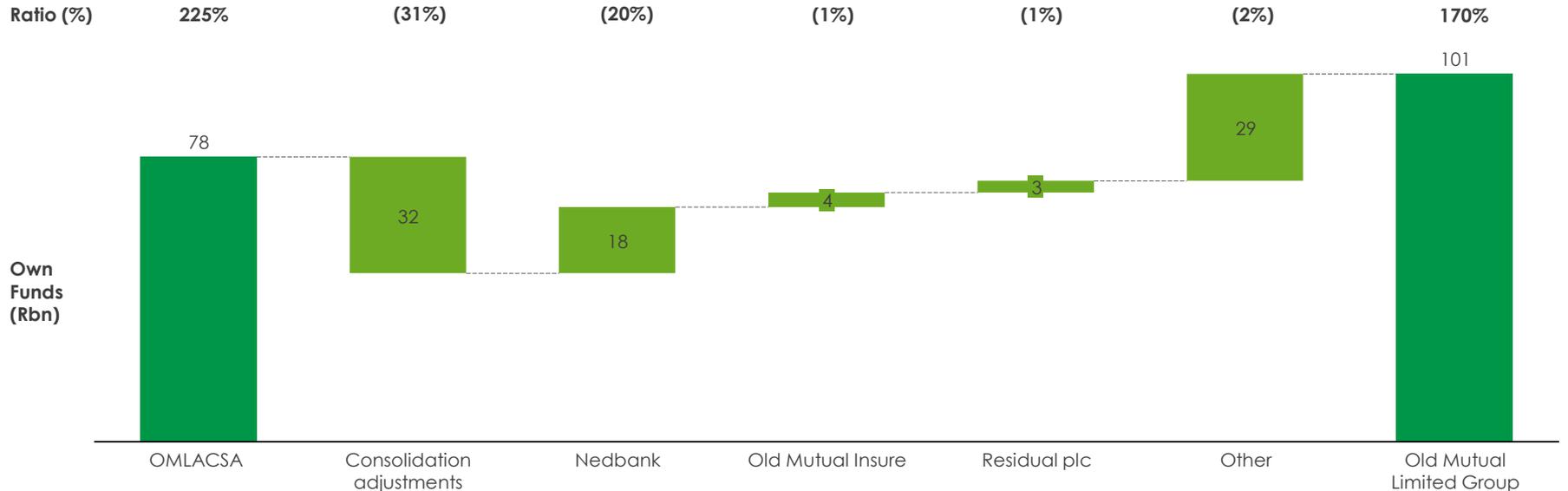
## Residual plc

- Dividends of R4.7 billion remitted to OML during 2018
- No outstanding international debt
- Remaining economic value of £221 million
- Wind down of operations materially complete
- Run off of contingent risk will take a few years

Balance sheet simplification driving **cash generation** and **creates flexibility for future investments** and/or **further returns to shareholders**



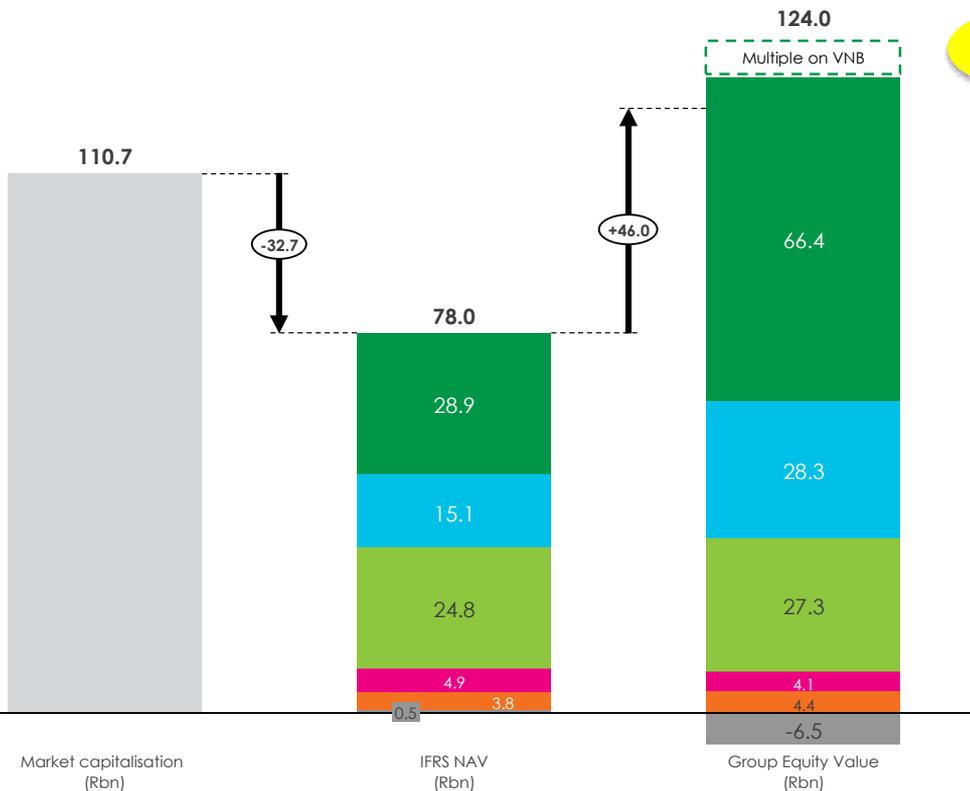
# GROUP SOLVENCY POSITION AT 31 DEC 2018



- Strong capital position where risks are managed, even after declared dividends
- Consolidation adjustments mainly related to removing double count of Nedbank and other subsidiaries
- Inclusion of Nedbank on Basel III basis reduces ratio
- Residual plc diluting Group solvency due to fungibility restrictions
- OM Insure included per the standard formula
- Other includes Rest of Africa and non life entities



# GROUP EQUITY VALUE



R25.75 per share

Category	Valuation technique	AHE (Rm)
Covered business	Embedded value	6,893
Non covered	Fair value	2,244
Nedbank	Market value	2,681
Residual plc	Economic NAV	n/a
Latin America	Contractual selling price	n/a
Other	Includes holding companies, central costs and debt	n/a



# OUTLOOK ON MEDIUM TERM TARGETS



	KPI	Target	Performance 2018	2019 Outlook
RETURNS	RoNAV	Average COE + 4%	18.6%	Improving
GROWTH	Results from operations	CAGR of Nominal GDP + 2%	Down 4%	Improving but challenging
EFFICIENCY	Cost efficiencies	R1 billion by end 2019 pre-tax run-rate cost savings	R750 million	On track
	Underwriting result	Old Mutual Insure underwriting margin of 4%-6%	5.3%	Upper end of range
CAPITAL	Solvency	Old Mutual Limited: 155%-175%	Old Mutual Limited: 170%	Upper end of range
		OMLACSA: Greater than 200%	OMLACSA: 225%	
CASH RETURNS	Dividend cover	Target cover 1.75 to 2.25x	Ordinary dividend cover of 2.04x	Within range
			Cover of 1.10x including special dividend	

# CONCLUDING REMARKS

Peter Moyo





# RESPONSIBLE BUSINESS UPDATE



## Responsible Business

**R91.5 billion** 

paid to customers in claims and benefits

**R350 million** 

invested in Old Mutual Education Flagship programme over 7 years

**10 million litres of municipal water** 

saved per month due to water filtration plant installed at Mutual Park

**R23.8 billion** 

invested in renewable energy

## BBBEE score and ownership

Expect to maintain our **Level 2 BBBEE** status

Listing commitments – BBBEE shareholding of **25%** three years after listing and **30%** five years after listing

Work underway to ensure we meet our commitments

## ESD commitment

**R500 million**

allocated to new Enterprise Supplier Development Fund to support small and black-owned businesses

**R50m allocated in 2018**

to Black Distributors Trust, remaining R450m to be allocated in 2019 and 2020



# 2018 – A YEAR OF DELIVERY



- Meeting medium term targets, although some headwinds ahead
- Continued progress on all battlegrounds
- On track to deliver recurring savings of R1 billion in 2019, continue to manage expense growth within inflation thereafter
- IT transformation continuing to deliver at pace in 2019
- Further development of capital allocation and balance sheet simplification
- Managing Zimbabwe, on a ring-fenced basis, for customer and shareholder value
- Build a sustainable and responsible business

Q&A





OLD MUTUAL

THANK YOU



DO GREAT THINGS EVERY DAY



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By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Old Mutual Limited's control including amongst other things, South Africa domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Old Mutual Limited and its affiliates operate. As a result, Old Mutual Limited's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual Limited's forward looking statements.

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