2026-06-0848592Old Mutual Q1 Voluntary Update

Speaker Key:

JS	Jurie Strydom
CT	Casper Troskie
RT	Ranen Thakurdin
LM	Langa Manqele
MC	Michael Christelis
WB	Warwick Bam
SM	Senamile Maveve
JH	Jarred Houston
FdT	Francois du Toit
FL	Faizan Lakhani
AN	Asanda Notshe
TM	Thapelo Mokonyane
OP	Operator

00:00:00

OP Good afternoon, ladies and gentlemen, and welcome to the Old Mutual Q1 Voluntary Update. All participants will be in a listen-only mode. There will be an opportunity to ask questions later during the call. If you should need assistance during the conference, please signal an operator by pressing star, then zero. Please note that this event is being recorded. I will now hand the conference over to Langa Manqele. Please go ahead, sir.

LM Thank you, Denae, and welcome and good afternoon to everyone. Thank you for joining us for the Q1 Voluntary Update, as introduced. Effectively, this also serves as our pre-close call, as we'll be moving to our close period, beginning of July. On the call today is our Group CEO, Jurie Strydom, who will lead the discussions on the call with you today. He's joined by Casper Troskie, the Group CFO, as well as Ranen Thakurdin, who is the Group Chief Risk Officer. With that, I now hand over to you, Jurie. Thank you.

00:01:04

JS Welcome, everybody. Yes, great to be with you. Langa, I guess we'll point to the operating update that we put out on Thursday, close of business. So maybe what I'll do is just do an overview of the key issues, and then I'll hand back to you, Langa. As Langa pointed out, we've got Casper and Ranen here with us as well.

So I think from my perspective, as a Q1 check-in, very comfortable with the

progress, I think solid progress in the business on things we've undertaken to do, which is to create structures where we can really track and drive execution.

00:01:44

I think Q1 was operationally a very active quarter for us to embed those disciplines in terms of granular targets and holding people accountable for those targets in the key areas, and doing that, embedding that across the five clusters and deeper down to the business units within the clusters. So, I think significant progress made and a significant body of work done.

I think on the capital side, also very clear capital discipline, and notably the completion of a share buyback which we're obviously pleased with, but more than that, I think, the internal capital disciplines around applying our framework and we're comfortable with progress. It does always come down to proof points, but we try to direct the investor community to the key proof points in the operating update. And those are the things which we've been flagging as key indicators of success.

I think on the sales side, pleased with Q1, flagging whilst the Life APE is up 28%, flagging that on a normalised basis, when one takes out the big corporate risk deal, it was 15% up, which we were still pleased with because that's strong growth. Also comfortable with the other growth metrics across the business, and that it indicates a building momentum across the group.

I think if you look at expenses, we haven't disclosed said numbers per se, but we are indicating that we think that the disciplined management actions are on track for us to meet our commitment that we gave to you for 2026 and for 2027.

00:03:32

I think on persistency, whilst the management actions are on track, just flagging that we changed our assumptions last year, and we think our assumptions remain appropriate, but we are working towards ultimately improving persistency and creating a positive variance on those assumptions. And I think we're not yet seeing that coming through, and we do see pressure in the market. So that remains an area, clearly, of management focus.

And then, on the bank, we continue again, as per the progress we reported at the end of last year, we continue to show progress, satisfactory progress, on clients, client take-up and deposits, and obviously the focus there on this is a very important year for us in terms of execution on the bank, in terms of driving up the transactional banking value proposition, and, of course, driving transactional activity.

We are on track with the integration of OMF into OM Bank branches, the lending operations, and so on, so very comfortable with where we're tracking with that, and we think that that's going to put us in a very strong… It's a very important part of the success of the bank going forward as a strategy. So I think that's as far as those key proof points. And then I suppose I'll close by just pointing to solvency and a good solvency at the end of Q1 compared to last year. And a lot of that's got to do with market conditions. [Inaudible 00:05:01]. Langa?

LM Thanks, Jurie, with that brief overview. Denae, if you may just remind the

participants on the procedure to put through the questions. And I will just flag that we will take two questions per person. If you may just briefly introduce yourself and move straight through to the two questions, with the preference of putting the questions through on the live call. This is more efficient for us, to handle questions that way. Denae, just a reminder. Thank you.

00:05:34

OP Thank you, sir. If you would like to ask a question, please press star and then one now. If you would like to remove yourself from the queue, please press star and then two. Again, to ask a question, please press star and then one now. The first question we have comes from Michael Christelis of UBS. Please go ahead.

MC Hi. Good afternoon, Jurie and team. Thanks so much for the time and the ability to ask questions. My first two then, I guess, if I'm only allowed two. Firstly, can you talk a little bit about the bank traction since you started marketing? I think you told us you were going to start above-the-line advertising, etc. towards the end of March. I'm just trying to get a sense of what is that run rate of customer traction done essentially since that period? Has it stepped up materially?

And then I guess the second one is around your excess capital position of 4.2 billion. Can you just remind me whether that's pre or post the investments into the bank for this year? I think you did make a capital investment into the bank, if I'm not mistaken, earlier this year. So I just want to understand how much of that 4.2 billion is real excess over and above what's earmarked for the bank. Thank you.

JS Michael, maybe just from my side on the bank question, the above-the-line has actually only really gone. It'll apply in Q2. And in fact, actually, in the last two, three weeks, there's been a bit of traction. A bit early to tell what the customer traction is. But I think working on the sort of growth in the book that you're seeing from December to Q1, I think it's a sensible trajectory to work on.

00:07:20

CT And then…

MC Great. Thank you.

CT Michael, on the discretionary capital, of that amount, the 4.2 that you… 2 billion of that will go into the bank for… We normally capitalise a portion at the end of the year. So 2 billion of that is for… Now, in the middle of the year, we'll be capitalising a portion, and at the end of the year, we'll capitalise for 2027. So those are the… So you need to take that off the 4.2, which would give you the more accurate position.

RT And Michael, also just to note, actually…

MC Great. Thank you very much. I'll jump back in the queue. Thanks. Yes.

RT Michael, sorry, just one quick point. Also, 900 million of the share buyback occurred after 31st March, and so is part of that 4.2 billion balance. So you need to adjust for the completion of the share buyback as well. Thanks.

OP Thank you.

LM Thanks, Denae. You may take the next set of questions.

OP The next question we have comes from Warwick Bam of RMB Morgan Stanley. Please go ahead.

00:08:46

WB Hi, good afternoon, Jurie, Casper, and Ranen. Thanks for your time. You caveat your commentary around persistency with, I guess, natural caution around fuel inflation and cost of living, but your base is very low, given the provision in the prior period. How are you feeling about the trends? You spoke about improvement to date and being on track. How do you feel that it progresses for the rest of the year?

And then just in terms of the VNB, obviously quite strong mix impact, but you've managed to lift it to 1.6. How should we think about mix impacts for the rest of the year? Could it continue to rise from here, or is there something for us to think about from the first quarter? Thanks.

CT Warwick, I'll…

LM Thanks. Over to you.

CT Warwick, I will start with the VNB. I could also give some comments on persistency. But on the VNB, if you normalise for that corporate deal, we didn't give you an indication in the SENS announcement, but if you normalise for that, we would have been doing slightly better than last year. And that was because we had better VNB in Mass and Foundation. We also had a big contribution from Wealth, which helped. And that was offset by PF. It was down a little bit, but slightly better than what you saw at the year-end for that quarter.

00:10:37

And then obviously as the weight of the corporate deal reduces relative to the other business units, that's what will pull it back to that small, normalised number over the course of the year, unless you do another book deal in the rest of the year. But hopefully that helps with the VNB.

On persistency, as you said, we're still working on the management actions, and that's going as planned. But we are still seeing persistency be worse than what we had hoped for. So more work to be done in that space. And there is an element of affordability that you see across the industry. You look at a lot of the lenders, they've been pulling back on lending. So we are seeing pressure on consumers. So, yes, that's the comment on persistency.

WB Thanks, that's helpful.

LM Thanks, Casper.

OP The next question we have comes from…

LM Denae?

OP The next question we have comes from Senamile Maveve of SBG Securities. Please go ahead.

SM Thanks. I just have the one question. Obviously, we would have seen the 3 billion

share buyback being completed. With the regulatory solvency ratio now comfortably at 186%, how is the board prioritising that excess capital allocation for the remainder of 2026?

00:12:28

CT So I think we remain committed to the strategy, the board-approved strategy that we took to the market last year, and where we discussed how we think about capital allocation in our horizon-based framework. So whilst RoNAV is below our target level, and we're trading at a big discount to what we believe the intrinsic value of the share is, we will prioritise capital returns to shareholders as part of what we consider. And that remains what we are looking to do.

We have seen extraordinary volatility in the capital ratios in the last six months. And we've seen that across most of the insurers, where we saw capital ratios decline towards the end of last year, and we've seen a strong recovery based on interest rate movements. So we're doing a little bit more work internally on making sure we're comfortable with the volatility we are seeing.

But that doesn't detract from what we've communicated to the market. We remain committed, as I said, to preferring returns to shareholders while the conditions I mentioned earlier prevail, and we are still working on optimising our balance sheets. So the commitment we made previously does remain.

SM Thank you.

OP Thank you. Thank you. The next question we have comes from Jarred Houston of All Weather. Please go ahead.

00:14:25

JH Afternoon, team. Just checking you can hear me.

JS Yes.

LM Yes, we can hear you, Jarred. Please go ahead.

JH Oh, perfect. Just two questions from my side. The guidance in the commentary alludes to you guys being on track in terms of the cost saving initiatives? Won’t you just remind us how we will see that come through the income statement in terms of the timing of when we will see these expense savings realised? And will the expense savings be largely backdated into this year and 2027?

And then just my second question. We are a long way past the March end period now. If you can give us any guidance on April and May in terms of broad trends in either RFO or investment returns, just to give us a steer into the pre-close as we head towards June here. Thanks. Thanks very much, guys.

CT Thanks. I'll go on the expenses. So we told you at the year-end that we will give you a proper reconciliation of what we call net expenses at each of the reporting periods. So we showed you the number of roughly 450 last year as the expense saving. Our commitment this year is for 1 billion of expenses. You're going to see that mostly in the businesses excluding Personal Finance and Life and Savings.

We have some expense pressures in those, in the Life and Savings business,

which means that you will see the savings and the uplift in VNB mainly coming through in 2027, and not in 2026. But you will see quite visible traction on OMAR, the central functions and the rest of our businesses, where we took quite a lot of action already in 2025, and you'll start seeing that visibly come through in 2026.

00:16:56

We will have an improved savings number from what we showed you at the half year by the time we hit interims. So, obviously, we've still got a bit of time to get those numbers in place, but we'll be able to give you an update at the end. And we're still, as Jurie said, confident that we'll meet the cost savings commitment for 2026.

On the guidance, unfortunately, Jarred, it's difficult for us to give more information than we have given you in the SENS, so we have to stick with what's in the SENS. I can't give you more guidance than what we've already provided.

OP Thank you. The next question we have comes from Francois du Toit of Anchor Stockbrokers. Please go ahead.

FdT Hi, guys. Thanks for the chance to ask questions. Just the first one on the 10X transaction. I think it concluded in January. Can you confirm that the flows you've spoken about, gross and net, includes the 10X flows as well? Can you maybe just give a little colour around that and how the transaction is panning out for you?

And then second question, maybe a bit of colour also around the large risk deal, was it a single premium bulk annuity, and also what the margin impact of the deal itself was. Thank you.

00:18:47

CT So, Francois, on the recurring risk deal that we did. And we can't quote the margins. You'll have to work backwards. It puts us at risk from a competitive perspective. But it was the recurring risk transaction, large recurring risk transaction.

FdT Okay, thank you.

JS Francois, on 10X, yes, that deal went through… I'm just trying to check now the exact date, to confirm the effective date, but certainly in Q1. And yes, very comfortable on the progress in that business. So yes, it's continued momentum, and yes, now the work has begun in earnest for embedding the business and extracting the synergies.

FdT Thanks. And then the flows you've disclosed, does that include the 10X flows as well?

CT The deal was done, Francois, at the end of the first quarter. So we finalised the deals… This was when we went to market, which would've been mid-March. So there won't be much in the first…

JS Yes, I would expect it not to be there.

FdT Okay.

JS It was mid-March, I think, approximately, Francois.

FdT Excellent. Thank you.

OP Thank you. The next question we have comes from Faizan Lakhani of HSBC. Please go ahead.

00:20:35

FL Hi there. Faizan Lakhani from HSBC. Two questions from me. The first, you provided a run rate of the RFO, about 2.5 billion in Q1. Is there any seasonality or anything to think about in terms of how that should play out for the rest of the year, if we were to annualise it?

And the second question, coming back to persistency, I'm just a little confused. On one hand, it seems like the management actions are working. On the other hand, you're talking about deterioration in persistency. So I guess all in all, did you make an allowance for any worsening of consumer experience within your persistency assumption? And where we are today, if it was to continue, should we expect positive experience variance? Thank you.

JS Ranen, I don't know if you want to comment on the persistency variance question.

RT Yes. So in our persistency assumptions, we took the basis changes due at the end of last year, as you're aware. In that, we factored specific management actions. Those management actions are largely related to operational delivery within the business. And so it does take a bit of time before one sees the impact of that coming through in the operations.

So we are monitoring that closely to see whether those deliveries result in an improved persistency outcome, and with an intent that we can, in time, get to positive variances. However, we are experiencing some headwinds with customer disposable income. So at this stage, we are seeing that there are some slight negative variances on our persistency. But we do expect to see it improve over time. Thanks.

00:22:33

CT Just on the RFO, we gave you a rough indication of what's happened in the first quarter. We've seen quite a lot of volatility in markets, and our business is sensitive to that. So I wouldn't want to give you a full year forecast. But first quarter, there was quite a lot of downwards pressure on indices. So, yes, it would depend what happens the rest of the year. If markets recover, I feel more confident that we'll see obviously better earnings. But it's a bit complicated to try and give you a full year estimate at this point in time.

FL Okay, thank you very much.

OP Thank you. The next question we have comes from Asanda Notshe of Mazi Asset Management. Please go ahead.

AN Hi, good afternoon. Hope you can hear me. Yes? Okay, thanks. Two questions, thanks. Firstly, what was the associated, or the PVNBP over the period, if you can share that, please? And then secondly, just on a more general note, in terms of your sales mix, how much of your sales mix generally is from your tied agency force versus third parties or IFAs and non-tied, please? Thank you.

CT I think, I don't have the numbers in my head, so if it's okay, we'll circulate that detail to you, to everyone on the call, post the meeting, just to give you that split.

00:24:47

JS I think this was clear. I think in the mass market, it's almost entirely a tied model, versus in the PF and the Wealth segments, it's much more of a balance between tied and the IFA market.

OP Thank you. The next question we have is a follow-up from Michael Christellis of UBS. Please go ahead.

MC Hi, guys. Thanks. Sorry to harp on the RFO question, but if I look at last year, and you say, Q1 this year, 2.5 is very similar to last year, that means Q2 last year was also about 2.5, but you made massive assumption changes in Q2 that affected your onerous contracts. So I'm just trying to understand what was the reason for the very strong Q2 earnings last year, excluding those assumption changes. I don't know if I'm making any sense, but I think I am.

And then, secondly, just on the large flooding in the Western Cape that we saw in May, just trying to get an understanding, are you expecting a material hit there on claims? Is there anything we should be factoring into our numbers in terms of a material deterioration in underwriting because of those two events that happened? I think they were two storms a week apart. Thanks.

CT Okay. Michael, I'll have to come back to you on the second quarter earnings. So we obviously confirmed… Whilst we didn't disclose what our earnings were last year, we obviously know what it was. So as I said, it's in line with the prior year. That's the first quarter earnings. And we'll come back to you on what drove the second quarter earnings. I just need to go look at that detail.

00:27:00

And then we're not… I'm just looking at my colleagues to just help me, that I don't… But we're not expecting a large a large knock from the flood-related claims. But Jurie, maybe…

JS No, I think everyone across the market will have had some exposure in the Western Cape, but I think it's too early to signal anything definitive, Michael.

MC Great. Thank you.

OP Thank you. The next question we have comes from Thapelo Mokonyane of Investec. Please go ahead.

TM Hello, good day. It's Thapelo from Investec here. Just two questions as well. Part of the persistency question has been answered, but I just want to get a bit of sense, have you seen that persistency worsen towards the latter part of the quarter, or has there been consistent trends, persistency trends, throughout the quarter? A bit of colour with regards to that.

And then the second question is on the switch from guaranteed to market-linked annuities. Do you have a view of how that trend goes from here, given where interest rate levels are? And in this quarter, I appreciate the fact that you said it continues to exert pressure on margins, but is it the same level of switching that

we've seen in previous periods, or have you seen a bit of an improvement?

JS Maybe just a comment on the persistency. I don't think we're signalling intra-quarter trends. I think it's more just an observation. And maybe going back to an earlier question, to be clear, I do think we have in our engagement said, whilst we took the assumption changes last year, we were looking to get the impact of management actions into a positive variance. I think that's what we're really signalling, is that there's headwinds to that. But I don't think we're signalling at all an intra-quarter negative trend on that.

00:29:29

I think on the annuity question, I'm not sure that it's trending anywhere now. I think that it is now where it is in terms of the balance between guaranteed annuities versus market-linked. And I think the view is across the market, it will really only reverse when bond yields reverse. So it's in line with that change that has taken place over the last 18 months to two years.

TM Very clear. Thank you.

OP Thank you. The final question we have comes from Brad Moorcroft of Peregrine Capital. Please go ahead. Brad, your line is open. Unfortunately, we have no response from Brad's line. At this stage, there are no further questions on the conference call, sir.

LM Thank you, Denae. I'll hand back over to you, Jurie, to wrap up.

JS Okay. Thanks, everybody. Yes, to sum up, I think we are comfortable with the progress we're making across the business, and look forward to engaging with you at interims. I think that's probably our next stop, Langa.

LM Yes, it is. Thanks, Jurie. Thanks, everyone, for joining the call.

OP Thank you. Ladies and gentlemen, that then concludes today's conference. Thank you for joining us. You may now disconnect your lines.

00:31:17