M&G plc 2022 Full Year Results

Presentation

9 March 2023

Welcome & strategic overview

Andrea Rossi, Group Chief Executive

Slide 4 – Business review, Andrea Rossi, Group Chief Executive

Good morning, and welcome to M&G's 2022 full year results.

This is a special day for me as it is my first investor presentation as Chief Executive. Let me say, I am very pleased to be here addressing you today.

I will start by giving you clarity on my long-term ambition for the firm: what we want to be, and how we are going to get there. Kathryn will then take you through the financial results, which I'm pleased to say demonstrate once more the resilience of M&G in what has been an extremely tough trading environment.

But first, I'd like to re-state the reasons why I was excited to join back in October 2022.

Slide 5 – What attracted me to M&G

When I looked at M&G, I saw strong foundations upon which I could build a compelling success story, delivering the step-change in profitable growth that has been missing since listing. In our differentiated business model, with the Asset Manager at the centre, supported by Heritage and Wealth, we have an advantage envied by many.

In PruFund we have a genuinely unique proposition. We have an exceptional brand and investment capabilities. We have talented colleagues. We are financially strong. And we have long-term relationships with a wide range of clients.

I am also clear there are significant opportunities to do more. And things we can do better. I have three priorities that I will keep returning to:

- First, financial strength, continuing to prove we are good stewards of shareholders' capital.
- Second, simplification, to deliver a more efficient and accountable organisation.
- Third, growth. Targeted, profitable growth that leverages our strengths.

Slide 6 – M&G's differentiated, synergistic business model

Our differentiated business model is one of the main reasons why I wanted to join M&G. It all starts with our clients, the only reason we exist. We have three distinct, yet balanced and complementary parts.

We lead with the Asset Manager, the core of our business. It both serves and is supported by Heritage and Wealth – working together, all thrive. The Asset Manager provides strong investment expertise to all its clients. Our Heritage business is the largest one of them, and with its permanent capital and long-term investment horizon, supports much of our product innovation. The resilience of the cashflows from the back book is critical. But what is often overlooked is the extent to which the Asset Owner, drives the Asset Manager, to improve on innovation, on service and more – which benefits everyone.

Our Wealth business enhances our reach through strong brand and intermediary relationships. With PruFund at its core, it is able to serve UK customers across the full distribution spectrum. The outcome is a differentiated and balanced business model delivering strong shareholder returns.

Slide 7 – My observations on the business

Our business model gives us a strong foundation that we will build on.

In the Asset Manager, we have excellent investment capabilities. These attributes do not appear overnight; it takes time to get your offer right, and hard work to remain relevant. But, we are still too UK centric and lack scale in international markets. Our processes are too complex, which is not only expensive but hinders growth and innovation. The simpler an organisation is, and the less layers it has, the closer it is to clients. For example, we've made amazing progress in Wholesale, simplifying our offering and improving performance. But I know we can and must do better.

Within Retail and Savings we have two components. First Wealth. People ask me how we will compete in what is a crowded space. We have scale and a strong brand; but the real answer is PruFund. No one else can offer it, and it is what we will lead with. However it is too difficult for new clients to access. With the acquisitions we have already completed, we can deliver an end-to-end proposition, that few others can match. But we are yet to fully integrate them into a seamless digital client journey.

Our second component is Heritage. It's resilient capital generation underpins the groups leverage, and the dividend. Further, it reduces volatility in our earnings. And yet, while being reliant on the back book, we have failed to set a long-term vision for it. Ensuring this engine continues to run is critical to the success of the group. To that end, we will be alert to opportunities to thoughtfully extend its lifetime.

Finally, we want to accelerate the roll-out of PruFund across Europe; broadening our reach where we are already present, and finding new partners in new markets.

Slide 8 – Our ambition: Who we want to be

We are a leading international savings and investments business, acting responsibly towards our many stakeholders. So, guided by our purpose, what is my ambition? To deliver sustainable, profitable growth for our investors, and leveraging our differentiated business combination. We will do this by prioritising those areas that offer recurring, and diversified earnings, that are fee based and capital light.

How will we do this? By putting clients at the core of everything we do. We have to be nimble enough to anticipate and respond to their needs, always delivering great service and value. We will lead with our Asset Manager, but continue to leverage the permanent capital of our Heritage business, and the increasing scale of our Wealth distribution. To achieve our ambition, we need to win in our home market. I am clear on this. But we are also an international business and this must be a profitable growth engine for the group. This will generate long-term, superior shareholder returns and drive growth.

Slide 9 – Our priorities

Allow me to restate our priorities. Financial Strength. Simplification and Growth.

I have spoken about strong foundations. The greatest one of these is our financial strength: a rigorous approach to capital management, that underpins attractive returns to shareholders. This is the discipline we need to maintain. But there is no doubt that to achieve our ambition we need to simplify and grow.
A centralised structure was necessary at demerger, but now that we are well established, it is a barrier to growth. We will empower our colleagues, moving operational accountability into the business lines, closer to clients. This will make decision making more efficient, and improve client outcomes. It will also enable our people to drive profitable growth, building on our strengths and on our compelling propositions.

Let me now explore a little deeper into each of these three priorities.

Slide 10 – Financial strength: On track to achieve ambitious capital generation target

Let's start with our first priority, financial strength.

I restate our capital generation target of £2.5bn. We are one year in and on track to deliver. Over the coming years, we are not just looking to increase the quantum of capital generation, but also to improve its quality. Prioritising growth in Asset Management and Wealth, diversifying our sources of income, and reducing our reliance on management actions.

When we think about our financial strength, we use three key metrics: solvency ratio, leverage ratio and HoldCo Liquidity. Despite the ongoing market volatility, our solvency ratio remains very strong, at 199%. At 35% our leverage ratio is above where we would like it to be. We will reduce this to below 30% by 2025. At HoldCo level, we will maintain sufficient liquidity to cover any expected cash outflows.

Slide 11 – Financial strength: Disciplined approach to capital management

I'll now turn to capital management.

Here, we want to prioritise debt reduction and thoughtful investments that align with our existing strengths. This will minimise execution risk, and create long term sustainable value for shareholders. Delivering our growth agenda will add financial flexibility to the group. This will then enable us to further improve shareholder returns and fund incremental growth opportunities.

Let me be clear. Throughout this, we will maintain attractive dividends, covered by ongoing capital generation.

Slide 12 – Simplification: A prerequisite to reduce costs and unlock growth

Let me move now to our second priority, simplification.

Growing the top line is my primary objective, but in order to achieve it, we need to be focused on the bottom line and simplify the way we work. I want us to act faster and more efficiently. To enable this, we launched a transformation programme that will generate £200m of cost savings by 2025. This is ambitious but achievable.

The savings we'll deliver will allow us to absorb current inflationary pressures, and free up resources for growth. Our Asset Manager Cost-to-Income ratio is too high. By 2025 we will reduce it to below 70%. But this is not the destination. Our longer term objective is a ratio in the range of 66-68%.

Since I joined, we have already made good progress on execution.

We have:

- Hired a new strategy and transformation officer, Benoit Mace;
- Launched a Group transformation programme;
- Empowered the business unit CEOs; and,
- Hired Joseph Pinto as Asset Management CEO.

Slide 13 – Simplification: Transforming our business, delivering a leaner cost base

Transforming our business, we will empower colleagues and improve accountability, making M&G a better place to work. We will be easier to do business with, deliver better client outcomes and drive growth.

At the same time, we will meet the £200m cost target by doing four things:

- Simplify our organisation, removing management layers and streamlining governance;
- Improve operational efficiency, by optimising spend and aligning teams to our growth priorities;
- Better leverage technology, using digital and data to improve client journeys; and
- Review our approach to contractors and our location strategy;

To start progressing towards our target, we are today announcing a Voluntary Redundancy programme across the entire organisation.

Side 14 - Growth: Focus on Asset Manager and Wealth

Now to our third priority, growth.

As I have seen throughout my career, delivering on simplification unlocks growth. Our aim is to materially grow our earnings by 2025. They will be more focused in the capital light areas of Asset Management and Wealth.

Within Asset Management, the priority is to increase third party money and revenue. This is what I was able to achieve in my time at AXA IM, where external funds almost tripled under my leadership, and profit doubled. We have tailwinds in our favour – Wholesale investment performance has substantially improved, and is now very strong.

We also have deep expertise in parts of the market that are attractive today:

- First public fixed income, where rates and spreads are significantly higher than in the recent past;
- Secondly private assets, where we see many of our European clients still being under allocated; and,
- Finally sustainability and thematic investing, where client demand continues to remain high.

Turning to Wealth, we have all the components we need to serve clients along the entire value chain. We have a clear focus on the mass affluent segment, a strong brand and scale. It is now all about execution.

While growing in capital light areas, we also want to stabilise the run-off of our Heritage business, removing a structural headwind from our earnings. We will do that by continuing to develop innovative risk and investment solutions, to generate additional incremental flows into the back book.

I will now deep dive into each business area to better articulate our strategy, and we'll start with the Asset Manager.

Side 15 Asset Manager – Grow external flows and earnings

Slide 16 – The Asset Manager at a Glance

The Asset Manager already has a well-diversified set of capabilities, with real scale in private assets: £77bn split across private fixed income, real estate and infrastructure. From this strong base, we need to push on and do better.
We have a supportive internal client, alongside a very successful external franchise. Not just on the Institutional side. But also in Wholesale, which over the course of the year, outperformed peers in investment performance and flows, continuing the turnaround started in 2021.

The UK, our home market, is our largest. But we have an established presence in Europe and Asia. It's a great base from which to build a profitable growth engine for the group.

Slide 17 – We have strong investment capabilities…

The numbers on this slide are clear evidence of us living our purpose of growing people's savings and investments. On both the Institutional and Wholesale sides of the business the performance has been strong in 2022 despite the market volatility.

The turnaround of our wholesale performance is a credit to the hard work of the team. That we have strong investment capabilities is self-evident, but as I have said earlier, we must build our international distribution, and, through better operational efficiency, improve our cost-to-income ratio.

Slide 18 – Our goals for international distribution and operational efficiency

We are present in all the major European markets, but in many we are below the size I would expect. In most European markets we operate in, we should manage £10bn of client assets or more. In Asia, Singapore aside, we are nowhere near the size we need to be.

Across the region we will focus on the countries where the regulatory environment is supportive of what we offer. Japan, South Korea, Taiwan; I know these markets well from my past experience; they can offer meaningful opportunities, and we need to play a much bigger role there.

The growth I am targeting will not require major investments in infrastructure or systems, rather the selective strengthening of the local teams. We will absorb cost inflation, and free up additional resources to invest.

Over time, our cost-to-income ratio will reduce meaningfully, as we identify and deliver efficiency measures. Joseph is the right person for the job. He was my Chief Operating Officer at AXA IM. Together we transformed that business, relentlessly driving third party flows and operational efficiencies.

Slide 19 – Priorities for the Asset Manager

So what's our ambition?

In Asset Management we want to be the go-to Manager for European investors and for those international investors seeking exposure to European assets. As you know we have strong capabilities in Private Assets; Public Fixed Income is a core strength; and, we have responded to strong client demand for high quality sustainable and thematic equity funds. Let me take you through each in more detail. Let's start with our Private Assets franchise.

Slide 20 – European champion for private assets, We are well positioned, with strengths in growing high-value markets

We have consistently grown over time, with third party assets more than doubling since 2015. It is an impressive achievement and a trend we will continue, with a target of £100bn AUM by 2025.
Why am I so confident? Because we have excellent capabilities, a strong track record, and favourable market trends. The market is forecast to grow materially over the medium term, and the industry recognises us as a leading player. A number of our European clients are under allocated in this area, and are looking to us to help them adjust their exposure to private markets.

Slide 21 – European champion for private assets, We partner with the internal client to broaden our capabilities

To win, we need to make better use of our differentiated business combination, which is our competitive advantage. The Asset Owner provides us with the seed capital to fund innovation AND scale propositions. We use this to attract new investment capabilities. We offer seeding and international distribution to those fund managers that are looking for new partners. For our part, we attract rare talent and maximise the alignment of incentives.

Slide 22 – European champion for private assets, We have successfully scaled and externalised our Real Estate capabilities

And, we have done it already. Over the past decade we have turned an internally focused Real Estate capability, established to support the internal client, into a global franchise generating far stronger margins. We have achieved that by broadening our offering, internationalising our footprint, and externalising our capabilities, focussing on attracting third party money. We have more than doubled the size of the book, from £16bn to £33bn, more than tripling the external assets, where we earn materially higher margins. This is the model we will look to follow in other areas.

Slide 23 – Leading global Fixed Income manager, We have an outstanding reputation

Let me now turn to Public Fixed Income, the second area of focus. To put it simply, in the UK our reputation is second to none. We are clearly seen as the leaders across all the relevant sub sectors of the market. And there is a very good reason for this…

Slide 24 – Leading global Fixed Income manager, Scaling and internationalising core capabilities

…that is the strength of our team: one of the largest and most experienced in Europe with over 50 credit analysts. We have further expanded our capabilities, opening in North America in 2021 and in Asia in the middle of 2022. We now have real global investment reach in this space. Again, the internal client has played a critical role in supporting the development of these capabilities. Build internally, then expand externally.

Slide 25 – High quality sustainable and thematic equity funds, Attractive market dynamics through the cycle

Let's move now to our third area of focus, sustainable and thematic equity funds. Like Private Assets, this is another segment of the market where we have deep investment expertise and where we expect to see strong growth. In both the private and public side the market has been growing exponentially over the last few years, a trend expected to continue.

As the graph on the right shows, even with all the macro uncertainty we have seen in 2022, sustainable funds have continued to gather positive net flows in Europe.

Slide 26 – High quality sustainable and thematic equity funds, Distinctive propositions across both Private and Public assets

Through Catalyst and responsAbility we are already one of the leading European investors in sustainability. And again, as evidence of the key role played by the internal client, Catalyst was set up with a £5bn commitment from the Asset Owner, and will soon open to external clients.

On the public side, we have transformed our mutual fund offering. Just two years ago only 14% of our funds were Article 8 and 9 compliant. Today that stands at 74%. A great performance, and further evidence of us living our purpose. We remain committed to broadening our offer, as well as our proactive engagement to effect positive change.

Slide 27 - M&G Wealth, Build an integrated Wealth proposition for the UK

Slide 28 – Priorities for Wealth

Turning now to Wealth.

Let me restate our ambition: to be a leading, scaled, integrated provider of wealth solutions supporting UK mass-affluent clients across their full range of needs.

To achieve this we have three linked priorities:

- Integrate and scale our capabilities, to provide the end-to-end offer required to succeed;
- drive flows into our own solutions; and,
- improve the lifetime value of clients through better margins and persistency.

Slide 29 – Where we were, where we are now.

When I compare where we were in 2020 with today, the team has made good progress. Facing a slowdown in DB to DC transfers, we have broadened our offering beyond PruFund, adding a tax wrapper and model portfolio capabilities. We also acquired a digital platform, to make our products more accessible. And, we have strengthened our distribution model, doubling our advice business, and launching hybrid and direct-to-consumer propositions.

We have covered a lot of ground. But we are only part of the way into the journey.

Slide 30 – M&G Wealth journey: Becoming a full-service, modern wealth provider

Today, we play at scale across the value chain, with £83bn of AUMA. Healthy growth has returned; PruFund sales are up 42% year-on-year, returning to net inflows for the first time since 2020. This confirms the strength of our diversified distribution model and the attractiveness of our proposition.

As we continue on our journey, we will grow further the number of our own advisors and their productivity. We will launch all PruFund solutions on platform and increase its adoption by more advisors. All this to drive additional incremental flows into both PruFund and other M&G solutions.

Slide 31 – M&G Wealth objective, Serve clients their way to drive flows into our own solutions

The primary objective for Wealth is to serve clients their way: be that channel, wrapper or advisor offering. This will drive flows into M&G solutions which draw on our broad investment expertise. As we do so, we will attract more clients. They will stay with us for longer and trust us to look after a greater share of their savings and investments. This will help us become more efficient and drive better returns.

Lastly, I will turn to the part of the group which supports all of what we do, Heritage.

Slide 32 – Heritage and Other Retail & Savings, Develop innovative risk and investment solutions

Slide 33 – Priorities for Heritage and Other

Our aim is to develop new innovative solutions that can drive flows to support our growth. This will also extend our capital generation capacity, that will continue to provide a resilient underpin to our cashflows. Over the past few years, we have delivered good capital generation. Where we need to achieve a step change in performance is in the distribution of Future+ in Europe.

Our differentiated business model also means we are in a position to selectively play in the de-risking market, supporting DB pension schemes along their investment journeys.

Slide 34 – In-force book: Resilient capital generation and balance sheet

Our in-force book continues to be a reliable source of capital generation and is funding many of our recent innovations – PruFund, Future+, Catalyst and much more. We expect this book to generate some £12bn over the long-term. This is £2bn higher than the same forecast twelve months ago, mainly due to the increase in interest rates.

As I've said from my first day at M&G, it is a key source of financial and strategic value to our shareholders. I also fully recognise the importance of M&G's responsibility to the millions of clients we have. Serving them better every day is a key priority for me and everyone at M&G. We will generate maximum value from this book; including through management actions. But we will also drive flows in, to stabilise its natural run off. There are two ways we will do this.

Slide 35 – Future+: Expanding the breadth and depth of distribution reach

Let's talk first about Future+. We know it has taken time for us to launch in Europe. In 2021 we achieved regulatory approval, and in 2022, we began distribution in Italy and Ireland, seeing our first inflows of some £150m. The next two years will be very important. We need to add at least one other European market. Germany, Belgium and France are all attractive options and we are already in discussions with potential partners there.

We will also prepare for the end of our exclusivity period with Banca Intesa in Italy, aiming to add distribution agreements to scale our presence there. And, we will broaden the offer by launching a guaranteed version of Future+ backed by our With-Profits capital. By 2025 this will be a multi-billion, pan European proposition.

Slide 36 – Risk and investment solutions: An opportunity to create value

The second way we will stabilise the back book is by capitalising on emerging opportunities within the DB market in the UK. Rising interest rates, and the LDI crisis last September, accelerated the de-risking journey that pension schemes are on. We believe that demand will outstrip supply and present an opportunity for us to create value for our shareholders.

Let me be clear, we will not be a volume player. We will only consider those opportunities where client needs precisely match our capabilities. For instance, when a DB scheme is over allocated to Private Assets, an area we know very well. To write business in this space, we expect to use small amounts of capital, as we explore ways to leverage the With-Profits Fund or external capital partners.

In this market we can leverage the full breadth of our Brand and differentiated business combination: the Asset Manager expertise in private assets and fixed income, our strong balance sheet, and the capital from the With-Profits fund. When we are successful, all parts of our business benefit; flows into the Asset Manager, higher lifetime capital generation in Heritage, and value creation for With-Profits clients.

I hope this gives you clarity on the scale of our ambition and the priorities we have for the business. It builds from our financial strength, and, in simplifying the way we work, we will deliver the profitable growth that has been missing since demerger.

This business has strong foundations and I am excited by the scale of our potential. There are significant opportunities to do more. And things we can do better. And to achieve that, we will focus on execution and discipline. We have the right team in place and I know that we will deliver.

With that I will now handover to Kathryn who will take you through our numbers in more detail.

Financial review
Kathryn McLeland, Chief Financial Officer

Slide 37 – Financial review, Kathryn McLeland, Chief Financial Officer

Slide 38 – Key messages

Thank you Andrea, and, good morning everyone.

I'm pleased to present what I believe is a robust set of numbers, given the macro challenges faced throughout 2022.

Specifically:

- Our external net flows were positive;
- Our operating profitability remained resilient;
- We are on track to achieve our £2.5bn capital generation target; and,
- We maintained a strong Solvency 2 ratio at 199%, after returning £1bn to shareholders.

And looking forward, as you just heard from Andrea, we have set clear cost targets for the organisation, with a renewed focus on cost discipline, efficiency and execution. I'll now turn to the detail behind these highlights.

Slide 39 – Positive flows, strong Capital Generation and SII ratio, Financial highlights

External net flows were positive at £300m. The ongoing turnaround in Wholesale Asset Management and Wealth, more than offset the pressure seen in our Institutional franchise due to the mini budget in September.

Adjusted Operating Profit of £529m held up well given the market environment, helped by the diversification of our business mix, and supported in particular, by strong With-Profits shareholder transfers. Excluding the impact from mismatching and foreign exchange losses – that do not affect our capital and cash result – AOP was £701m, only modestly down on last year.

Operating Capital Generation of £821m represents a good start to our three-year £2.5bn target. This was underpinned by a strong underlying capital generation result, up 30% year-on-year.

We finished the year with a Solvency II ratio of 199%, a strong position given where we are in the economic cycle, and the £1bn we returned to shareholders via dividends and the buyback.

Turning now to assets under management and flows.

Slide 40 – Positive external net flows despite adverse market conditions, Assets Under Management and Administration

Adverse market movements of £30bn were the main driver behind closing AUMA of £342bn. This 8% reduction represents an out-performance compared to the broader market decline.

Our open business was in net inflows, for the second consecutive year, despite a tough external environment.

In particular, I'd like to call out the strong performance in Wholesale, where flows improved by £4.3bn year-on-year, supported by strong investment performance. This gives us confidence in the sustainability of the turnaround in our Wholesale franchise.

Wealth flows improved by £1.9bn thanks to healthy PruFund sales of £5.4bn. We note that these favourable trends in both Wealth and Wholesale have continued into this year.

I'd like to now turn to our Institutional business, which was impacted last year by the LDI crisis.

Slide 41 – Institutional net flows of £(0.7)bn are resilient given exceptional volatility

Over 2022, we experienced £0.7bn of net outflows from our Institutional franchise. As the chart on the left demonstrates, our Institutional gross outflows tend to be relatively stable, averaging around £5bn every 6 months.

In the second half of last year, outflows jumped to almost £9bn, triggered by the mini budget, and the subsequent volatility across UK markets.

Of the £7.3bn of exceptional client redemption requests, which were concentrated in September and October, nearly £4bn were executed before year end. This explains the abnormal outflows seen in the second half of last year.

The remaining £3.4bn is expected to emerge over 2023, with the majority falling in the first half. This long tail comprises Private Assets which have longer redemption notice periods. Despite these outflows, we are confident in our ability to win new business overall. In particular we believe that our business mix positions us well, given the trends we are seeing in the broader markets.

As you heard from Andrea we are focused on growth opportunities in international markets; we expect to benefit from market-wide higher flows into Fixed Income, given our strong performance and leading market position. This is particularly true in the UK, where clients are looking for partners to continue on their de-risking journeys; and we have a good pipeline of new business in private assets, with a capital queue of over £6bn. Including for example, the €578m we have just raised for our European Property Fund.

Having covered flows, I'll move on now to Adjusted Operating Profit, which you can see on slide 42.

Slide 42 – Excluding non-cash one offs, earnings are broadly in line with 2021, Adjusted Operating Profit by source

I'd like to start on the last line in the table. Here you can see, that when you adjust for the accounting one-offs, the £701m AOP result was only modestly down year-on-year, despite the market volatility.

The key AOP messages for me are:

- Firstly, the Asset Manager showed great resiliency in its performance, in a very tough trading environment, thanks also to the consolidation of our South Africa JV and acquisition of responsAbility
- Secondly, Wealth earnings more than doubled year on year to £96m, as this franchise grows into an ever more important component of our business; and,
- Thirdly, and importantly, Heritage continues to provide a very meaningful and consistent underpin to Group earnings, as Shareholder transfers from Traditional With-Profits policies of £300m, were up 20% year-on-year.

Corporate centre costs are broadly in line with the previous year, once netting off the one-off FX loss.

Let's now consider the Asset Management result in a little more detail.

Slide 43 – Asset management results, Resilient revenues, target for core CIR below 70% by 2025

As we have highlighted today, we were encouraged by the resilience shown by external flows and revenues, which were up 4% year-on-year.

You can see on this slide the strong outcome of performance fees, which more than doubled to £56m. While the 2022 achievement was particularly positive, and is unlikely to be quite so high in the short-term, we nevertheless expect performance fees to play an important role in the future, as we grow our Private Assets business, and as fee structures increasingly include variable components.

I'd like to spend a moment on the increase in our cost-to-income ratio over the year. As you heard from Andrea, we have a new target of less than 70% by 2025.

Looking at absolute costs, roughly half of last year's increase to £763m was due to the consolidation of the South Africa JV and of responsAbility, which also, of course benefitted the top-line. The rest of the increase can be explained in equal parts by the addition of new capabilities and inflationary pressures.

We are focused on controlling absolute costs and on delivering positive jaws in our Asset Management business.

Slide 44 – Asset management results by client type and by asset class, Steady margins and improving quality of revenues

On this next slide, we show our Asset Management results, by both client type and for the first time by public vs. private assets. We hope that this extra granularity will help you better understand the underlying mix of the business and why we are excited about the potential of our Private Assets franchise.

On the client side, there haven't been any material changes year-on-year. But I would highlight our continued efforts to grow our Institutional franchise – despite the headwinds seen in the UK – and pivot it towards higher-value, higher-margin solutions. And in Wholesale, as many of you will be aware, we completed the repricing of our book in 2021, so our margins there are now more resilient.

Turning to the analysis by asset class, you can see that Private Assets, while being only 25% of AUMA, deliver over 40% of our revenues, supported by growing margins. And looking at margins, it is worth remembering that these are a blend of internal and external mandates, with the latter typically being higher value.

Our renewed focus on strengthening the partnership between the Asset Owner and Asset Manager will also help generate higher third party flows. As in previous years, we have grown the size of Private Assets and remain confident of our ability to continue to do so. This is a key part of our growth strategy.

Slide 45 – Retail & Savings: Wealth, focus on PruFund UK, Strong performance leading to improved earnings and positive net flows

I've mentioned the doubling of the Wealth AOP, which was driven by PruFund. This improvement came from two key developments:

- A 27% increase in the shareholder transfer to £146m, driven by strong investment returns for our clients, as you can see from the top right hand chart; and,
- Reduced costs and higher sales, which avoided the repeat of the expense overrun we saw in 2021, and allowed us to release a £15m provision.

The returns from PruFund continue to be very positive, particularly on a relative basis. We keep delivering for our clients, which is one of the primary drivers behind the improvement in flows.

With gross inflows of £5.4bn over the year, of which almost £3bn was in the second half, sales were up by over 40%, leading to our first positive net flows since before the Covid pandemic.

PruFund underpins our confidence in the future financial performance of Wealth, where as you heard from Andrea we aim to be a leading, scaled, integrated provider. And, higher volumes on platform will generate sales of both PruFund and other M&G solutions, driving flows into the Asset Manager.

Turning now to Heritage.

Slide 46 – Retail & Savings: Heritage, Traditional With-Profits and Annuities, Continued resilient contribution excluding non-cash losses

Traditional With-Profits continues to underpin the overall Retail & Savings AOP, with shareholder transfers up 20%, thanks to the same strong With-Profits Fund investment performance that lifted the PruFund result. The With-Profits Fund is not only a great asset to have when developing new products such as PruFund and Future+. It also is the foundation underpinning our financial performance, delivering strong and dependable earnings and capital generation year-in and year-out.

Looking now at shareholder annuities AOP, which totalled £363m, once stripping out the mismatching losses. Return on Excess Assets and Asset Trading have been stable year-on-year, and we expect this to continue in the future.

Longevity was particularly strong last year, but this won't reoccur in 2023 due the adoption of IFRS17. As you know, this accounting standard will smooth any favourable impact from longevity over multiple years.

'Other' is where most of the earnings volatility is coming from.

In 2021 we had a number of positive one offs: improvements in expense assumptions, favourable short-term mortality experience, and the release of legacy provisions. This year we have the £122m mismatching losses already mentioned. As a reminder, these are non-cash losses that do not affect our capital generation, as they have been triggered by rising interest rates.

To conclude on our Group earnings – we are pleased to have delivered a resilient result, with AOP of £701m only modestly down on 2021, once reflecting the non-cash items of FX and mismatching.

I'd like to turn now to Capital Generation.

Slide 47 – Underlying Capital Generation of £628m, Strong result driven by improved Retail & Savings contribution

Underlying Capital Generation of £628m, was up 30% on the prior year, driven by items in Retail & Savings:

- higher interest rates which lifted the Annuities result;
- a higher opening Present Value of future Shareholder Transfer from the With-Profits Fund; and,
- a change in the ongoing accounting treatment for equity hedges.

This last element, whilst improving the underlying result by approximately £90m per annum, reduces by an equivalent amount other operating capital generation, where we now include the negative impact from hedges that are running-off.

When we think about 2023, we would expect a similarly strong underlying capital generation result from Retail & Savings, given the starting position of the PVST and annuities' yields.

Looking at the Asset Manager result, one thing to call out is the £22m increase in capital requirements that is unlikely to recur in 2023.

I'll now move from Underlying to Operating Capital Generation.

Slide 48 – Operating Capital Generation of £821m is on track for £2.5bn target, Longevity and asset trading result partly offset by expense one-offs

As you know, management actions were particularly strong in 2021 due to a number of large one-offs. The most material being some sizeable Real Estate transactions in the annuity book, the completion of the Part VII transfer to Rothesay, and a major model change. In 2022 we returned to a more typical level of activity.

The work on improving our approach to longevity data and modelling resulted in a material capital release of £213m, while adverse expense experience, together with changes to long-term assumptions represented a small headwind. The most significant factors affecting expenses were IFRS17 project spend, and long-term assumptions on inflation.

Overall, our £821m of operating capital generation is on track, to achieve our £2.5bn 2022 to 2024 target.

Slide 49 – Total Capital Generation impacted by negative market moves, £1bn shareholder returns, acquisitions and tax reduced SII ratio by 35ppts

Having covered the Operating result, I'll now walk through the other movements in Solvency 2 surplus and the coverage ratio.

Market movements, which were negative £500m at the Half Year, deteriorated by a further £700m in the second half. Here, lower real estate valuations offset tailwinds from interest rates and equities, with equities and real estate performing in line with our sensitivities. Extreme market volatility prompted us to adopt a more conservative stance on a range of economic assumptions, including property growth rates and credit, which reduced the surplus by some £300m.

This same volatility also affected our Solvency models, increasing the likelihood of extreme stress scenarios and reducing the surplus by another £300m in the second half. And, the final £100m is explained by a combination of smaller impacts, primarily relating to changes in the shape of the yield curve and some non-linear effects of market movements.

In 2022 we saw a counterintuitive impact from tax – improving the surplus but reducing the Solvency ratio – which we expect to unwind gradually over time. The large 2022 IFRS losses created a deferred tax asset that increased Own Funds by £700m and the solvency capital requirement by £500m. While the net impact was

positive for the surplus, coming in at a 140% coverage ratio it was dilutive for the Solvency ratio, by about 10 percentage points.

Finally, as you know, over 2022 we returned almost £1bn to our shareholders, after deploying just under £300m for acquisitions. This led to a strong YE 2022 Solvency coverage ratio of 199%.

Slide 50 – Strong SII ratio absorbing market volatility and nearly £1bn shareholder returns, 199% coverage ratio and £4.6bn capital surplus

Looking at the total quantum and composition of Own Funds and the SCR that underpin our Solvency ratio, I wanted to call out two things:

- Firstly, that the reduction in Own Funds was mostly driven by market movements and the £1bn of shareholder returns; and,
- Secondly, that the Present Value of the Shareholder Transfer from the With-Profits Fund has increased to £4bn, representing a higher proportion of total Own Funds.

This higher PVST represents a significant increase in economic value, and indicates the higher cashflows that will come in future years from the With-Profits Fund, which is very encouraging.

We have a great track record in capital generation, and we are now also exploring ways to increase its fungibility.

Slide 51 – The leverage ratio increase to 35% is due to reduction in own funds, No change to the quantum of debt or servicing cost

An obvious consequence of the reduction in Own Funds, was the increase in our leverage ratio to 35%. The key point to emphasise here, is that despite the move in the ratio, there has been no material increase in the quantum of the debt nor in the servicing costs. We therefore have no concerns regarding the sustainability of this debt over the medium to long term. Having said that, we recognise, that at 35%, leverage is above where we want it to be.

As Andrea has already said, we will take action to bring it below 30%, by 2025. Assuming no moves in markets, to achieve this, we would need to go further than the bond we have callable in 2024. And, of course this would require approval from our Regulator.

Slide 52 – Credit quality of the Shareholder Annuity book remains very strong, 98% of the £14bn assets is investment grade

Staying with our balance sheet, I'd like to spend a moment on the credit quality of our annuities book. Despite being at a tough moment in the economic cycle, the strength of our book remains high by all key metrics. Less than 2% of assets rank below investment grade, with the vast majority being either secured or risk free.

Over the last twelve months, downgrades were in line with historic averages, and we experienced no defaults.

Slide 53 – Committed to existing capital management framework, 7% increase in DPS driven by completion of buyback programme

Before wrapping up, I want to touch briefly on our capital management framework, which, as Andrea mentioned, we remain committed to. We know we need to take action on leverage, and we will.

At the same time, as CFO, it is my job to ensure that any investment in the business is done with strong financial criteria and discipline, to allow us to deliver sustainable earnings and returns for shareholders.

We recommit today to our dividend policy of paying a stable, or increasing Dividend Per Share, noting the 7% increase year-on-year, thanks to the successful completion of the buyback programme.

Slide 54 – Key messages

So to summarise.

In 2022:

- We delivered positive external net flows in an extremely challenging market;
- we achieved resilient earnings, demonstrating the strength of our diversified business model;
- underlying capital generation improved by 30%, and we are on track to achieve our £2.5bn target;
- we end the period with a strong Solvency 2 ratio, having returned almost £1bn to shareholders; and,
- we support our clear growth ambitions with a renewed focus on cost discipline.

And, with that, I will hand back to Andrea to conclude.

Closing Remarks

Andrea Rossi, Chief Executive

Slide 55 – Wrap up

Slide 56 – M&G's priorities and targets

Thank you Kathryn, to conclude.

I am pleased with what we have achieved in 2022. Once again, we demonstrated that our differentiated business model is working.

Three distinct, yet balanced and complementary components, delivering an encouraging performance through exceptional volatility:

- The Asset Manager performance was resilient despite challenging markets;
- Earnings from Wealth more than doubled year-on-year to £96m; and,
- Heritage continued to provide a solid underpin to our capital generation;

And let's not forget that we recorded positive net external flows for the second year in a row.

You have heard us talk today about our strategy and ambition for the business. We will get there by relentlessly focusing on three priorities:

- First, financial strength, continuing to prove we are good stewards of shareholders' capital.
- Second, simplification, to deliver a more efficient and accountable organisation.
- Third, growth. Targeted, profitable growth that leverages our strengths.

We will achieve our £2.5bn Operating Capital Target, and by 2025, we will:

- Bring our leverage ratio to below 30%
- Deliver £200m of cost savings, reducing the Asset Manager Cost-Income ratio to below 70%; and
- Grow earnings from Asset Management and Wealth to more than 50% of the Group's total

Rest assured, my focus is not just on the quantum of earnings but the quality as well. This is not about being the biggest. It is about achieving a step change in profitability that has been missing since demerger.

We will maintain our financial strength. We will simplify. And, we will grow. Of that, I am sure.

Thank you.

M&G plc 2022 Full Year Results

Q&A

9 March 2023

DOMINIC O'MAHONY (BNP PARIBAS EXANE): Andrea, thank you so much for outlining the strategic vision for the company. It is interesting to hear your thoughts. So I thought, I would give a couple of questions on that.

First off, on Asset Management internationalisation, I mean clearly a big opportunity. I just wanted to understand a bit more about why you are optimistic and convinced that M&G has the opportunity to compete well in those markets? And it sounds like you see particular opportunities. You mentioned Japan, Korea, what is it about those markets, maybe the regulatory environment, that means that European real assets, are a thing they need that you are positioned to deliver?

Second on Wealth and guarantees in Europe. Do you think you can go toe to toe with participating products in Europe, both in terms of returns to customers and under the tax treatments? What is going to be your positioning relative to the existing product landscape?

And then thirdly on annuities and pension risk transfer. Really interested to hear that you are open to the opportunity there. I wonder if you might give us a little bit more of a peek into how you might use up the profit fund to support that?

Andrea Rossi: Well, okay, three questions. Let us start with the Asset Management one, and you asked about why I was confident on the internationalisation and more focused on that. So let us go back to, first of all, what are our strengths are internal capabilities. I mean when you go and look, we are strong on private assets in Europe. We are strong with investment income globally. And we have, I would say, very relevant strength in thematic and sustainable equity with good investment performance there also.

And I think it is important because when you look at an asset manager, there are three things really you need to look at. You have your investment capabilities, you need to run operations well, and you need to have good distribution segmented focus. We have the investment capabilities. I think when you look at where we are within the markets, we are well placed there.

So why would we do well internationally? Well, first of all, as you have seen, it is very selective. So we took Asia, you asked me about Asia. The five markets we are looking at, particularly, we are looking at Japan and Korea. And Japan and Korea, it is very simple. Why do we have the right to win in Japan and Korea? Well, first of all, because they are implementing the Solvency II framework there, in the coming years. And we are very well placed to be a partner there with several of those life insurers, actually we are already in discussion with some of them, and I think that will very much help us to grow in those markets. So that is Korea and Japan.

Clearly, when I look at our wholesale investment performance, Taiwan is a market where we can do much more in. So I believe that we will grow there, thanks to the really great improvements in terms of investment performance. And then when you go look more towards Europe, there are markets there where, I think, given where we are in terms of the macro environment, and our strength in terms of investment capabilities, on the Institutional side, I see France a leading market I know well, and Joseph also by the way, as a great opportunity for us to grow. But also in Germany I think Institutionally we should do well.

And overall, I see with some of our global financial distributors, we will see more momentum given, and we see it already, but we see even more momentum given where we are in terms of improvement on investment performance.

So I mean the focus of growth on the asset management is more on execution, both operationally to make sure we serve our clients better, but more importantly, making sure we have the right focus, the right people on the ground, which is actually easier than rebuilding your investment capabilities, and you can do it in a relatively shorter time. So that is why I am confident that we will be able to deliver that growth. And please remember, cost-to-income ratio, it is a combination of both. Obviously, you need to grow the revenues, but we are also looking at the expenses. So that is on asset management, on Wealth, and you are talking about Europe.

Luca Gagliardi: And in particular, the guarantees and hybrid play.

Andrea Rossi: The guarantee, yes, exactly, and Future+. Well, interesting enough, I always say this, when I look at retail savers, the UK versus European ones, the European ones are much more risk adverse, but much, much more risk averse. That is why they keep their money in the bank accounts and do not get any returns, by the way. They are starting getting returns now.

So having something like Future+ with such a great track record, but more importantly, having the part of the allocation into private assets, I think, is very important because you are here talking about also what I call the democratisation of private assets for the man and the woman in the street, because realistically, private assets, if you are a high net worth, well then you can take the liquidity. You do not need to have daily liquidity. But for someone who needs to invest €50,000, they might need that money back. So they need to have daily liquidity. Well, I think with Future+, we can give that. And clearly, when you look at the returns we have been delivering in the last years with this strategy, it is much, much more interesting, than keeping your money in the account.

And when you compare it to Fonds Euro in France or Gestione Separata in Italy, they still deliver only 2%-2.5%. So I believe that we can do more there. Now why do we need to have a guarantee? Because it is the risk averseness of the clients. Here in the UK, you do not need that, you do not need to have a capital guarantee. It is a different market, I mean. But for Europeans, that is very, very much important.

So I think putting that, we will be able to deliver significant more growth and make it more interesting for European clients. But it also means we need to also have the right partner. And as you know, in Italy, we have a good partner. And I want to say, I mean, I gave the number £150 million and maybe someone would say, well, that is not much. It took us three years in the UK to get to £150 million when we launched PruFund.

So in Italy and Ireland, we have done £150 million in one year. So it is actually pretty good. It is, I would say, a good performance. But clearly, we want to achieve, as I said, a multibillion by 2025 on this. And I think we have what it takes.

Third question on annuities, right? It was more on why we are looking at this. Now let me very clear, when I think about growth, I want the growth in our capital-light businesses. So it is Asset management and Wealth management. The reason why we are looking at the Heritage business is the market has changed. The market has become much, much larger in the UK. And therefore, there is an opportunity for us to play here, but I insist in a selective way, utilising our strength, utilising what we can give that maybe others cannot.

So it is looking back at what our business combination is. For example, if a DB scheme had private assets. Well, that is something, where we can make a difference. But it is really utilising, I would say, our strength on combination. So investment capabilities, clearly operations and size of the balance sheet of the Heritage book, but also potentially the With-Profits fund. So I mean that gives us an opportunity. But I really insist we are going to do this selectively. We are going to do it selectively. The real growth opportunities for us are in Asset management and in Wealth management.

ANDREW SINCLAIR (BANK OF AMERICA): Three for me, please. First, I am actually going to ask the question on results. So just looking at results at slide 74, remittances to the holding company are a bit lower than I had probably expected, and lower than the prior year capital generation. Just looking to get a little bit more colour on that.

Secondly, just going back to international distribution for asset management. How much of that will be partnerships versus doing it yourself? I think you used partnership a lot at AXA IM. Just interested in that.

And then third, I was just interested in the cost of delivering some of the targets that you set out today in terms of cost savings, pacing of those and also building out that international distribution. How should I think about the costs there?

Andrea Rossi: Okay. Given that I have a CFO, to talk about results, I think that you can probably touch on that and also probably on the cost savings and then I will take the question you had on internationalisation and partnership.

Kathryn McLeland: Yes. So the first question was regarding the movements that we saw at the holding company in terms of the cash position. So we finished last year with £817 million sitting at the HoldCo. I think one important slide I would like you to refer back to maybe after the event, is that increase in the in-force book from £10 to 12 billion that we have seen, which will generate strong capital and cash generation. So the HoldCo cash essentially last year was impacted by a number of one-offs, which you all know about.

So we obviously had the dividend and the buyback. And quite importantly, I think something we have talked to you about before, some of the acquisitions we did also were paid for essentially by the subsidiaries. So remittances last year were £391 million because some of that consideration for acquisitions came from the subsidiaries. But when you look at the overall strength of the Group, when you look at the financial metrics that Andrea talked about, we remain, going back to the £12 billion, a very strong cash and capital generative business. And also importantly, we have made the decision to target this reduction in leverage by 2025. So that will reduce the leverage ratio from the 35% that you saw at the end of the year, down to below 30% by 2025. So I think last year was more of a one-off. When we look at the position that we start in 2023 in and the confidence around the balance sheet and the underlying capital generation, we feel very confident about the trajectory, both in terms of earnings, capital generation and supported by strong levels still of HoldCo liquidity of £817 million.

And so to costs. So the simplification priority really is key to the future success of M&G, as you heard Andrea say. This will help us to unlock growth. So what we have announced today is a £200 million saving on the managed cost base, which is roughly £1.4-£1.5 billion. You can see the detailed numbers here.

Andrea has taken you through the four levers that we have identified to make M&G much more efficient. You will get further updates on this, obviously, as we go through this transformation journey. You clearly see the asset management cost base of £763 million and you see also the head office costs. This is a Group-wide transformation programme. So we start today with four clear levers. We have announced the voluntary redundancy programme today that you have heard about. And very importantly also, we are going to be tracking the cost-to-income ratio in Asset Management, looking at both absolute costs. Obviously, we have got some confidence around the top line, given some of the investments we are making, the strength of the franchise, but really also keeping a very tight discipline on absolute costs. So we want to see positive jaws in Asset Management over time. So when we think about the success of the cost transformation programme, you will see us absorb inflation, create capacity through the savings, and invest for growth, making M&G much more efficient, and set up for scalable growth that Andrea talked to.

Andrew Sinclair (Bank of America): Sorry, just a follow-up on that, so you are saying absorb inflation. Does that means the £200 million, is that a net target?

Kathryn McLeland: It is a gross target. As we put on the slide that was in Andrea's section. So, obviously, we have a planning assumption around inflation. And depending on, obviously, if inflation is less than expected, we will still bring down costs by £200 million. This is very important for us, that we have a more streamlined, more efficient organisation, with stronger controls, set up to deliver better customer outcomes and more profitable growth.

Andrea Rossi: Let me be very clear. I mean on the cost, this is a by-product of simplification. I mean, we want to grow this business in a profitable way. But to do so we need to be fit for purpose. And that is why we need to look at how we organise ourselves, how we work together and ultimately, we need to improve the client outcome. We need to serve our clients better, we need to be better in innovating quicker, and the savings is a by-product. We insist on that. I mean what really is important is making sure we transform this business so we can support the growth, the ambitious growth that we want to deliver, okay?

To your question on international partnerships, I mean I do not know, when you mean partnership, it is not joint venture, is that what you meant? No, it is not joint ventures, right? Because this is organic. We are not looking at joint venture. But having said this, clearly, when you look at partnership, and I told you about Future+, we are going to need strong partners if you want to grow this in Europe. And there are already some, I would say, discussions with some European partners to do so. And I told you about the key markets for us looking forward. Clearly, Italy remains the key market, Germany and France are the other ones, and we are looking at Belgium also. So clearly, that will go through partnerships.

When I look elsewhere, and we are looking at Asia, we have been looking also at how we are going to grow in the Middle East. It is more about partnering up with institutions, it could be club deals, it could be co-invest. And that is a way forward for us, and particularly when we think about private assets. And as you know, we are strong on the private asset franchise, and we see significant interest from, in particular, Middle Eastern and Asian investors to enter into the European space. And we are a good partner to do so with them.

ASHIK MUSADDI (MORGAN STANLEY): Two, Three questions. So first of all, on your capital generation now. Clearly, that £10 billion undiscounted cash flow is now £12 billion, which should naturally imply that underlying capital generation is going up 20%. But then on top of that, I mean interest rates are higher, so that should be a bit more benefit on that. And then you will de-lever, that should help a bit of underlying capital generation as well. So these are a couple of levers, but you have not upgraded the £2.5 billion OCG guidance. Now how should we read that? Does it mean that there will be less management action than what you thought? Or is it just that you are not willing to depend on that, but it can still come through and we might get a surprise on that? So that is the first question.

Second thing is, I guess, your messaging is a bit clear on dividend sustainability and most likely growing. But what needs to happen for that dividend cost to grow? Because your long-term cash generation numbers are going up. So how do we think about that, rather than just thinking about the DPS?

And third question is, how do we think about this Heritage runoff? Now clearly, it is the first time you have discussed that you are looking to offset the runoff of Heritage business. Now you agree, it is too early, but can you give us any timeline, like, by next five years, you think that this runoff could be offset by Future+, your capital-light bulk annuities, etc. so is there any timeline you can help us with? But I appreciate that it could be a bit earlier than that.

Andrea Rossi: Okay. Well listen, I mean, I can start with the last one, and then I will let you go through.

Andrea Rossi: You saw that we are committing rather ambitious targets until 2025. And clearly, one of them, which I call on is growth, is to see that our capital-light businesses contributes more than 50% of our earnings by 2025 Asset Management and Wealth Management. This is not to say that the Heritage book is going, the

pie is bigger. I do not know if you can show the slide. So I mean that is as much as I can give in terms of going forward. I do not know, Clare, do you have a view on the Heritage, do you want to say something or add?

Clare Bousfield: So in terms of what we are looking to do, what we are looking to do is leverage the investment capability, particularly on the Institutional and private assets, but also the fact that we have got an existing book of BPAs. And those two together will enable us actually to then grow that book, as Andrea says, in a very selective way, but also then leveraging some of the capital-light options in terms of what we could do with the With-Profits fund with some market guarantees.

In terms of volumes, I think if you take both the Wealth book and the Heritage book together, I think what we are looking to do is basically optimise the scale and the play in terms of where we are going. So I would not expect it to shift a lot in the short term, but certainly over a period of time, you would start to get that more even if that makes sense, Ashik.

Kathryn McLeland: So I think you challenged us on why we are not giving a more optimistic capital-generating target. I think we clearly have our target of £2.5 billion that we are on track for. And yes, we now have an in-force book that has grown, helped a bit by rates but from £10 to £12 billion, but that gives us a lot of confidence around the future trajectory. And in terms of the market movement, you have seen in the results, I guess, last year, there have certainly been benefits that you would have expected from sensitivities. And there were some other elements also, some additional prudence that we took, for example, around our assumptions on credit risk and on property growth rates. So I think we finished last year in a pretty good position. But certainly, when you think about the underlying capital generation, which you asked about, you have seen that the expected return on annuity surplus assets, doubled from £1.1 to £2.2 billion, beginning of last year. We obviously have confidence that the expected return will be higher this year, obviously, on a book that is declining, the annuities book. But we also, really importantly, have also got the additional contribution coming through, which gives us confidence on that £641 million, retail and savings number. So that higher PVST of £4 billion also underpins the underlying capital generation.

But really importantly, that actually goes to the next question as well, we are going to grow asset management earnings. So over the next few years, as the shape of the Group evolves meaningfully towards more in Asset Management and Wealth, our capital-light businesses, that is what is going to support not just the strong dividend we are paying now, but the potential to grow the DPS over time, which obviously increased by 7% last year to 19.6%, driven clearly by the buyback programme.

So I think for now, we see really strong underlying capital generation coming into 2023. We do expect management actions to be back in the £100 to £200 million range probably for 2023 so normalising the impact back down. The longevity release of £230 million was quite large last year, and we do not expect a meaningful increase. But really importantly, and you have heard management say before, but really emphasised today with a strategic refresh, we are very focused on growing underlying capital generation. You have got the strong base coming through from retail and savings and now supported by growth coming in Asset Management and the capital-light Wealth business.

Luca Gagliardi: And Ashik, very small point on that slide. That slide is based on economics as of 1 January, so there has not been a significant movement in the economics environment since 1 January. So that is quite up-to-date, so to speak.

ALAN DEVLIN (GOLDMAN SACHS): A couple of questions, first of all, on the PruFund. Obviously, the performance has been exceptional and when you did your strategic review, did you consider, well, the Wealth business was actually holding back the success of PruFund in terms of distribution that actually, if you opened up the distribution, you could drive much faster sales? I know, obviously, the daily pricing and the smooth fund, there is some more kind of technicalities. But could you accelerate PruFund success by opening up dealer participants in the market?

And then secondly, on the BPA opportunity, I think you mentioned a kind of your difficulty on pension funds with higher allocation to private assets. Because obviously the challenge that the big pension funds have is that there too much in private assets that are non-Solvency II friendly, the UK insurers do not want to touch them. Does that help? Is that going to be an area where you could focus given your PruFund and your asset managing business, you can actually take these assets easier than some of your competitors might take?

Andrea Rossi: Yes. You answered the second question by yourself. So there is not much I can say there.

I think realistically, when I look at our capability on private assets and I look around, I think we are much better placed than them. That is very bold, second to none there. On what you said on PruFund, I mean, first of all, 2022, we are very pleased with how volumes went, £5.4 billion gross positive net. And clearly, as you said, investment performance has been stellar. Actually, every person here in the UK should have PruFund. If it was for me, I would be out there selling to them personally, but I cannot. It needs to be sold by an adviser, so we need to make sure it works better. And that is why we are putting it, PruFund Planet, but that is not PruFund growth, we put it on the digital platform. We are committed to put all the PruFund strategies now on the platform, and that will help. In the good time, we used to do £10 billion, but that was in the UK gross. But that was when significant transfer was from DB to DC. So probably 30% of that should have been discounted. So £7 billion is probably where you want to be, that is £5.4 million. So I mean you can make the math by yourself. Now should you open it up on other platforms? I do not know, Clare, do you have a view on that?

Clare Bousfield: So it is one of the main drivers as to why we bought the Ascentric platform in terms of what we have done. And I think to Andrea's point, we will have PruFund Growth on there during this year in terms of that solution. I do not think we are not open to the idea of it being on other platforms. But what we want to make sure of is, firstly, that the full value chain, and that is one of the background as to why we feel the Wealth business as it is. We want to make sure that we optimise that in terms of where you go.

We are a massive chunk of the With-Profit market in the UK, and so almost what you want to do is increase the market, and you would do it in terms of that piece. So I think to the right distributor, we are definitely open to the conversation. But right now, we have now got all the building blocks in terms of what we need.

JAMES PEARSE (JEFFERIES): So first one is on DB de-risking again, just wondering how long it would take to get yourselves in a position where you can essentially declare yourself open for business? Do you already have the resources in place to do that, and so if you wanted to, you could actually launch very quickly?

Second question, so you have indicated that you may need to do further liability management to get to your leverage target by 2025. Just wondering why you did not buy back the debt towards the end of last year when actually the bonds were quite a bit cheaper?

Andrea Rossi: Okay. I can pass you on the second question. So you say how long? We think we would do some transactions this year in a very selective manner, and we have been building up our capabilities since we have seen the market really, really build up. But let us not forget, we already have capabilities in place also. So we will do a selective few transactions this year, but I want to insist, there are several other players. We are not going to compete on price. We are going to compete where we see where we have specific capabilities in order to add value. So there will be something during the year, some transactions, but very, very selective ones. I will pass the rest over.

Kathryn McLeland: Remember half one results last year also, and then when the market widened, getting asked around liability management exercises. So I think the reason why we have not gone before, is obviously, with the new CEO coming in, reassessing the strategy you have heard today how we are so excited about the next few years, this is regulatory capital. It is important, it’s complex, it’s something we need to approach the regulator for if we want to think about calling on liability management.

And so we wanted to be very thoughtful, we want to put together a very credible strategy with very clear targets, as you heard Andrea say, stretching targets. We are looking at leverage, and whilst we have got a tremendous amount, £12 billion of the in-force book, which we have got huge confidence around the cash and capital generation, we do think 30% is the right number to be at. And the obvious means of making a reduction in the ratio is the £300 million bond we have got callable in 2024. And if you can easily, I am sure, do the math, were we to do that, and assuming no change in own funds or market, we would need to go beyond the £300 million. And the bonds are still trading below par, some of them 7/8%, but we are not in a rush at all. This is something we are going to be very thoughtful about. This is an important metric for us to reduce our leverage, we have got the callable bond next year. And over time, there is no change in own funds, we would need to go beyond the £300 million. And as you have heard this is our primary capital management target for the Group in the near term, but we are not in a rush by 2025.

MANDEEP JAGPAL (RBC CAPITAL MARKETS): A couple of questions on Asset Management, please. Kathryn mentioned the £6 billion capital queue for Alternatives. I was just wondering, over what time period you expect this to be deployed? And do you charge fees on AUM commitment or just once this has actually been deployed? And then another on Asset Management, the cost-to-income ratio target of less than 70% by 2025. Clearly, this depends on AUM levels to then, so I was wondering if you could help us, by letting us know what kind of market return assumptions you have assumed on setting that target?

Andrea Rossi: Okay, so on this £6.2 billion capital queue that we showed to you, and that gives us, I would say, a cautiously optimistic view on where we are going to see flows on the Institutional side because you should not forget also after the LDI crisis, we showed you a number also. Clearly, there is a part of that £7.3 billion, which is coming out in particular in the first half year. But on the capital queue, we believe we will not deploy all of it during the year. It is going to be impossible, but part of it, I mean it is difficult for me to be able to give the exact indication on it. But it is part of, let us say, my cautious optimistic view that we will deploy part of it during the year. And I insist once again that, that is a good element, when you look at our Institutional side business, but there are other elements that will also give us flows. And in particular, we see great interest in our fixed income franchise from several institutions. And as I said before, there are a couple, particularly on what we do on infra equity, we have launched a fund, Infracapital IV expect to close by the summer and that is a relevant size. I mean if I am allowed to say the size.

Luca Gagliardi: We will wait.

Andrea Rossi: Exactly. So I mean there are several things that are in the pipeline.

Luca Gagliardi: And maybe the only thing to add on the capital queue to your question, that capital queue is committed wins. So we do not need to go out and test them, it is not pipeline, it is committed, but it is not private equity, it is other private assets where we earn the fees only when we deploy that asset. And we have given the number quite consistently, and every period, we draw down an element of the capital queue, but it is also important to top it up with new wins, right? So ideally, you almost would want to have the capital queue always there at the same level because it gives you comfort and confidence around the future, but you keep growing it for the right opportunity at the right time.

Kathryn McLeland: And the second question was on the assumptions underpinning the 70% cost-to-income ratio. And I would just reiterate, we have a longer-term ambition beyond 2025 of 66%-68%. And so you rightly asked a very important question, because obviously, there is a lot of focus on flows. We are really pleased with the position we finished last year in, and we are confident as we have said around what we are seeing so far in terms of flows.

But yes, that underlying market assumption is important for the revenue line, and I would say that we have got a cautious market assumption in our planning. We have seen also obviously what peers have said in terms of their assumptions and obviously, market moves year-to-date, that we have seen. So it really is with a

conservative planning assumption. And then obviously, the strategy you have heard around where we are looking to grow internationally in private assets. So it is a thoughtful disciplined capital plan, we have really checked the underlying market assumption.

ANDREW CREAN (AUTONOMOUS RESEARCH): Three questions. Cost savings, you have had a cost target running since 2017, which finishes 2022. I have not got it clear what happened, did you actually make it and could you prove that? And your next cost target, I think you got 5% inflation, that will wipe it out in a bit more in terms of net, is that right? That is the first thing.

Secondly, could you tell us a bit about the margins on PruFund in Europe? As I understand, it is a very, very different product and has very different profitability profiles to PruFund in UK.

And then thirdly, in terms of your capital spending power, which is obviously the dividend comes first. What about debt reductions, M&A, do you need more money for M&A? You have spent quite a lot on Wealth, do they have priority in future buybacks?

Andrea Rossi: So we have a very strong capital management framework in place, as you know, the four components. And clearly, we are sticking to that, the plan that we are presenting, is an organic plan. And we really think we can deliver this in an organic way. I mean it is very clear we want to go for operational efficiency through simplification and we have what it takes to grow the business going forward, both in Asset management and in Wealth management, and selectively I would say, on the Heritage business. That is organic. Now clearly, when you look at this capital framework, we are committed first to our financial strength and flexibility, and there, we have been giving very clear targets of getting to the leverage ratio below 30% by 2025. Second priority is to make sure we have stable and increasing dividends going forward. And then there is a third point, we are going to have to do some investments in order to support clearly the transformation but also potentially to support, I would say, some of our distribution efforts. But I mean these are part, I would say, of just normal investments. But clearly, we are not looking for anything in terms of M&A, I mean this is organic. I really think when you look at all our capabilities, and in particular, the combination of the business model, we have all it takes in order to deliver it, and I think the results in 2022, the resilience of the results actually, is a good example of it.

Kathryn McLeland: And on the prior cost programme, which you rightly said was launched several years ago, I think that did actually outperform. So I think it was £145 million savings, and I think they did £167 million. Clare is nodding. And completed, I think, a year early, so that was concluded, and that was exactly what was needed at the time of the demerger, merger and listing, and it had several different elements in terms of what it was focused on. What we have now is the next chapter in M&G, and really looking at these four levers to really strengthen the business, streamline it, improve controls, automate processes, explore our location strategy more, reduce consulting spend. We have got the voluntary redundancy, you have heard Andrea talked about today, and it is led by Benoît, who has just recently joined.

So it is focused on some different elements, but the organisation has already delivered a prior transformation programme. But this is what we now need to unlock the growth. And also, you will be able to clearly track progress when you look at asset management costs and we will clearly keep the market updated and informed in terms of how we are delivering those savings.

On inflation, I am not sure where in our materials, the 5% assumption is. We do have an assumption over the plan that is around about that number, but every year, so not falling back to any pre-normalised 2-3%. So we are focused on bringing down BAU operating costs, so having any out through a higher inflation number is not what we want to do. We just need to be mindful that there are certainly a lot of discussions around extended higher inflation in the US, the UK might be a different picture. But we are motivated to bring down the BAU operating cost of the Group, and you will be able to track that. So if inflation ends up being less, we will be bringing down costs. And I think the last question was about Future+ in Europe?

Andrew Crean: Yes, margins. And the profit signature.

Kathryn McLeland: Yes. So I think this is an Institutional product. It is about scale.

Clare Bousfield: It is an Institutional product, Andrew, which I think I have said beforehand. So think about the price as being at that sort of level. It is, as Kathryn has just said, it is about scale in terms of how we get to that level. You will have seen the expense reserve that we have to put up because we are not yet at scale in terms of the product. But absolutely, to Andrea's point, in terms of the opportunity across Europe it is extensive in terms of that opportunity.

Andrew Crean: So I do not know what the Institutional numbers for these are.

Luca Gagliardi: So we showed you the margin in our Asset Management business, broken down by client type, and we have got internal, external and external Institutional and Wholesale split. So you can see there what type of margins we make on an Institutional mandate. We are not telling you that is exactly that level, but that is the type of ballpark that we can think of. Also the other thing that we have always called out in the past is that the profit signature is fundamentally different where PruFund, you get a fuller payment at the end. This is more like taking an asset management product with a yearly ongoing recurring fees. And there is no reference to 5% inflation in the material. I have checked that.

RHEA SHAH (DEUTSCHE BANK): Two questions from me. In terms of going back to the BPA deals and selective opportunities that you are looking for, what kind of size deals are you thinking about for this year or next year? And how much capital would you look to set aside for this?

And then secondly, looking at the pie and how it is growing, and your ambitions for 2025. For Wealth specifically, is most of the growth going to come from PruFund, or are you looking to significantly grow the rest of the Wealth parts of the business as well?

Kathryn McLeland: So in terms of size of deals, I think we have been clear that this is going to be really modest, very selective, suiting our capabilities and our strengths, which we have. So we think we have got a lot of the solutions that these pension funds want, and that is why it is a compelling opportunity for us. But it is really going to be very selective and with real discipline in terms of the criteria for us.

In terms of the capital impact, if there was any meaningful impact in 2023, as Andrea said, we would certainly be hoping to do one, we would have guided to it. So it is modest, and as Clare said, there are also capital-light options that we can think about, external providers or, of course, the With-Profit funds. So I would not guide to any meaningful capital impact in terms of 2023 numbers.

Luca Gagliardi: And then the other question was where the growth is going to come from in Wealth, whether it is more PruFund, balanced, or different components?

Clare Bousfield: So for us, the PruFund is obviously fundamental in terms of the strength, and it always will be. But one of the things that we have been looking to do is basically broaden that. So if you look at the platform, that is predominantly non PruFund business. So as Andrea said, we will put PruFund growth, and in fact, the full PruFund range onto the platform. But absolutely, what we want to do is then build out, for example, the model portfolio services. Portfolio, we have just done through a reprice of that, to put it much more into where the market is. So ultimately, what we would like to do is get to a much more even balance between PruFund and non PruFund, recognising the margins on PruFund are much stronger than on a non PruFund proposition.

LARISSA VAN DEVENTER (BARCLAYS): Three quick ones, I think. On the redundancy programme, recognising it is within the £200 million cost savings, but can you give an indication of how many people or how much of the £200 million will come from redundancy, and by when you hope to conclude that programme?

Second one, on the longevity assumptions. You mentioned that it was £230 million, and you are not expecting a meaningful increase, but does that mean that we can expect a repeat of the longevity?

And the third question is back to bulks. Do you have a target asset mix on private vs public funds? And how does that impact your bulk annuity offering?

Andrea Rossi: Okay, let me take the first one. And so we launched a voluntary redundancy, and it is voluntary, today, when you look at our simplification programme, there are four levers, and we can show again the slide that we are trying to achieve. One is linked to what we want to do in terms of organisation, it is looking mainly at layers and span of control. So that is something that we have now launched in terms of transformation programmes, so it is a work in progress. So I mean, I think it is way too early to start thinking about the target in terms of what is going to come from the voluntary programme we just launched today. And once again, it is voluntary, people have to come forward. But I believe, I have done this in the past, there are always some, that do not want to be part of the journey going forward and we will see how that goes. And clearly, we will update you in due time.

But clearly, this is about people, and we want our people to be in a good place and work within a great environment. So we will update you in due course where we are on that. But overall, when you look at the £200 million savings and you look also at where our costs are, more than 50% of our costs are people. That does not mean that we have to input that number now, but that just gives you some guidance.

Luca Gagliardi: Then Kathryn, do you want to take the question on longevity going forward?

Kathryn McLeland: So obviously, it would mainly come through on capital not under IFRS 17. And so you may not have had a chance, I know it has been a very busy morning for you. In the prelims, there is a little bit more detail around what we did in 2022 on longevity. So we did a more comprehensive assessment of our population against the broader population and the trends. We used an expert panel, an external panel. And so that was really spending much more time looking at our data, looking at the modelling, and it does not reflect COVID data, like peers I think, but so no COVID data with zero weight to the COVID experience. And so we will just have to see and I think there is still quite a bit of uncertainty in terms of trends. So we would not want to guide to another meaningful increase. We will just look at the data, we look at the new tables. We are still using CMI 2020, but we do not want you to think about another meaningful capital release like we saw last year.

Luca Gagliardi: And on the final question on bulks. I think it is a little bit early to give you an idea of what asset mix we will be looking at. As we said, given that we will be looking at a situation where we can add value, where some of them might be over allocated to private assets, each deal will be, I guess, a little bit on its own and will depend on circumstances and being thoughtful and taking it slowly, time after time, that might vary. Probably giving you a number now would not be appropriate.

NASIB AHMED (UBS): So first question, Andrea, you said that PruFund Europe or Future+ democratises private assets. So do you think tokenisation is an opportunity here? And are you investing in that space? Secondly, on the greater than 50% Asset management and Wealth management target on earnings. Does that translate into OCG as well given that insurance earnings are going to change with IFRS 17?

And then, sorry, to come back on the OCG £2.5 billion, if I take the £821 and times it by three and I am already at £2.5 billion, and you have got the tailwinds from markets, PVST being higher as well. So it seems like you are going to beat that target. Anything I am missing there?

Andrea Rossi: Okay. I think you can take the EBITDA one on the OCG before. But let me be clear I mean we cannot do everything, okay? And we have to be focused. When I look already, that we want to grow internationally some of our capabilities, and Future+ is an interesting one, we need to focus on that and make

sure that this becomes a multibillion opportunity by 2025. That comes down to having the right partners, opening, entering into new markets this year.

And yes, a lot of assets managers talk about tokenisation. I know that. But at the end of the day, it comes down to resources and focus. And when I have listed all the different opportunities we have in terms of growth, I think it is focus. And now it is a question about executing and delivering on it. I am sure that is what you want me and my team to do. So tokenisation, yes, we will see, but I mean it is not really something at the moment we are foreseeing.

Kathryn McLeland: I think I missed one of your later question. One was on the operating capital target.

Luca Gagliardi: And the other one was on the mix of the earnings. So the question is this slide talks about earnings, but does it look significantly different from a capital perspective, given IFRS 17 and everything else.

Kathryn McLeland: So I will cover that one first. And so in terms of IFRS 17, you have seen the broad guidance we gave at the December update. In the prelims, there is the day one shareholder equity impact, which is an increase of £1.5 billion. So that is good for us. it is consistent with the guidance we put out in December. And we have obviously not yet given indications regarding the earnings details, but you obviously know the profiles of how they change across the business. So clearly, you have got, as we said, good confidence around the underlying capital generation coming through, and really importantly, which will obviously support earnings under the new IFRS 17 asset management earnings, meaningfully growing. So that and non PruFund wealth growth will support that change in mix because we are very pleased to have a diversified group with the earnings and capital generation. But we want it to become even more diversified and even more resilient with the growth in Asset Management. So that is really valuable to us over the next few years. And yes, so in terms of the difference between IFRS 17 and cap gen, it really will be driven by that Asset Management growth.

And on the ambition, I think someone already asked us about why we have not upgraded our OCG target. And we are confident in the underlying capital generation, we have got good visibility around this year. I think we have said that management actions should normalise back down. I gave an answer around the longevity benefit, which we do not expect to reoccur to any significant extent like we have seen before.

So we have got a strong plan, we have clear targets. We are focused on execution, and over the next year or two, we obviously re-assess whether or not we need to extend that target beyond 2024. But I think you have seen us expand our targets today, building on that one we had before, with the very clear cost target with £200 million, the asset management getting below 70% and the £200 million for the simplification programme, and obviously, the earnings mix.

Luca Gagliardi: Basically, let us deliver the target and then we talk about it.

ANDREW BAKER (CITI): Just two questions, please. On the international expansion side, just curious why South Africa was not included given your JV there, is there anything to read into that?

And then secondly, on PruFund performance, I think on slide 30. Can you just help me understand the outperformance? So my understanding was that PruFund returns ultimately are tied to the underlying asset returns and the smoothing mechanism just changes that path to get there. So is it just the case that the benchmark that you are using, is it just a different set of underlying assets, or is there something else going on there?

Andrea Rossi: Now you are right, I did not mention South Africa in the international expansion. And realistically, clearly, we have an asset manager there. We are in the top 10. And we believe we can grow the business over there as also because there is interest now in actually investing in international assets from South African investors. So it is something that clearly we want to see. More interesting enough is that we have some rather strong investment capabilities in South Africa, in particular, for example, I did not know this

but actually, I think we are number one in African equities in terms of investment performance. And indeed, there is some interest from some of the Institutional clients into this.

Now I do not know how scalable it is, because clearly, at a certain point, you have to look at it. So it is part of the internationalisation and actually, I am due to go to South Africa by the end of the month. So it is good that you asked the question because they are part of the international opportunity and expansion.

And more importantly, when we look at, for example, Africa and emerging markets, as you know, we have acquired a business called responsAbility. And this very much follows the philosophy of we are acquiring it and then we see whether we can launch new strategies together with the asset owner or if it is within the strategic asset allocation. And Africa is one of the regions we are looking to see if we can also do something on the emerging debt or emerging equity in order to support either sustainable food or inclusive finance, or climate finance, which we have done, of course, in Latin America and in Asia.

Luca Gagliardi: On the PruFund, so the benchmark that we have here is the one that we always use, so we always use this too. For PruFund, we have got PruFund growth and you have got the strategic asset allocation in the appendix, slide 65 shows you that it is probably, roughly speaking, 45% equities. So it falls quite neatly in the middle of that 20%-60% shares index that we have then. I mean no benchmark is perfect.

In terms of the outperformance, I think there are many elements to that, very good investment performance, very broad strategic asset allocation and allocation to private assets that no other mutual fund can really match. And that is part, if you want, of the secret sauce of PruFund. And then obviously, do not forget the smoothing mechanism which allows the underlying price to move up and down around the smoothed lines. So there might have been a situation in which the unsmoothed price was above the smoothed price, then some market movement has taken some of that away and it is now below, but the smoothed line continues to run in the middle. So there is obviously volatility environments around that green solid line, but it is all well within the smoothing corridors, which are plus or minus 10%.

ABID HUSSAIN (PANMURE GORDON): Two questions, if I can, please, apologies for coming back on bulk annuities. I am still wondering why you are only re-entering open annuity space selectively. I appreciate the capital intensity point, but in terms of demand, the demand vs supply is clearly dislocating and the demand is very strong. And I can think of a number of schemes which have a large proportion of private assets that might come to market and I suppose if they do come knocking, will you write volume and would you write £5 billion in a year, or are you thinking much lower than that, so that is the first question.

And then secondly on private assets, clearly a high margin business, what hurdles might you face in ramping up that business?

Andrea Rossi: Listen, on the first question, and I want to be very clear on this. We want to grow in capital-light businesses and clearly, my focus and the teams focus is on Asset management and Wealth management. But as you said, demand outstrips supply now in the BPA market, and that is why we are looking at it. If the market would have been one year ago, we might not have even been looking at it because there are players out there, established players, let them do it. Now the market is different, it is larger, and we think we can make a difference, looking at our strengths, which I am not going to go through them again. But it has to be selective. I mean you said a number of £5 billion, I mean that is not selective, selective is different. I do not give any number. Do not worry. So I hope that responds to you. The second question was on private assets.

Luca Gagliardi: And in terms of hurdles. What do you mean in terms of hurdles? Like can we win business, do we need to add more sourcing capabilities?

Andrea Rossi: No. Listen, I mean, and Clare has built up the capability, it is not that we decided to do it now. We are building it up. We have what it takes, there will be a couple of people to hire.

Luca Gagliardi: Private assets.

Andrea Rossi: Okay. Listen, on private assets, let me be very clear. When I look at our private assets franchise and look at it today, it is a very strong franchise. And in my view, when I look at the numbers and I look at where we were, and you noticed that we are committing to grow this business by 2025 to £100 billion from the £77 billion, I mean that is already ambitious. But it has scope to go even beyond that without having to add capabilities. And given our model of having this vicinity, in having asset owner and asset manager, we could utilise, I would say, our strength we could attract, for example, teams in particular strategies in continental Europe to attracting with seed money and global distribution. And once again, that is the opportunity for us. You can look, it could be a team who wants to launch £0.5 billion green infrastructure, whatever, mid-equity or in continental Europe, and we can see that potentially. So that is the way we can then create momentum from an external perspective, through our distribution. But I mean, today, it is more for us about making sure we are in the right markets where there is interest for our strategy. So in particular, for example, Japan, Korea, there is allocation to European private assets there. And I think we can play very well with what we have, so it is more of scaling up what we already have.

Luca Gagliardi: I think we have managed to cover all questions in the room. So thank you very much for that. Andrea, I am wondering, do you want to say to close

Andrea Rossi: Listen, I know there have been so many meetings. But just very quickly, I mean, I think there are three takeaway messages. The first one is 2022 results are good results and I think when we look at them, you should be pleased because we delivered those results in a rather difficult market environment. And I would focus on two. I am very pleased, of course, about the positive net flows, second year, again, I think that is important, it shows the resilience of the model. And then, of course, also on the capital generation because when you look at what we deliver £821 million, that is part of getting that route to the £2.5 billion we want to achieve in 2024.

But overall, going forward, I think we have worked on clear strategic priorities. I am not going to go through them again. You see them. But those clear strategic priorities has also made sure that we have clear targets going forward. And I think the ones that are relevant clearly are on the financial strength, ones where we are pushing for having a leverage ratio, which is below 30% by 2025. But more importantly, on the simplification, the £200 million cost savings and the cost-to-income ratio below 70% by 2025.

And more importantly, I think that is the key one, more importantly, by 2025, we want to achieve growth on the capital-light businesses in order to have those businesses contribute more than 50% of the total earnings of the Group. And what is important here is, the execution, it is the discipline. And to do so, you need to have a team, and I have the right team, I have the right team in place and I also have the alignment of all the senior leaders.

So we will maintain our financial strength. We will simplify, and more importantly, we will grow.

Of that, I am totally sure.

Thank you.