M&G plc 2024 Full Year Results

Financial strength, Simplification, Growth

Presentation Transcript

19 March 2025

Welcome & Strategic Review

Andrea Rossi, Group Chief Executive

Slide 3 – Strategic review

Good morning, and welcome to M&G's Full-Year Results. It is a pleasure to be here with you.

Today I am joined by Kathryn, who will cover our strong financial performance, and by Joseph Pinto and Clive Bolton, who run our Asset Management and Life segments respectively.

They will share more colour on the progress being made and explain the contribution of our businesses to the growth ambition for M&G and how we are collectively delivering for our clients.

But first, let me start with a review of our main achievements.

Slide 4 – Continued progress in 2024

In 2024 we delivered meaningful progress across our three strategic priorities.

First, on Financial Strength. By generating over £900 million of capital, we beat our upgraded OCG target. This allowed us to reduce debt and to increase the dividend cash spend, for the first time since we listed in 2019.

Given our recent achievements, and our confidence in the outlook of the business, I am delighted to announce that from today we are moving to a progressive dividend policy.

Second, on Simplification. We moved at pace on our transformation efforts, delivering £188 million of savings in the first two years of the programme. Given this progress, we are upgrading our cost target, again, to £230 million by end of 2025. And let me be clear, we will continue to tackle costs even after we achieve this target.

Our focus on cost discipline is also clear in Asset Management, where, despite inflationary pressures and investments for growth, we reduced absolute costs by 2% and the cost-to-income ratio by 3 percentage points. All this while decommissioning legacy IT systems and improving client outcomes.

And finally, on Growth. Group Operating Profit was up 5% year-on-year, driven by the strong Asset Management result, which improved by nearly 20%. I am very pleased that we achieved this growth while further internationalising the business and expanding our private markets capabilities.

In Life, we continued to build our presence in the BPA market and launched our new Value-Share proposition. We increased new business volumes by 50%, reached nearly £900 million of premiums, and offset the run-off of the in-force book.

Slide 5 – M&G's journey: From fixing to growing the business

When I started at M&G, the immediate priority was to strengthen the foundations of the business. Despite a challenging environment, we have done this. While we can always go further, by fixing the fundamentals we can now focus more on delivering sustainable growth to our shareholders.

We are now ready to grow. And we will do so with discipline:

- Firstly, financial discipline, maintaining a strong balance sheet;

- Secondly, operational discipline, continuing to tackle costs and improve our operating leverage;
- And finally, with a clear commitment to profitable growth, across both Asset Management and Life, to underpin a progressive dividend.

Only a couple of years ago, M&G had an Asset Manager with shrinking earnings, inefficient Wealth operations, and a legacy insurer in run-off.

Now we operate an integrated, balanced and synergistic business model. One where the success of the Asset Manager is built in conjunction with the success of the Life Insurer. This business model is our competitive advantage. It is what differentiates us, and what gives us confidence in the long-term prospects for M&G.

Slide 6 – Strong investment capabilities, long-term capital and seed funds

Today, we combine an international active Asset Manager and a scaled Life business; bringing together strong investment capabilities with long-term capital.

With £185 billion of assets, our Life operations provide scale and seed funds to the Asset Manager. Our Asset Manager then leverages this to foster innovation and expand our business with external clients and internationally.

With over half of the Asset Manager AUM coming from third parties, of which the majority are based outside the UK, we have already proven that this model delivers real value. It is a model not dissimilar to many US alternative asset managers, and our £74billion private markets franchise proves exactly that!

We now have established capabilities in Real Estate, Private Credit and Impact investing. What gives us a unique advantage and will help fuel long-term growth, is the With-Profits Fund. Sitting within Life, it is a business within a business, with its own ringfenced balance sheet and nearly £6billion of surplus capital ready to be deployed.

Using this resource effectively means gathering assets and diversifying earnings without adding risk onto our balance sheet but instead complementing the shareholder risk appetite.

Slide 7 – A synergistic business model

We have a winning business model, and we are clear about what we want to achieve.

Thanks to the support and seed capital from the Life business, we will continue to grow in Asset Management, and expand our presence in private markets, focusing on high-value areas of structural growth. And bringing together our investment capabilities and With-Profits capital, we are developing new insurance solutions that will drive funds into the Asset Manager.

After being in run-off for nearly a decade, we are turning our Life operations into a growth engine for the Group.

Combining a thriving Asset Manager with a thriving Life Insurer means we will deliver more resilient and differentiated earnings, both in the UK and internationally.

Slide 8 – Well positioned to address client needs

Our business model also means that we can address opportunities that others cannot tackle as effectively.

On this page you can see some of the key dynamics of our industry.

- Clients, in particular retail savers, are still under-allocated to private assets.
- The rate environment has changed dramatically, and investors are still adjusting to it.
- And finally, in these uncertain times, clients want to partner with asset managers that are experts at what they do, but that also have skin in the game and are aligned to their goals.

Working together, our businesses can capitalise on these trends.

Our recent bolt-on acquisitions are a good example of this, as they were enabled by the unique set-up of our Group. We added two high-quality teams that complement the Asset Management private markets capabilities and fit the Strategic Asset Allocation of the Life business.

With BauMont and P Capital Partners, we can access fast growing segments in Real Estate and Private Credit, where we will rapidly scale also thanks to 850 million euros of seed capital from Life. But there is more we are doing to combine our Asset Management and Life capabilities.

The launch of the Value-Share BPA and of Fixed-Term Annuities means we now have client propositions that suit any rate environment and include guaranteed, smoothed, and unsmoothed solutions. It also means that here in the UK, we can offer Defined Benefit pension schemes all the services they need across their de-risking journey. And when we work with clients, they know they access the same solutions we use, ourselves.

Very often, we coinvest in the same strategies, aligning our interests, with theirs. This builds mutual trust and creates long-lasting partnerships.

Through our business model, we are well positioned to serve clients, and to grow.

And with that, I will hand over to Joseph, who will outline the progress we have made in Asset Management.

Asset Management
Joseph Pinto, CEO Asset Management

Slide 9 – Asset Management

Thank you Andrea, and good morning everyone.

I am delighted to be with you today, and to talk about what we are doing in Asset Management to support the growth of the Group and address our clients' needs.

Slide 10 – Asset Management our ambition, our focus and our priorities

Let me start with our clear ambition, which is to be one of the leading active asset managers in Europe, with strong and growing private market capabilities.

This is a high-margin area of structural growth, where we already have a strong presence and track record. As Andrea has already explained, M&G's business model is a key competitive advantage as we deliver on our ambition.

For over 20 years we have been developing new investment capabilities thanks to seed capital from the Life business. Our focus is to further build on this successful partnership, as we then externalise and scale the solutions that we create to serve our internal clients. This synergistic relationship drives innovation and fuels growth.

On this page, we also show our priorities.

Investment excellence is the core objective of any active Asset Manager. As we maintain our current strong performance, we are expanding both our distribution reach and investment capabilities. Growing internationally, and in private assets, are clear opportunities for us. But at the same time, we also need to protect our home market, here in the UK.

Let me go through these points in a bit more detail, starting with investment performance.

Slide 11 – Deliver strong performance, across Institutional and Wholesale

Delivering excellent client outcomes is our number one priority. Putting client needs at the core of what we do – and fulfilling those needs – is the very reason we exist. This is why I am very pleased that we have achieved strong investment performance over a sustained period of time.

This is true for our institutional franchise, with over 75% of our assets outperforming their benchmarks, but also for Wholesale, where, according to UBS research, we have delivered the best investment performance across European peers for more than 2 years.

Behind this strong performance there are strong investment teams. And we continue to invest in them and attract top talents. Andrew Chorlton and Emmanuel Deblanc have recently joined us to lead our investment teams, together with Fabiana Fedeli. Their experience will support our efforts to further improve the quality of our propositions across Public and Private markets.

Slide 12 – Scale international franchise, continuing to build on strong momentum

Benefitting from strong investment performance, we have focused on broadening our client reach. Our international development has been a clear success story.

Over the past 4 years, despite continued market volatility, we have delivered consistently positive net inflows outside the UK and growing our international assets by 50% to nearly £90 billion.

Today we have an established and growing international presence, with 56% of our third-party assets belonging to international clients. This gives us access to more markets and more growth opportunities. It also improves our financial resilience by diversifying our earning streams.

You have heard from Andrea in the past how we have strengthened our distribution teams, particularly in Europe and in Asia. In parallel, we have also expanded our offering, making it more relevant to these clients. For example, we can now leverage a global credit platform, after having added US capabilities in Chicago and Asian ones in Singapore. At the same time, we also built out our Asian Equity and Asian Real Estate offerings. With a more international distribution network and product range, I am confident we will continue to grow internationally.

Slide 13 – Protect our home market, broadening our UK proposition and client base

But growing internationally does not mean forgetting about our home market, where we manage £70 billion of third-party assets, and which remains a core focus of the Group.

Defined Benefit pension schemes are the largest client segment in the UK, but high rates have meant they have accelerated their de-risking journeys, moving to buy-out or to simpler Buy and Maintain strategies. But while structural challenges remain, these headwinds are starting to abate for us at M&G. Today, we are less reliant on this segment than we were in the past; both because of its smaller scale and because of our successful diversification internationally and within the UK.

Also, the emergence of run-on as a potential end-game strategy for larger DB schemes, is a clear opportunity we are actively targeting. Here, we can leverage our strong fixed income expertise, combined with our Life insurance capabilities. Together, we can help these schemes achieve greater certainty on their future cashflows by providing partial guarantees or underwriting key risks.

Other segments of the UK market also offer opportunities for us. For example, most insurers and DC pension schemes want to increase their allocation to private markets, while Local Government Pension Schemes are keen to deploy capital in local investments. Our strong credentials in this space position us extremely well to win business here.

Finally, the recent launches of our first LTAF vehicle and the UK Social Investment Fund will further support our efforts in the UK.

Slide 14 – Expand private markets capabilities, both organically and inorganically

I want now to expand on our private market capabilities.

With £74 billion of assets and £418 million of revenues across Real Estate, Private Credit, Impact Investing and Infrastructure, we already have one of the largest franchises in Europe, built gradually over 20 years of continuous collaboration with the internal client.

This fruitful long-term partnership clearly benefits from M&G's decision to re-open the annuity book 18 months ago. This brings fresh assets into the Group; assets that require a meaningful allocation to private markets and support further innovation.

This said, while most of our private market strategies were originally seeded by the Life business, we successfully scaled them by attracting 3rd party capital, which now accounts for 59% of the asset base.

So, consistently winning third party business is testament to the quality of our offering. And it shows how much institutional investors value the opportunity to deploy capital alongside our internal client. They know that we have real skin in the game and that our incentives are fully aligned with theirs.

Slide 15 – Selective inorganic investments to add private markets capabilities

To accelerate growth in private markets we have recently completed two bolt-on acquisitions.

We targeted boutiques with investment philosophies aligned to ours and strong track-records. In both cases, we pursued opportunities in asset classes where we already have a strong presence, but where we were missing specific strategies that benefit from strong client demand and positive market trends.

In Real Estate, we have long been experts in the so called 'core' strategies, that typically present a lower risk-return profile. BauMont, on the other hand, is a specialist in the 'value-add' segment, an area where we see great opportunities given the recent dislocation in Real Estate markets.

Similarly, P Capital Partners brings an established track-record in the non-sponsored lending space. This neatly complements our existing capabilities and allows us to tap into one of the fastest growing sectors within private credit.

Furthermore, both firms add international sourcing capabilities, expanding our presence in Europe and supporting our efforts to attract international clients. And as we have said many times before, all this was made possible by M&G's differentiated business model. These acquisitions are consistent with the Strategic Asset Allocation of the Life business, which has committed 850 million euros in seed funding.

As I have hopefully made clear, our ability to leverage our own balance sheet to support growth and innovation remains one of our key competitive advantages.

With that, let me hand over to Clive, who will outline how he is driving the Life business.

Life
Clive Bolton, CEO Life

Slide 16 – Life insurance

Thank you Joseph, and good morning everyone.

As Joseph has just done for Asset Management, I will now give you an overview of the Life business, and the opportunities we are pursuing.

Slide 17 – Life **our ambition, our focus and our priorities**

Describing Life 18 months ago would have been very simple. A legacy book in run-off, with only one major open product: PruFund.

Since then, a lot has changed. We have reopened the annuity book, launched new solutions, and are turning this business into a growth engine for the Group. Capable of driving more flows into the Asset Manager.

We are doing this by developing solutions that meet real client needs. Leveraging both our balance sheet and our unique With-Profits Fund. And whilst we are broadening our offering through the With-Profits Fund, we are also changing our relationship with it. Shifting new solutions to a simpler fee-based model for M&G.

Slide 18 – Broaden offering, leveraging solutions backed by the With-Profits Fund

On this page you can see the markets that we are targeting.

In the UK, we operate in both the corporate and individual space.

The Bulk Purchase Annuity market continues to be attractive, with new business flows expected to remain strong over the coming years. Since our re-entry in September 2023, we have already completed 6 deals worth a combined premium of £1.7 billion. And not all these deals are traditional BPAs.

The largest one, with a premium of £500 million, is an innovative Value-Share transaction. This is a new solution, unique to M&G, that has already attracted interest from many other potential clients. And we are also building a With-Profits BPA solution, which we aim to launch next year.

In the retail market, PruFund remains our anchor proposition. It is one of the most successful products in the UK with £64 billion in assets. And continues to generate sales of over £5 billion a year.

But since bringing our Wealth and Life operations together, we have also focused on broadening our offering with guaranteed solutions, as these are attractive in this higher interest rate environment. Just last month, we soft launched our With-Profits Fixed-Term Annuity which aims to offer a competitive guaranteed income when compared to a conventional non-profit product but with the potential for an additional modest bonus. We are also working on a Lifetime Annuity version of this product.

And finally, let's look at the international market where we continue to seek opportunities to grow, using our With-Profits Fund. In a few weeks' time, and subject to local regulatory approval, we will launch a PruFund-like guaranteed solution in the Middle East.

All these new and existing propositions will drive profitable growth and funnel assets towards the Asset Manager. And we expect to allocate a significant proportion of them to private market solutions.

Slide 19 – In focus: The With-Profits fund

We often speak about the With-Profits Fund, so I want to explain what it is and why it is a unique source of competitive advantage for us.

First, it is a 177-year-old pooled investment vehicle with a great performance track-record that exists to write With-Profits business for the benefit of its clients and, in turn, M&G. It also has unparalleled scale, with £128 billion of assets and nearly £6 billion of surplus capital in its ringfenced balance sheet. This size and financial strength means it can effectively differentiate its investments across a wide range of asset classes and deliver a great client outcome.

Hence, there are two reasons why it is uniquely placed to support M&G's growth ambitions. First of all, it has significant capacity to write new insurance business and is becoming the primary writer for the Group. Whilst With-Profits capital needs to be appropriately rewarded, it allows M&G to attract assets without adding significant risk to its shareholder balance sheet.

Secondly, the large scale of the Fund supports our Asset Manager, generating a meaningful stream of regular income that diversifies our earnings mix.

Slide 20 – Improve earnings profile, shifting With-Profits products to a fee-based model

On this page, we illustrate the relationship between the With-Profits Fund and the rest of the Group.

Although the With-Profits Fund has the appetite and the capital to write insurance business, it does not have any operational or investment capability of its own. Therefore, it needs partners to deliver these services, and our Life and Asset Management businesses are exactly that.

The Life business manufactures, distributes and administers our With-Profits products. Whilst the Asset Manager runs most of the mandates needed to satisfy the With-Profits Strategic Asset Allocation.

In exchange, the Life business participates in the With-Profits returns on a 90:10 basis. While the Asset Manager receives an annual management fee for the assets it oversees.

These two income streams are a significant component of the Group's earnings profile. And to further improve this profile, we are shifting all the new With-Profits solutions to a 100:0 basis.

Whilst it will take time for these volumes to become material, it means that the Life business will start to benefit from a simpler annual management fee like the Asset Management business.

Slide 21 – Support long-term growth, targeting the UK Pension Risk Transfer market

Our re-entry into the UK BPA market is already becoming a material contributor to M&G's growth.

I am proud of what we have achieved over the last 18 months, closing six deals with a total premium of £1.7 billion. And this includes a £200 million transaction we completed just last week. Over the coming years, we will gradually increase our volumes and average deal size. And in a mature steady state, we expect to write between £3 and £4 billion a year.

This growth will not only benefit Life, but also Asset Management. More than offsetting the headwinds it faces from DB pension schemes transferring their liabilities to insurers.

As mentioned, we are also working on a With-Profits solution, which will allow us to deploy With-Profits capital into the BPA market to support this growth alongside with our new Value-Share BPA which I will cover on the next slide.

Slide 22 – In focus: Value Share BPA

Here, I want to explain how this Value-Share mechanism works and why it can be a compelling solution for many schemes and sponsors. Operationally, it involves a DB pension scheme, its corporate sponsor, and our Life business.

First, a well-funded DB pension scheme enters into a traditional BPA transaction with M&G.

Second, the corporate sponsor makes a one-off capital injection into a captive reinsurer.

And finally, M&G transfers most of the longevity and market risk, related to the deal, into this captive which reduces M&G's capital requirements.

This solution can be very attractive to corporate sponsors who want to share in the potential value that a BPA transaction can generate. And M&G benefits from a reduction in its insurance risk capital strain and, in addition, receives two fee-related earning streams. One to the Life business for administering the whole annuity policy. And one to the Asset Manager for managing the assets backing all the annuity liabilities and the surplus.

This is an innovative way to:

- Broaden our client proposition;
- Generate fee-related earnings for M&G; and
- Drive flows towards the Asset Manager, further strengthening our synergistic business model.

I hope this overview gives you a sense of the growth opportunity in the Life business, and how we are working closely with Joseph and his team to drive the success of the Group.

And I will now hand over to Kathryn.

Financial Review
Kathryn McLeland, Group Chief Financial Officer

Slide 23 – Financial Review

Thanks Clive and good morning everyone.

I will now cover our financial results, which I am pleased to say demonstrate consistent delivery against our key business priorities.

Slide 24 – Strong Operating Profit and Capital Generation

Covering first the highlights:

Operating Profit increased for the third year in a row, growing 5% to £837 million; supported by a 19% improvement in Asset Management, and stable contributions from Life and the Corporate Centre.

At £933 million, Operating Capital Generation remained strong. The higher Asset Management result and management actions offset most of the reduced contribution from Life, which we flagged at the 2023 Full-Year results.

So, thanks to this resilient performance, we exceeded our upgraded capital generation target of £2.7 billion and lifted the Solvency II ratio to 223%. All this, despite completing over the year deleveraging and dividend payments worth over £900 million.

Net client outflows of £1.9 billion were mainly due to UK institutional Asset Management and PruFund, although we are encouraged by PruFund outflows halving in the final six months of last year.

Slide 25 – Asset base up by 1% as positive markets offset outflows

Closing AUMA of £346 billion was £2 billion higher than the opening balance, with markets and other movements offsetting net outflows from the business.

Asset Management net outflows of £900 million were entirely driven by the Institutional segment, where headwinds here in the UK, mostly from Defined Benefit schemes, more than offset continued international net inflows of £2.8 billion.

Thanks to the strong investment performance that Joseph talked about, Wholesale asset management delivered neutral flows, which is a relatively good result in the context of a tough trading environment for active asset managers.

Within Life, PruFund flows remained under pressure as customers favoured alternative risk-free solutions such as cash and government bonds due to the prevailing elevated interest rates.

On the other hand, annuity flows continued to improve, as we gradually grew our BPA volumes. This has meant that, since re-entering this market, we have stabilised the run-off of the book and now expect this segment to become a positive contributor to net flows going forward, in line with the guidance shared by Clive.

Slide 26 – Flows momentum gradually improving in H2 2024

On this slide, we show historical net flows for our core segments.

Within Institutional Asset Management, you can see two main trends:

- Consistently positive net inflows internationally, of over £15 billion over the last four years, and
- Meaningful UK outflows since the mini-budget crisis in September of 2022

While 2024 international flows were impacted by some lumpy redemptions, including about £900 million of outflows in South Africa, we are confident about the prospects for our international business. And we expect it to continue to grow and to further diversify the earnings profile of the Group.

Here in the UK, Institutional net outflows continued to narrow in the second half of 2024. And over time, we expect to see further improvements thanks to the proactive steps Joseph and his team are taking.

And in relation to our Wholesale franchise, you can see the strength of the business in its flows, which have been very resilient over recent years despite strong outflows in the market for active investment solutions.

Turning now to Life. PruFund has been impacted over the past 18 months by high rates, resulting in lower sales and higher redemptions. That said, PruFund's value proposition remains strong, with its flagship Growth strategy delivering 1-year returns of 6.6% last year, well in excess of the mixed-assets benchmark return of 3.8%. And this good performance is starting to positively impact flows, with redemptions reducing, and net outflows halving in H2.

And finally, on Annuities, you can see here how we have largely managed to stabilise flows since re-opening to new business in September 2023. And as you heard this morning, we expect this positive trend to continue.

I'll now move on to Adjusted Operating Profit.

Slide 27 – Operating Profit of £837m, +5% higher year-on-year

At £837 million, our Group operating profit was up 5% year-on-year.

The key features of this result are:

- Firstly, a near 20% increase in Asset Management operating profit, as we continued to successfully widen the operating jaws for this business.
- Second, a decline in PruFund and Traditional With-Profits due to the lower CSM amortisation rates and lower CSM opening balances.
- Third, lower return on Annuity excess assets, as we flagged at our 2023 Full Year results.
- And finally, a strong improvement in Other Life, helped by proactive cost management actions.

Let us now look at the Asset Management result in a bit more detail.

Slide 28 – Asset Management: 19% growth in AOP reflecting positive operating jaws

At £314 billion, average AUM was up nearly 3% in 2024, mainly due to favourable equity markets. Our average fee margin continued to be resilient, declining by only one basis point.

Higher assets and resilient margins meant revenues were up by 1% year-on-year.

At the same time, thanks to our continued focus on efficiency, we reduced costs by 2%, leading to an improvement of 3 percentage points in our cost-to-income ratio to 76% or 74% including performance fees.

The Asset Management result also benefitted from £12 million higher investment income, most of which from non-recurring FX moves and seeding gains.

All this led to a £47 million increase in Asset Management Operating Profit to £289 million.

We are pleased with this strong result. And I really want to emphasise that we are committed to delivering positive operating jaws over time, maintaining rigorous operational discipline to drive profitable growth.

Now, moving on to the Life results.

Slide 29 – Life: With-Profits

PruFund operating profit, which includes PruFund UK and offshore bonds, marginally reduced by £10 million to £226 million, largely due to the lower CSM amortisation rate that we have previously flagged.

Profits from Traditional With-Profits were also impacted by the same dynamic of a lower amortisation rate, but the reduction in profit was more pronounced due to a lower opening CSM, which is to be expected given it is a closed book.

It is important to stress though that lower amortisation rates simply mean customers are staying with us for longer. And greater customer persistency supports ongoing CSM growth.

Let’s now turn to Shareholder Annuities.

Slide 30 – Life: Shareholder Annuities and Other Life

Our Annuities result was 7% lower year-on-year.

And this was largely driven by a lower opening balance of annuity surplus assets, and by lower expected returns due to a more conservative asset allocation, in line with the guidance we shared a year ago.

This reduction was partly offset by a higher CSM release of £113 million, which benefitted from a £244 million increase in CSM from longevity, and by a £25 million one-off benefit in our lifetime mortgage book.

It is also worth highlighting the £65 million year-on-year improvement in Other Life. 2023 was impacted by a negative provision that did not re-occur, and in 2024 we also undertook proactive cost actions to reduce losses in our platform and advice businesses and lower the cost base of our smaller service companies.

Having reviewed our AOP, I will now turn to CSM movements, which you can see on the following slide.

Slide 31 – CSM up 10% to £6bn supported by operating change in CSM of £294m

At the end of December, our total CSM stood at £6 billion, 10% higher year-on-year, representing a significant increase in the stock of future profits from our Life segment. The contributions from interest accretion, expected returns and new business remained strong and more than offset the release to the operating result.

In total, the operating change in CSM was nearly £300 million. The CSM also benefitted from a £256 million increase from positive markets, predominantly driven by higher rates impacting the value of future With-Profits shareholder transfers.

It is worth pointing out that the increase in Traditional With-Profits CSM, also reflects a £144 million reallocation from PruFund due to a refinement of the CSM split across these two products.

Having covered earnings and the CSM, let us now turn to Capital Generation, starting with the Underlying result of £644 million.

Slide 32 – Underlying Capital Generation of £644m

In line with our Half Year results, underlying capital of £644 million was 14% lower year-on-year. The reduction was entirely driven by the £110 million lower contribution from the Life segment, as the improvement in Asset Management offset the deterioration in Corporate Centre due to higher costs.

Within Life, PruFund and Traditional With-Profits delivered a stable combined result of nearly £430 million, but Annuities were impacted by the lower return on surplus assets, which we talked about when covering Operating Profit.

And in addition, the Annuities Solvency II result also reflects a lower SCR run-off, due to higher rates, and the new business strain on the higher BPA volumes we transacted. As a reminder, we have not reinsured longevity risk on any of our recent BPA deals.

I will now turn to Operating Capital Generation.

Slide 33 – Operating Capital Generation of £933m

With an operating result of £933 million, I am pleased to say that we exceeded our upgraded target of £2.7 billion of capital generation over 2022 to 2024.

For the full-year 2024, management actions were £289 million, up £45 million over the prior period.

The main components of these management actions were:

- £53 million primarily from the asset re-allocation in the With-Profits Fund, where reduced equity exposure lowered our capital requirements.
- £155 million from longevity, due to lower assumptions for future mortality improvements, as we adopted the CMI 2022 tables.
- £160 million from model changes, with roughly two thirds coming from a change to the With-Profits model which feeds through to a lower shareholder risk, and the remainder from a reduction in operational risk.
- And finally, £79 million from adverse persistency and expense experience which includes investment management costs.

Slide 34 – Strong OCG result and removal of capital restrictions lift SII ratio to 223%

Thanks to this strong operating result, together with supportive market movements and the removal of all capital restrictions in the first half, we ended 2024 with a Solvency II ratio of 223%. 20 percentage points higher than twelve months ago.

The Solvency surplus increased more moderately, from £4.5 to £4.7 billion.

Own Funds of £8.5 billion, of which 4.3 relate to the With-Profits PVST, are lower than the opening balance of £8.9 billion for three main reasons:

- Firstly, the £467 million cost of our ordinary dividend,
- Secondly, the one-off deployment of £450 million to reduce debt over the summer, and finally,
- Higher rates, that while beneficial to the coverage ratio as they lower our SCR, are also the primary driver behind the £281 million adverse market impact to Own Funds that you can see on this page.

I will now update you on our progress towards our objective of building a stronger, simpler, and more efficient business.

Slide 35 – Cost base down 2% thanks to simplification efforts

Today, we are once again upgrading the cost target of our Transformation programme and now expect to deliver cumulative savings of £230 million by the end of this year. This reflects the benefits from the consolidation of our Wealth segment into Life, which we announced at our H1 Results.

With £188 million of savings delivered to-date, we are confident that we will hit our target. It is important for me to emphasise though, that when we do hit our target, our Cost transformation and simplification efforts will continue. We will remain sharply focused on cost discipline and on driving further efficiencies, to selectively invest to grow in our target areas, and to improve our capabilities.

The strong progress of our Transformation programme reflects the action taken across the four levers highlighted on this slide.

For example, since the start of the programme in 2023, we have reduced our UK office footprint by about 20% and saved around £15 million through the optimisation of our technology estate. We have also reduced costs across all our segments by moving a number of activities to India, where we have built a very strong operation.

And lastly, we have reduced our marketing, contractor and consultancy spend by nearly £10 million. By using these levers in 2024, we reduced costs by £104 million, which allowed us to offset inflationary pressures and to invest £24 million in the business, to deliver better customer outcomes, and of course drive profitable growth. As a result, we ended the year with a cost base that was 2% lower and of a better quality.
We remain highly focussed on improving our cost base in 2025 and importantly also beyond this year, as we continue to drive operating leverage across the Group.

Slide 36 – Outlook and guidance

So, to wrap up, today's results demonstrate the key strengths of our diversified business model, and our ability to generate sustainable value for our shareholders and clients alike.

The combination of our Asset Management and Life operations provides us with differentiated growth opportunities that we will capitalise on in a disciplined and profitable way.

Looking ahead, we are confident that we are well positioned to navigate an uncertain external environment.

And we expect to see:

- Improved momentum on flows, with UK institutional outflows continuing to reduce, while we keep growing internationally and in the BPA market.
- Positive operating jaws in Asset Management, and a resilient contribution to Operating Profits from Life, with stable CSM amortisation rates.
- And finally, on Capital Generation, a gradually improving Underlying result, higher new business strain for BPAs, and management actions returning to our usual sustainable long-term range of £100 million to £200 million a year.

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

Capital management and targets
Andrea Rossi, Group Chief Executive

Slide 38 – Continued progress across all targets

Thank you, Kathryn. I will conclude with an update on targets and capital management.

As you can see, over the year we continued to make progress across all our targets. We exceeded our capital generation target, which came to an end last December. We are therefore refreshing our three-year guidance and aim to deliver £2.7 billion of Operating Capital by 2027, an ambition in line with the last upgraded target.

As Kathryn mentioned, going forward we expect management actions to contribute £100-£200 million per annum. This means that we will grow the underlying result over time, which is the higher-quality component of our capital generation.

Looking at the other metrics, I am very pleased with the progress on leverage and on the cost target, which we are upgrading for the second time.

Whilst the delivery of the 70% cost-income-ratio for the current year is unlikely, we are proud of the progress achieved in 2024. This ambitious target helped us set the right expectations for the organisation, and drive material improvements. We are committed to continue making good progress in 2025 and beyond.

Finally, given our strengthened focus on growth, we have added a new and explicit profit growth target.

Slide 39 – Targets underpin confidence in shift to progressive dividend policy

With our targets we want to convey a simple message:

- M&G will continue to be highly capital generative.
- It will remain sharply focused on costs, and it will grow.

Our confidence in achieving our targets is a fundamental driver behind our shift from a 'stable or increasing' dividend to a progressive dividend policy. And we are starting today with a 2% DPS increase for 2024. This is an important milestone for us, as it is the first increase in the absolute cash cost of the dividend since we listed in October 2019.

Slide 40 – Capital management framework: Focus on business and dividend growth

The way we think about our business is reflected in how we approach our capital management framework.

We are in a strong financial position, and we will maintain it going forward by being disciplined on capital, leverage, and cash. From this position of strength, we will deliver business and earnings growth to underpin the dividend progression.

To support our growth strategy, we will continue to consider targeted acquisitions, deploy capital to write insurance new business, and push ahead with our simplification agenda beyond 2025.

These investments are instrumental to the continued delivery of attractive and growing dividends. And while we remain committed to return any excess capital over time, we are prioritising disciplined investment

Slide 41 – Expected capital deployment for 2025-2027: Delivering yield and growth

Yield and growth. This is our commitment to investors.

The majority of the £2.7 billion capital that we will generate over the next three years will address the first part of the equation. Underpinning an attractive and growing DPS.

The remainder, will support business growth, securing the long-term success of M&G.

- In Life, as you have heard from Clive, we will deploy capital to increase new business volumes in the BPA market.
- In Asset Management, we will complete later in the year the PCP acquisition, but we will also continue to monitor opportunities to selectively add investment capabilities.
- And finally, we will drive forward our cost reduction efforts beyond 2025.

Slide 42 – Key messages

So, to conclude.

- First, M&G is in a strong financial position.
- Second, we remain committed to operational discipline.
- And third, we are pivoting the Group to long-term growth across Asset Management and Life.

This shift is also reaffirmed in our targets, as we reiterate the upgraded level of Operating Capital Generation for the next three years and we have added a new explicit target for Operating Profit growth.

And finally, because of our confidence in the future of M&G, we are increasing the dividend cash spend for the first time since listing, moving to a progressive dividend policy.

I am excited about what M&G will deliver, and I want to thank all my colleagues for their continued hard work and dedication. I look forward to the year ahead and to delivering for our clients and shareholders.

The macroeconomic environment remains volatile, but it is exactly in times like these that you can best see the value of our synergistic business model.

We have a resilient earnings mix, improved operating leverage, and access to diversified growth opportunities across Asset Management and Life.

In 2025: We will maintain our financial strength. We will continue to simplify the business, and we will accelerate growth.

Thank you.

Q&A hosted by Luca Gagliardi
with
Andrea Rossi, Group Chief Executive
Kathryn McLeland, Group Chief Financial Officer

Q. Nasib Ahmed, UBS:

So, two questions. Firstly, on net flows, can you tell us how Institutional, Wholesale, and PruFund have performed over the first 2.5 months?

Secondly, on the last slide, slide 41, I really appreciate the colour on the uses of the £2.7 billion, but can you break that down a little bit and give us some more colour, particularly on how much cost you need to get to achieve the 230 million savings? How much is left on the simplification budget? And how much new business strain do you expect or have budgeted for over the next three years?

A. Andrea Rossi: Okay, flows, Asset Management, and PruFund. You wanted to have the overall picture. So, if you look at 2024 and see the momentum we had, clearly, we're very, very pleased with what we achieved internationally, and this was in a difficult market environment. When you look institutionally, thanks to the very strong offer that we have both on public equities and credits, but also on private assets, we started to see momentum already at the end of 2024. And I have to say, with the volatility that we have or the renewed volatility we have in 2025, we continue to see strong momentum. I think these are moments where if you are an active asset manager, you can benefit from this because this is where you want to have an active asset manager next to you. For example, on Wholesale, because we're performing so well on our mutual funds, 25% are in the top decile and 40%-42% in the top quartile. 25% are in the top decile over one, three, five years. That allows us to see some significant interest from a Wholesale perspective.

And we continue to see strong interest, in my view, on the private asset side on Private Credit and on Real Estate. Real Estate is an interesting one because it was an asset class that in the last two years did not have strong momentum. With valuations coming down, we see a lot of international institutional investors wanting to invest there again, and of course, we have a very strong franchise. So, I would say, the momentum starting in the year for the Asset Management, it's more positive than 2024.

And as I said before, I expect us to continue and grow positively this business going forward. And even in the UK, which you saw, we still had some headwinds in 2024, but you saw that in the second half outflows were effectively halved versus the first half in 2024. I think we will continue to see this momentum also in 2025, as Joseph also explained before. So, I would say, overall, I'm cautiously optimistic on the flows we will deliver on the Asset Management side, thanks to the relevance of our offering and the strong investment performance.

On PruFund in the UK. Even here, we had strong competition in 2024, of course, from rates and from cash and gilts, but that competition sort of slowed down with rates coming down. You saw that the net outflows halved versus the first half, £600 million of net outflows in the first half and £300 million in the second half.

And in 2025, we will see continued improvement on PruFund flows. Thanks also to the excellent investment performance we had in 2024. We had a 6.6% net investment performance and that, of course -- if you think about the volatility and people want to have a smoothed solution, they want to have investment performance as well, PruFund is the perfect product for them. And we are also going to put PruFund on other platforms, and we're increasing the number of restricted advisors. So that should also help momentum in 2025 for PruFund.

A. Kathryn McLeland: And I was also just going to add one quick comment on flows. And I think given what we're seeing in the market, we have great equity funds in that top decile of funds. European strategic value is doing well, and we also hope the momentum continues. It's not just fixed income and private assets but also equities.

A. Andrea Rossi: It's a great point. I think one thing we've seen, last year, nobody was interested in Europe. Since January, Europe is back and the UK as well, and it's not only about the US. So of course, this plays once again into our strength.

A. Kathryn McLeland: And then onto this slide 41, you had two questions. I think there was one on the cost needed to achieve the £230 million. And then obviously, this is for the next couple of years, so what do you expect in terms of transformation cost spend and the second one was on strain.

So, you may not have had a chance yet to look at the results announcement, but we have spent a lot less on achieving our cost targets. Restructuring costs are down from £141 million to £106 million last year. So, we are spending a lot less on our change budget to deliver these savings. And so, I wouldn't encourage you to get your little rulers out and look at the exact sums here, but we expect that spend to continue each year, so we'll spend less each year on driving the simplification of the group.

Really importantly, what this translates into is that the BAU cost base is of a higher quality because of the savings we delivered last year which were reinvested in the business in a very disciplined way. So, we are still hiring and investing into Kerrigan's bulk annuities business and in the Asset Management business to grow in a very disciplined way. So, I'd say, the spend will continue to reduce over time. And as Andrea said, we will also continue with the simplification journey after this year.

And in terms of strain, we've given some guidance up to £150 million that we'd expect going forward for the products that we're writing. Now, as you know, they have a very different capital signature, depending on whether we do the traditional BPA or the value share. And on Clive's slide, you saw him guide roughly to a split in 2025 that was still sticking with the roughly £1 billion-odd a year of traditional. The key thing really is though, that we will do what our customers want that meets our hurdle rates. We have got great private market capabilities. We can help these DB schemes with a range of products, given the innovation that we're now seeing across the group. So, it really will depend on what our clients want, but I'd encourage you to think about up to £150 million a year that we guided to.

Q. Nasib Ahmed, UBS: The strain is not coming down as a percentage because you're not allowing for any longevity reinsurance. So, if I take 5% of the £3 billion, I get to £150 million, right? So, are you going to do longevity reinsurance and get the strain down?

A. Kathryn McLeland: So, you can see there is some disclosures in the results pack around strain. We haven't reinsured longevity, and so that is a management action that we can still take to deliver the £100 million to £200 million in management actions. But also, yes, we absolutely have the ability to improve our strain, increase our returns for future deals on the traditional side and obviously are aware of where reinsurance pricing is at the moment.

Q. Farooq Hanif JPMorgan:

Just three questions, please. So, contrary to the last question, when I look at your strain of £150 million, actually, given that you're using a lot of With-Profits Fund going forward, I think the £3 billion to £4 billion looks quite low. I think you're being quite measured in what you're guiding to the market. Is that the right sort of feeling to have about your future, that you could do a lot better?

And then generally speaking, when we look at your net flow picture and given the tone of your presentation, it seems that the future is really the Life business funding the growth of Asset Management. Is that balance between flows in Life versus Asset Management, the right way to think about it, that A, you could do more; and B, it's going to be very sort of Life-focused?

The second question is on your cost base. So, you've talked about reducing costs, and the absolute cost in the Asset Management business came down 2%. So, I was just kind of wondering whether, we should expect that kind of quantum of reduction in the next few years in absolute cost base.

And then my final question is on the With-Profits Fund. So, you have the £6 billion you're moving to 100:0, obviously, over time. What are the restrictions on using that capital? So, do we have to worry that at some point, somebody's going to raise their hand and say, hey, what are you doing with our money and try and cause some litigation issues around that because obviously we've seen these kind of issues before?

A. Luca Gagliardi: So, given that there were a lot of questions in those three questions, Kathryn, just to tick them off one after the other, one is on cost, whether you want to take it, starting with Asset Management and what we expect.

A. Kathryn McLeland: And so, we did see a 2% reduction in absolute costs, as you said. We do look at the absolute number, but the most important thing is to deliver positive jaws. So, it's critical that the whole company becomes more efficient to get flows going through and creating operating leverage. So really, it's about getting positive jaws, but we obviously also want to make sure that we can manage costs, given the external environment. So, we look at the absolute number, but obviously, 3% reduction in cost-to-income ratio is really pleasing, and we want to see continued reduction in cost-to-income. I would say, we stay focused on the positive jaws, but we monitor also clearly the absolute cost number.

A. Luca Gagliardi: And maybe, there was a question related to the asset manager, more for Andrea, maybe a slight provocation, but is Life the only future of the Asset Manager or is it just part of the future?

A. Andrea Rossi: We want both businesses to grow. I know I insist a lot in saying that they work in synergy. But clearly, when you look at the Asset Management by itself and how it's been performing, we have amazing investment capabilities out there. You look at the flows even in 2024. Internationally, we had £2.8 billion of net inflows institutionally, and this was not in one country. It was in different countries. Germany, we had strong flows in Asia, Netherlands, and Italy but that was more of a bit of a Wholesale, to be fair.

So, all that is well diversified, and thanks to a very, very strong investment capabilities on private assets, but very much also in fixed income and equities. We have some unfunded wins, big ones that will actually fund in the first half of the year. So no, the asset manager has what it takes to grow by itself, but of course, having the support from the Life business is critical because it actually helps you, in particular, on private assets when you go out there.

The two bolt-on acquisitions we did, I can tell you, when we spoke with the counterpart, the one selling, they were interested in knowing will your Life balance sheet invest in it. Well, of course, it's not my decision. The Life business looks at it, and the fact that they like the investment strategy and want to invest in it, that's a very good sign for us to then scale it up with third-party money. So, Life business is supportive. It's the fuel, but even the Asset Management by itself, thanks to its very strong investment capabilities, is growing as well. So, it's a booster. It's like turbo booster, if you want, if you think about an engine.

A. Luca Gagliardi: And maybe, to back to the first question, trying to unwrap them one by one, on the volumes for BPA strain and the prospect of the With-Profit product. I guess, also, we don't yet have the With-Profit product, so it will be a journey.

A. Kathryn McLeland: We've not given any more guidance at this stage. It is too early around what either capital or earnings signature looks like for our Life operating partner, as Clive calls it. So, in terms of up to £150 million of strain, it is intended to be helpful guidance. We do have a very modest amount of strain coming through from PruFund as well, and the numbers that you know. But it is really modest. So, it will depend on the types of deals that we're seeing. We need to deliver double-digit IRRs, so that's really key that we have the hurdle rates for the business that we're writing, and that I'm pleased to say that's where we are. And there is a degree of flexibility because the value share BPAs, as we said today, they are quite lumpy. We don't expect any in the first half of this year. We expect the size to probably be bigger, and that will obviously have a different strain. And it also has a different earnings impact in IFRS17 and the CSM and we have the capital generation coming through. We are going to see underlying capital generation improve over time, and we are going back to our £100 million to £200 million from management actions as well.

A. Luca Gagliardi: Perfect. And the last question was around the excess surplus capital in the With-Profit Fund of £5.8 billion and whether it is almost too good to be true that we can deploy that capital. And maybe, Clive, you want to explain a little bit why it is in the interest of the With-Profit Fund to deploy profitably that capital.

A. Clive Bolton: It's a really good question. I mean, essentially, With-Profit Funds, and as you may know, I spent five years running LVs With-Profit Fund, and there are only two things you can do with it. You can trade it for future clients, future With-Profit clients, or you can give it back to the existing clients. One thing it can't do, which I think where you're coming from, the shareholder just can't have it. And what we find here is a way that it does trade that surplus into the market, into the BPA market, into the investment market, in the corporate, retail, and the international space, and the shareholder will get its share as partner. It'll run the assets, provide the infrastructure, and we think also share in some of the insurance risks as well, as you see by that chart. Just to explain that pie more a little bit more, there are essentially three balance sheets that we can play into the market: There's the shareholder balance sheet, With-Profit balance sheet, and also the sponsor balance sheet if they want to set up.

Q. Abid Hussain Panmure Liberum

I've got three questions. The first one is, going back to the Life business, what was the thought process in properly reopening the Life business to new business now? Was it the approval of the 100:0 structure? And then quite candidly, what took you so long to make that decision?

The second question is on the BPA value share. Can you share some more key metrics on that, perhaps if you can give us an example of a £1 billion deal or £100 billion deal on a traditional BPA versus a value share and sort of what the strain looks like on one versus the other, what the cash over the total lifetime looks like and what the payback period looks like because I just don't have a handle on that in in my mind?

And then the third one is on the private markets. Can you just give us a more colour on the €850 million that you called out on seeding from With-Profits Fund? And are there opportunities to seed other projects that can perhaps move the dial in a more meaningful way?

A. Luca Gagliardi: So maybe, Andrea, do you want to start on why we reopened the Life book? Although I'd mention we reopened the Life book 18 months ago, and it didn’t take Andrea very long because he mentioned it in his first presentation two years ago when he became the CEO.

A. Andrea Rossi: But the reality is, two years ago, this was a shrinking business and the reason we reopened it was because there was a market opportunity there, and more importantly, we had, I would say, a right to win in this market. We already had an infrastructure, which we had not been using for many years.

And more importantly, we had some investment capabilities, which are rather unique and an advantage in this market, in fixed income and private assets. So, with those, we felt that there was an opportunity to enter into a much larger market, and we did so also with the broader proposition because we have written a couple of plain vanilla BPAs. But rightly, as you said, we also did a value share BPA, which once again links into our business model. So, I think we have a very strong right to win in this market.

We've been very selective on how we have re-entered it. And going forward, we want to continue to be selective. But, as Clive presented, we have different ways of doing so. They can be plain vanilla. They can be value-share BPAs, and we will launch early next year, of course, also With-Profit BPAs. So different opportunities there. And let's not forget also, it's not only about BPAs. We can also provide, thanks to the asset manager, run-on solutions and investments. So, we can really, thanks to our unique business model, provide all sorts of solutions to DB schemes out there. I think we're well placed in order to benefit from this, and we'll be very, very careful about how we do it. And of course, we have very strict hurdle rates and IRRs we need to deliver.

A. Kathryn McLeland: And I think just one point to add, and then I'll get onto the value share. And obviously, all of these new Life products will drive flows into the asset manager. So that is very beneficial. And we've been clear that we do intend to have a meaningful allocation into private markets, and we can take the question on what else beyond the €850mn that have been deployed for these two. But all of that drives flows into our asset manager with a meaningful part to private markets, and also, as we've indicated, this switch to more fee-related earnings. So, our fee-related earnings go up anyway, but changing the profit signature to make it simpler for shareholders to understand this business, given the firepower that we have with a very meaningful surplus, we think will over time generate meaningful value for the group.

And so, on the value share, so we did go through what we hope is a clear description of the various parties to the deal and the economics broadly. I'm not going to give actual numbers out, but given the capital is retained by the scheme sponsor, we obviously have a low strain. We have high IRR, higher on this transaction than on our traditional with the caveat, of course, that with the traditional we can still reinsure longevity. I would say that this is a scale game for us. It's a very exciting product. We've had a lot of interest externally. The absolute earnings that we get is more modest, but with the volumes that will be, we can potentially write, and again, we gave some indication, this should be attractive for us over time. And clearly, the other point is, you don't see all the fees recognised from this product as well. So higher IRRs and also lower capital. The earnings are going to grow over time, and there are the additional fee streams that you don't see.

Q. Thomas Bateman Mediobanca:

Just on the private market flows, I think you alluded to it a second ago, actually. But you've got this £100 billion target, I think, by 2025. We're a little bit off there. But it seems like there's a big allocation coming from the Life of 20%- 30% into private markets. Is that the real driver that makes you confident of reaching that target?

A second question, I've seen lots of really positive announcements recently from M&G, whether that's PruFund being launched on new platforms or the new product launches. How much of these new products are in your £2.7 billion guidance? or is there upside there?

And then just finally, on the cost-to-income ratio target, I know that you've upgraded the cost saving target, but we're still a little bit way off the 70%. Are you still confident of achieving that? Kind of where are we on that?

A. Luca Gagliardi: And maybe when covering private market, we should just touch upon briefly on what Abid asked earlier, which we forgot about the €850 million into the two acquisitions that we've made.

A. Andrea Rossi: Yes, for sure. So, I have confidence in private markets, not only because we have what I call potential skin in the game. And let me be very clear, it's not just because we have a Life balance sheet and because we have private assets capabilities, that the Life balance sheet has to invest in those private assets capabilities. The capabilities have to be relevant, performing, and of course, the Life partnership has its own investment process, their own strategic asset location and tactical asset location. They decide what to invest in. We run only roughly 80% of all the assets of the Life balance sheet, so I just want to make that point clear because, if not, it seems we are not doing what is best for the policyholders, and we are always focused on what is the best interest for the policyholders.

But of course, having access to permanent capital and potential seed capital is a help. It's a great help when you launch new strategies. And it also creates that strong alignment, which is very, very critical because when you go out and speak with other pension funds, insurance companies, sovereign wealth funds, when you can tell them that you yourself have invested your own money, let's say, in the strategy, that helps a lot. So that, certainly, is a positive. And with regards to, for example, those two acquisitions, we would not have done those unless there was an appetite from the Life balance sheet. That is actually one of the critical components. We believe that our model has always been to see if there is a seed from the Life balance sheet, and then let's scale it up, thanks to the great distribution network that we have with our Asset Management business. That has been a model of how we developed our other private assets capabilities in Real Estate, Infrastructure, Private Credit, etc. So, it is important to have that.

The reason why I am positive on private assets going forward is because, rates have come down, so valuations are more attractive now. There is definitely more appetite on private assets here in Europe. Private Credit is one, in particular, on structured credit, where we're very, very strong. But Real Estate, once again, thanks to our very strong franchise, is back again in terms of appetite. We see a lot of investors, Asian ones, European ones, that are coming back to invest in real estate core and of course, now value-add, which we just added. So yes, we believe that we will grow this franchise going forward. I never gave it £100 billion target. I want to be clear on this. I think I gave an ambition. I never gave it as a target because there's a difference between the target and ambition. But having an ambition, it focuses people on trying to deliver it. And of course, I want to see these private asset franchises grow in 2025. And I think we really have some very strong elements to do so.

Maybe on the cost-to-income ratio, if I might lead to that one. So there, we have a target. It's true. There, we have a target of 70%. And indeed, when I look at what we have achieved in 2024, I'm very pleased with the progress. We moved from 79% to 76%. That 76% is without performance fees. And as you all know, when you compare us to peers, they always include performance fees. So, you should compare 74%, not 76%, because 74% is what we have with performance fees. So that's our true cost-to-income ratio, let's say, that you should compare to others.

We are very pleased with what we have done in terms of progress. It's thanks to our relentless focus on costs. It's what also allowed us to have nearly 20% of operating profits increased from Asset Management, so we're pleased with that. But I want us to continue, and that's why I'm keeping the target. I want everyone in Asset Management to understand that I want the 70%. I want us to get there. Now, will we get there in 2025? It's a challenging target, but we will get there in time, and I predict that we will continue to improve it as we did in 2024.

A. Luca Gagliardi: And Kathryn, on the question on the £2.7 billion, if I remember correctly, its whether it already factors in some of the flows and contribution and capital generation from the new products that we talked about.

A. Kathryn McLeland: Yes, so there have been some good announcements we've had. Obviously, what we've said is that we intend to launch PruFund in the Middle East, subject to local regulatory approval sometime soon. We are working on putting PruFund also on other platforms. And as we said, we also feel that we've got good momentum, given the external environment and the strong positions of our business and the good investment performance that underpins it.

So yes, the target reflects the future earnings, capital generation across the group, with the ambitions we have in Asset Management, some of the benefits they get from the Life strategy and the volumes that we hope to deliver across what is now, I think, a more diversified product range. So clearly, with the fixed term annuities, we expect that to build quite slowly. We've been very clear on that, individual annuities coming later, and we'll give some more colour when we get closer to the With-Profit Fund writing BPAs. And you're very aware, obviously, of the industry, environment, and conditions there. So yes, it does reflect our business plan, and our product launches this year and next year.

Q. Andrew Baker Goldman Sachs:

So, first one, on the operating profit growth target, are you expecting this to be fairly linear over the period? Or should we expect it to be either front or back-end loaded?

Then secondly, on leverage, again on your target there, are you expecting to do any additional sort of nominal debt reduction? Or are you just relying on or are you expecting own funds growth to get you there?

And then finally, sort of, again, on slide 21, when we think about the £3 billion to £4 billion of BPA flows by 2027, can you just help me think through how much of that goes through the shareholder in the CSM? How much comes outside of IFRS 17 and just generally, the accounting and the different accounting based on value share With-Profit and traditional?

A. Kathryn McLeland: So, I think certainly, when we give the 5% guidance, it is, on average, over the next three years. We obviously delivered 5% last year, and I would say that when we stood at this time last year, we guided down meaningfully because of the lower rates, lower expected returns. So, we still hit the 5% for last year. Asset Management clearly had a strong result, but we have also indicated that the Asset Management business did have some one-offs, £12 million higher investment income than we've had.

So clearly, the Life, as you know very well, a lot of the traditional AOP is relatively stable. We've given some guidance around this 30bps reduction just in base rates at the beginning of the year but stable amortization rates. So, we would see the benefits over time coming through into AOP, but we're pleased that we increased the CSM by 10%, so it's sitting at £6 billion, and we do look at that metric. And obviously, the key thing on the Asset Management side, which obviously flows through immediately into AOP, is delivering growth, given the strong positions of the key franchise, where we're seeing a good external demand and positive jaws. So that continued growth in the Asset Management business. But given the profit signature from the traditional Life products, clearly it comes through differently over time.

Now, on leverage, we were really pleased to have done the £461 million debt reduction last year, partly redeeming a bond and then the liability management exercise. I just want to remind everybody about our calculation basis, which is very, very different from other people. It is much more conservative. We know where we'd be if we use some of the other calculation or methodologies for calculating it.

So, we're really happy with our debt at the HoldCo. There's one bond that's coming up for call in a couple of years. So, we want to reduce our leverage over time as we grow our own funds. And we gave some colour as to why our own funds went down last year, but certainly, we do want to see the leverage ratio reduce. We caveat that we're very conservatively calculated. At the moment, obviously, we've got Asset Management growth and other contributors to own funds to get the leverage down.

A. Luca Gagliardi: And to be explicit on the own funds is really like if you think about it last year, we had £450 million from deleveraging and £280 million adverse from higher interest rates, so it's almost like, £730 million of adverse own funds pressure that you normally wouldn't expect at the start of the year.

And I think that the last question was on the value share and on the capital. Slide 21. So let me bring it up. It was more around what goes into the CSM in terms of new business and how the shareholder CSM grows and what comes through as fee income.

A. Kathryn McLeland: So, we can follow up around the value share in particular, but you should think about it as a sort of typical BPA with a reinsured and then with a fee stream. So, the CSM impact will not be as great because of the different profile of the product and what's kept with the scheme sponsor, with the reinsurer sitting in the middle. You obviously get the benefits coming through from surplus flowing back to the reinsurer. So, we can follow up later, but you can split it into the traditional BPA with the reinsurance and then the different fee streams that go into the asset manager and into the Life operating partner.

A. Luca Gagliardi: And clearly, as this product will grow in volume and become more relevant to the equation of the group, clearly, we'll give greater disclosure and guidance on each one of those. But I think the key point from Kathryn is when there is value share or With-Profits BPA then there's less capital intensity. It's less of a CSM game. It's more of a fee-related earning stream, a little bit like Asset Management that is not typically captured by the CSM metrics effectively.

Q. Dominic O'Mahony BNP Paribas Exane:

So, three for me, if that's all right. Firstly, just on the shift from 90:10 to 100, which I think is just on the new business, just understanding the importance of that from a shareholder perspective. My assumption is that this is helpful for the liquidity flow. You don't have to wait for the bonus to be paid or indeed for the customers to withdraw their funds to get the liquidity as a shareholder. Is that the point? And is there anything you can do to transform the existing enforce book in this way? Or is it just actually it can only be on new business? That's the first question.

Second and third is just on slide 41, and Kathryn, I'm sure I got my protractor out before you told me not to. And my first observation is just the tax, which I think is about 15% of the OCG, presumably that's deliberate. I mean, as I understand it, conceptually, one pays tax on own generation but not SCR release, but I'm guessing that probably, the SCR development over time is roughly flat. So why is the tax rate so low? Is it actually that a lot of the OCG here is SCR release?

Okay, and then the third question is also on slide 41. I'm just thoughtful about the way that you've framed the right-hand side here, which is anything above the £2.7 billion you can allocate. You've got quite a lot of stock surplus right now. And I mean, it's about £1 billion, I think. I get that it's not always easy to deploy surplus. But in terms of taking risk and growing the SCR, which I think is the Life growth here, I mean, most of that would be straight for SCR growth. I would have thought that actually you could use that very large stock of surplus today to fund that, so I suppose it's a long way of saying, why couldn't you deploy some of this into maybe more M&A or into extra capital returns?

A. Kathryn McLeland: So, we wanted to start talking today, and I think there might have been a session that Clive did with some of the analysts last year on the Life strategy and around how we will use the With-Profit Fund, as a source of value, not just for its own policy holders but for the whole group. And I think that yes, it will accelerate capital generation. It'll accelerate cash generation as we move to 100:0.

I think really importantly, it will just simplify for shareholders how to think about the value and the economics of the business. And obviously, 90:10 shareholder transfers, you will understand it very well, but the generalist shareholder, it is much more complex.

So, it will be simpler. It will be hopefully more predictable. And perhaps, one day, it'll attract a better multiple, but it does -- so it does accelerate capital and cash in, but the real driver really is about making our business easier to understand and certainly emphasizing fee-related earnings. We have this strong insurance balance sheet that is able to also contribute to fee-related earnings for the group. And in terms of whether we've guided for new flow, for the With-Profit Fund, taking on that signature, and there's no imminent plans for looking at anything on the inflows book, but obviously, what we want to try and do is to continue to optimize our balance sheet to generate strong returns for policyholders and With-Profit funding across the group.

A. Luca Gagliardi: And maybe, the last thing on that one is that by moving from 90:10 to 100:0, there's no arbitrage either way. So, it's not that either one of the two parties With-Profit Fund or M&G plc should be better off or worse off, right? It's just purely a different profit recognition and timelines.

A. Kathryn McLeland: And tax -- and Life tax is quite complex. And so, what we've given here is just some guide to generate, I guess, the after-tax impact in terms of capital generation. You also probably saw that we had a tax benefit this year. So, we had, essentially, saw the PVST increase from £4billion to £4.3billion. So, we had future shareholders transfers able to absorb more of the DTA, which did contribute to that increase in the solvency ratio in 2024. So perhaps it might be helpful if we can follow up with some sort of generic guidance with you around how to think about tax. It's obviously pretty simple in one part of our business, and it is more complex on the Life side and particularly with the With-Profit fund.

And so, I think the last question was, you've got a very strong solvency ratio of 223%. Why can't you deploy more capital? And certainly, when we look at the opportunities that we have and we look at what Kerrigan is doing across the corporate business and with the opportunities to also use With-Profit Fund, the £6 billion surplus next year, certainly, subject to meeting the right hurdle rates. There is the ability to use a bit more capital.

We've since when Andrea came in and decided to re-enter the BPA market, we have been quite thoughtful and modest around our overall size ambitions. We know it's incredibly competitive, and so we felt that having a thoughtful volume assumption is the right approach, and the increase to £3 billion to £4 billion was across all products. But certainly, if there are the opportunities, if it helps our Asset Management business, if it meets our hurdle rates, as we said also with the possibility of reinsuring longevity, then yes, we have got some surplus capital that we can use, subject to the capital management framework that Andrea talked to.

A. Luca Gagliardi: And maybe, Andrea, I don't know if you want to answer the slightly tail of the question, which is, couldn't you just use some of the capital from your stock to go for capital returns?

A. Andrea Rossi: We've been in different stages here. The first two years, we fixed the business. We have reignited the Life business. We got the Asset Management to have earnings again. We have fixed our leverage. So, we fixed the basics. Now, the focus for us is looking for sustainable, profitable growth going forward. And to do so, you can see it here. We want to invest in our businesses to make sure that we can sustain that growth going forward.

And we also want to continue to simplify and transform our business to deliver better client outcomes but also create capacity so we can invest further. So that's our focus at the moment. And as I said, it says very clearly here, any capital generated above, than that we will see what we will do. But so far, we're very much focused on making sure that we deliver growth. It's all about growth now. One year ago, you were all asking about leverage, leverage, leverage. Now, we fixed that. Now let's talk about growth. We know we're growing the business. We want to grow it further. I think there's a great opportunity for us in the current environment and given our strength of our business model to really deliver sustainable growth. That's also why we came up with the progressive dividend policy, and that is what's going to fuel that growing dividend going forward. So that's our focus. I'm afraid any capital return is not on the paper today.

A. Luca Gagliardi: And just like mechanically, it's not just about solvency ratio. You always need to think about how to triangulate with leverage and other metrics, so the interplay between the two is important.

Q. Andrew Crean Autonomous Research:

The £2.7 billion OCG figure, helpful to have the £100 million to £200 million per annum for management actions, but within that £2.7 billion, a low end of £100 million to £200 million a year is what, £300 million, high-end, £600 million, it's quite a range. What are you actually allowing for within that £2.7 billion for management actions?

The second, it’s nice to see the progressive dividend policy. Just kind of thinking what's longer term - we can see the 5% operating profit growth, but thinking longer term, what's the right payout ratio for this business kind of once we've settled down?

And the third was just kind of coming back to the inorganic Asset Management bolt-ons, you bolted on to Real Estate, Private Credit. What skill sets do you see that are missing or that you'd like to add or accelerate?

A. Luca Gagliardi: So, I guess, probably the first one is a Kathryn question on management action on the £2.7 billion and then Andrea on the progressive dividend and the inorganic.

A. Andrea Rossi: Okay, so you talked about the dividend. You want to understand where we're going to move on dividend. First of all, obviously, we're very pleased to have moved to progressive dividend. We fixed the business. We're in a place now where we feel that the business can deliver sustainable growth going forward. And let's face it, since delisting we have not touched that dividend, so moving to a progressive dividend policy is very, very positive and shows the confidence that both we as management and Board has in the future of the business.

Clearly, the quantum is not a decision for me. I mean, that's something that the Board will decide, but you would obviously expect it to grow year-on-year. But there are also other components you have to take into account when you think about dividend, and maybe Kathrn you want to go into more detail on those linked to leverage.

A. Kathryn McLeland: We just want to make sure that the dividend is supported by obviously sustainable earnings growth. We want to see underlying caption grow over time. We think about our broader financial metrics that you had on the capital management framework, as Andrea said, around leverage. We think about the external environment as well, and I think payout ratios we clearly understand, you can have a OCG payout ratio, obviously, earnings payout ratios, perhaps, once we've got a much more meaningful fee proportion to our earnings. So yeah, it's really important for us to have got to this particular point, given we're on a journey and having the Board - I mean, having the confidence that they see, the underlying improvement in the operating performance of the business.

So yes, we will think about the growth rate over time. It's a question for the Board. We think this is absolutely the right number. It's an important first step for us, and also, we have got these opportunities, and I know there was a next question, but to do some very selective bolt-ons to continue to grow, to support the capital and earnings generation of the group.

A. Luca Gagliardi: I think Joseph would be very well placed to answer on the capital management capabilities. So let me bring back up the slide.

A. Joseph Pinto: Happy to come back on the slide before, if you don't mind, private market that one. Yes, we did talk about bolt-on acquisition, and we are very pleased again to have done those two deals. But I want to insist on the fact that we already have extremely capable teams. What you don't see here is the number of products and new strategies we are launching in every single line of the slides on the screen Real Estate, Private and Structured Credits, or even Impact and Private Equity or even Infrastructure.

I just want to come back to the percentages that are mentioned here, which is the percentage of external assets. Probably, what we don't see here is the timeline. We launched our Real Estate franchise more than 20-25 years ago. We have 54% of assets with third-party clients, meaning the rest is with the internal clients, the Life business. Actually, the Life business is extremely hungry on real estate. Just look at the building next door, 40 Leadenhall, and for sure, which means that we have to go even more on third-party assets.

Go to the next line on this slide, private and structured credits, still the same slide. 84% like for infrastructures. These are strategies that have been around for more than 20 years. A lot has been solved with third party clients. Reversely, we launched recently and three-plus years ago, Catalyst, which is our growth equity fund, investing in impact space alongside the acquisition we did in responsibility.

That's why as a weighted average, you have a relatively low percentage. Catalyst is still 100% for the Indian clients, and we want to externalise it out there. So, we don't need only to do bolt-on acquisitions. We do have strong teams out there that can grow the business, and we still have a strong pipeline of new strategies. We've mentioned the LTAF for the UK market. We've mentioned also the social investment fund to grow effectively our, let's say, presence in various markets. Having said that, if you were to ask me where you are now really, so we are strong in Europe, relatively strong in Asia, especially in Real Estate, we are probably less present in the US as we speak now.

Kathryn McLeland: Management actions, shall I do that quickly? So again, we're not going to guide to where exactly we will come out over the three years. I think you know that we've obviously delivered quite outsized management actions. We mentioned the £700 million, and in particular, there was over the last two years, quite sizable gains in terms of management actions coming from the With-Profit Funds shifting their allocation from equities into fixed income, and that was more meaningful in 2023 and also into 2024.

Another really important factor is that we have largely optimized the annuity book, so a lot of those levers have already been pulled in terms of management actions that we can take. We still look at credit risk. That's one area that that we're focused on. And clearly, there are other possibilities around reinsuring longevity as well. So, it is critical that we want to grow the high-quality underlying earnings, and we said we'll do that over time, and then we absolutely will deliver management actions, but we won't have some of these either meaningful, sizeable one-offs we've had in the last two years. But we still have, clearly, actions that we are looking at and that we have on the horizon for the next couple of years to hit the £2.7 billion. But we won't guide to £100m or £600m here.

Q. Andrew Crean Autonomous Research:

Can I ask three questions? First one, can you provide the net flows in - gross net flows into Asset Management, first, from private assets? And secondly, from the internal funds. I mean, I know you do a whole state institution. It'd be nice to have the whole bit.

Secondly, the strain on the annuities this year, it was, I think, £64 million, so it was something like 7%. When you're talking about your new strain targets, is that entirely because you're changing the mix to a lower strain value-share BPA? Or is it the fact you're going to try and - I mean, that it's a very high strain figure compared to everyone else.

And then thirdly, on the little section on the M&A -- bolt-on M&A, rather than me get my protractor out because I don't think I've got a protractor anymore. You can tell me what the number is, please.

A. Luca Gagliardi: So, I guess, on the gross and net flows, you were asking for private and public assets and - so we don't have it in the slides. We provide gross and net by Institutional and Wholesale, so we need to come back to you. I need to check whether we have it in the annual report anywhere, but I'm not quite sure. And if we don't, good point, we can add it as additional disclosure because it's fairly easy to do. So let us come back on that one.

On this strain on the annuity, the £64 million is correct. And how do we think about lowering that percentage going forward? I mean, maybe Kathryn, do you want to take it?

A. Kathryn McLeland: Yeah, so we do know that - and I thought it might be getting a question on the CSM new business as well, but that it is obviously a higher 7% number. We have got a small amount. As we said, the strain for the value share really is quite modest. We genuinely are focused on double digit IRRs. I know there's been a lot of commentary too around strain coming through from court credit versus guilts and portfolios and those sorts of things. But I think, certainly, we have got the ability to still reinsure for longevity both on the existing deals that we've done and how we think about some of the future opportunities.

So, we've said that there's £64 million. There was also a modest amount for PruFund, which has been quite stable, and it's quite small. But yes, having the opportunity to deliver. If the strain is a tiny bit higher, but we've got amazing IRRs coming through from perhaps private markets for a different type of transaction and if it hits our hurdle rates, then we will look at it. So, it's to give us some flexibility to be open for a variety of deals across both the traditional as well as the value share, but it really is around the hurdle rates and ensuring that we sort of optimise the total economics, not just the deployment, day one. But back to the earlier question, we also have capital that we can use. So, if it's delivering flows into Asset Management, if the IRRs are good, it's attractive business for us.

A. Luca Gagliardi: And there's a key point, if you compare our 7% with whatever 3% 4%, 5% of the market, well, they've insured pretty much entirely the longevity risk while, as we've said a couple of times, we have reinsured no longevity risk on the traditional BPAs we have closed so far. And that, by itself, can be a high single-digit swing in terms of strain, right? So, I think that is probably the best explanation for the 2024 results, while for going forward is about applying more longevity or insurance, shifting more to value shares and With-Profit BPAs over time.

I also wrote down, can you tell me about the number on the Asset Management bolt-ons. I guess, the only call out that I make on slide 41 is that we have not yet completed PCP. So, part of P Capital Partners, the Private Credit acquisition, so part of that slice will be allocated to that. And it's also like how we can give you a number. Like, it means that we exactly know who we're going to buy and for what, and it's not going to necessarily help the negotiations, right?

A. Kathryn McLeland: And I think just in terms of these opportunities that Joseph's outlined, they really are subject to meeting our cost of capital, payback periods being attractive, also continuing to diversify our earnings mix. That's also really important. So, look at a number of things in terms of financial metrics for these acquisitions, adjacency to existing capabilities, and given the demand we're seeing externally and the attractiveness of having that internal client with €850 million we've already deployed, I think there are opportunities, but we will be incredibly disciplined.

A. Andrea Rossi: And let's be very clear on this because you see many of our peers, everybody's trying to look at how they can grow externally. I think there are two models that are sort of winning models. One is about scale, but significant scale, means that you have to arrive to £3 trillion plus, passive, active, everything. And that has some risks. That has risk on talent. That has risk on clients, but it's a possible play, but not a play we're interested in.

The other winning model we see many active asset managers want to go is they want to significantly develop private assets. You can ask any active asset manager who will always say private assets is our top priority. In order to do so, if you really want to speed up, you need to have access to permanent capital. And that's where we believe we have an edge on many others. When you look at many American players, alternative asset managers in the US, what have they done to further boost their private assets franchise? They have been trying to buy Life insurance books. That's what they've been doing in the US. They tried to do the same thing in Europe, but the regulators said no.

So, there is that model, which we already have. So, I mean, when I look at the opportunities, I think we have everything within our reach in order to grow going forward, but we will be extremely selective, to Kathryn's point. There are opportunities that are bolt-on. It is critical that it is within the appetite for the strategic asset allocation of our Life business because that helps us to scale it up much quicker afterwards.

And we have a very, very strong distribution sales teams. Joseph has in the last two years hired many super strong institutional salespeople across the globe that will help us further. So, I think we're well placed in this environment to accelerate further in 2025 and beyond.

Q. Larissa Van Deventer Barclays:

on the longevity reinsurance, I'm curious as to why you haven't reinsured any longevity. And then could you give us an indication of the longevity cover on your back book, please? And if I can add a quick one related to that, are you concerned about Ozempic? Ozempic, with longevity reinsurance pricing.

A. Kathryn McLeland: So look, I think we've tried to explain how since coming back into the market, we're really pleased in what we've been able to achieve, £1.7 billion, six deals, and this really innovative value share, £0.5 billion transaction. So, we have got capital that we have been able to use, and we've got the capabilities across the group to deliver the hurdle rates that we need. So, we've clearly known about the cost of longevity, but we haven't felt the need yet to do that. But as I said, it remains a management action for us to take on the existing deals. I mean, obviously, we can use it to bring down the strain for new business and new deals if we do traditional shareholder deals.

And in terms of longevity, and I'm sure you saw there was the pretty meaningful impact to CSM as well as the contribution to capital. Really, it's just looking at those CMI 2022 tables. Obviously, we're a bit later than some peers in terms of how we adopt them. And we are not concerned around the trajectory for Ozempic and what that might do. And you'll remember we did a lot of work two years ago with external panels on all the health trends. We had some benefit given for 2022 data in the longevity release that we did last year.

So, we're clearly engaging in all the industry discussions on Ozempic as you would expect us to and monitoring it. But obviously, as there are also many other considerations and our own, obviously, population that we think about when looking at potential future trends here. So, we're engaging in all the right conversations.

Luca Gagliardi: We have an extra question from online that is similar both from Rhea Shah, Deutsche Bank and Stephen Haywood, HSBC. But I think we tackled most of them throughout the course of the presentation.

The one that I think we have not touched on is for you, Kathryn, on the below line items, so, the mismatching from IFRS17 application. How should they think about it and the short-term fluctuation returns? We covered it in the past, but it's good if you could just elaborate a bit. It's mismatches. It's all below the line, and it's IFRS17 mismatches and fluctuations.

Kathryn McLeland: As you've seen before in the results, so we had about £643 million from the short-term impact from markets, which around £100 million was from the equity gains, so losses on our equity hedging. We protect our solvency position. That's why we put these hedges on. And so, the remainder was split roughly 50-50 mark-to-market losses on the annuity book and losses on the interest rate hedging. So pure accounting. We look at hedging our solvency position.

We do monitor, clearly, looking at the statutory position. So that was £643 million. And then the £333 million from IFRS17, again, that probably is something that's a little bit more unique to us. Again, it is the accounting noise from IFRS17. It should unwind over time, and it really does come from mismatches in the accounting treatment for the annuity book that we have in the With-Profit Fund, so it's quite a specific quirk of IFRS17. So, there's some disclosure on it in the results, but it is on the annuity book and the With-Profit Fund, and that represents the majority, the vast majority of that £333 million.

Luca Gagliardi: I don't see any more hands in the room. So, with that, we'll bring it to a close.

Thank you very much for joining us today and see you in September!