

Old Mutual Ltd.

Financials

Company Update Report



The bank a near term headwind in a competitive environment.

Analyst recommendation

Counter	Share price	Intrinsic value	Upside/(downside)
OMU-ZA	R12.18	R13.7	12%

As at 27 March 2025

Executive summary

On 18 March 2025, Old Mutual released its financial year 2024 results. The key highlights from the results were as follows:

- Headline earnings increased by 20% to R8.8 billion, driven by higher results from operations, stronger shareholder investment returns, and a non-repeat of prior year once-off losses relating to IFRS 17 accounting transition.
- Results from operations increased by 4% with the main contributors being:
Old Mutual Insure increased by >100% from R524 million to R1 808 million as the underwriting margin improved from 0.3% to 6.2% due to pricing and underwriting actions.
Old Mutual Investments increased by 37% to R1 683 million helped by assets under management increasing by 8% while non-annuity revenue increased by >100% from R429 million to R911 million due to fair value gains in its alternatives business and positive market movements in its Specialised Finance business.
Personal Finance and Wealth Management decreased by 26% to R2 741 million as the Personal Finance division was impacted by a worse mortality experience, strengthening of the valuation basis and an adverse movement in yields.
Net result from group activity losses increased by 23% to R2 217 million driven by a R483 million increase in the bank startup expenses. Management guided the bank to have a loss run rate of R1.1 billion to R1.3billion in the short-term reducing to break-even by financial year 2028.
- Shareholder investment returns increased by 25% to R2.7 billion.
- The group value of new business (VNB) decreased by 8% with a decrease of 5% in sales volumes as represented by life annual premium equivalent (APE) sales. The VNB margin increased from 2.3% to 2.5%.
- The full-year dividend increased by 6% to 86 cents per share.
- We slightly increased our intrinsic value by 3% to R13.70 as we included a new period in our valuation. We maintain our view of a buy with the current share price having an upside of 15% to our intrinsic value.

Analyst thesis

We currently have a buy rating and with our main views being:

- Old Mutual has 12% upside to our intrinsic value. We believe a continuation in an improving consumer from lower interest rates combined with management efforts to improve profitability through margin-accretive sales (mix), interventions to improve persistency and expense and capital management should serve as potential catalysts to unlock this upside.
- We expected the near-term loss run rate of the bank to be a headwind in an already very competitive environment in both the insurance and banking sectors.
- We prefer Sanlam due to having a more diversified business with higher margins and a historic track record of higher growth.



Table 1: Full-year results summary

Metric (R million)	FY23	FY24	Y/Y (%)
Results from operations	8 343	8 709	4.4
Adjusted headline earnings*	5 861	6 685	14.1
Life APE	14 604	13 884	-4.9
VNB	1 921	1 758	-8.5
VNB margin (%)	2.3	2.5	0.2
Gross written premiums	25 513	27 336	7.1
Funds under management (R billion)	1 331	1 462	9.8
Return on net asset value (%)	11.1	12.7	1.6
Group equity value (GEV) per share (rands)	18.8	19.5	3.7
Solvency ratio (%)	190	182	-8.0
Full-year dividend per share (cents)	81	86	6.2
EPS (cents)	158	176	11.2

Sources: FactSet and company financials

*Excludes certain financial impacts with the largest current period impacts relating to operations in hyperinflationary economies and accounting mismatches and hedging impacts resulting from IFRS 17 transition

Valuation

We valued the company based on its historical price to GEV it has traded and on a sum of the parts valuation for the base case looking at different components of the business such as life insurance, general insurance, asset management and banking segments. This enables us to show the effective price to GEV applied compared to the latest GEV per share reported. We have applied a bear and bull case scenario with different implied price to GEV and probabilities assigned to each. These separated bear, base and bull cases are then weighted to calculate final intrinsic value.

Table 2: Price to GEV valuation per share

Scenario	GEV per share	Price to GEV	Intrinsic value	Probability weighting	Upside/down side
Bear	R19.62	0.40	R7.8	25%	-36%
Base		0.75	R14.7	50%	+20%
Bull		0.90	R17.7	25%	+45%
Weighted*			R13.7	100%	+12%

Source: PSG Wealth research team

*rounded to one decimal



Table 3: Qualitative summary

Factor review	Rating	Description
Growth		Expected two-year book value per share CAGR of 6.2% and earnings per share CAGR of 11.2%. Negative historic five-year present value of new business premiums CAGR of -0.5%.
Valuation		Upside to intrinsic value is 12%. Trading at a premium to its five-year average P:E.
Dividend yield		The forward dividend yield for Old Mutual Ltd. is 8.3%.
Issuance		Old Mutual has slightly decreased its outstanding shares over the longer term.
Catalyst	<ul style="list-style-type: none"> Improving and reaching sustainable growth or increased profitability derived from cost reduction targets and increased sales volumes. Banking business to break even sooner than expected and add value. Improvements South Africa's macro-outlook. 	
Quality of earnings		Earnings impacted by various insurance related accounting assumptions including recently implemented IFRS 17. Old Mutual has a current return on equity of 13.4% with a five-year average of 7.5%.
Moat		Regulations, established networks/partnerships, and a history of credibility serves as a lower form of moat although it remains a competitive market.
Management and governance		Qualified and competent board which was stable until recently. After eight years company tenure the CEO is taking early retirement and stepping down 31 August 2025. We see this as interesting timing considering the upcoming launch of its bank. The CFO has agreed to remain until April 2027.
Balance sheet		Old Mutual Ltd. has a solvency ratio of 182% which is within its target range of 170% to 200%.
Risks	<ul style="list-style-type: none"> Increased South African economy exposure could underperform. Slow growth to continue with losses in market share. Frequent investigations regarding price fixing are conducted in the insurance industry which if found guilty could lead to material fines. Bank taking too long or not adding shareholder value. 	
Regulation		The insurance industry has increased regulations with additional reporting, capital requirements and regulations to comply with, including its own Insurance Act.
ESG		Above average rating from FactSet Truvalue Labs compared with industry.
Momentum price		Price momentum is negative.
Momentum earnings		In the last three months, earnings for the next financial year have been revised downwards by 2.2%.

Sources: PSG Wealth research team, FactSet and company financials

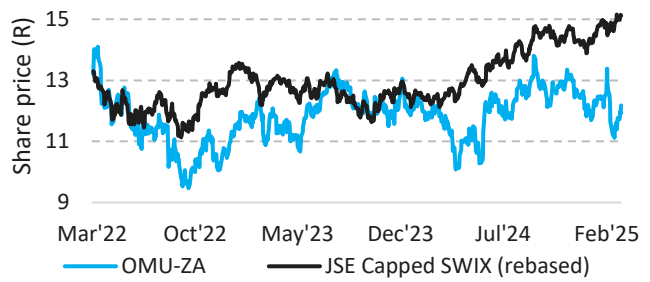


Table 4: Company data

52-week high	R14.17
52-week low	R9.95
Market value (bn)	R57.4
Price momentum	Negative
3m earnings revision	-2.2%
Fiscal year end	2025/12/31

Source: FactSet

Graph 1: Share price history versus benchmark



Source: FactSet

Table 5: Performance versus benchmark

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Old Mutual Ltd.	-2.6%	-3.8%	-2.6%	-11.7%	2.9%	6.7%	-8.0%	20.1%	-
JSE Capped SWIX	6.7%	4.5%	5.9%	2.4%	21.3%	20.5%	16.2%	104.7%	39.6%

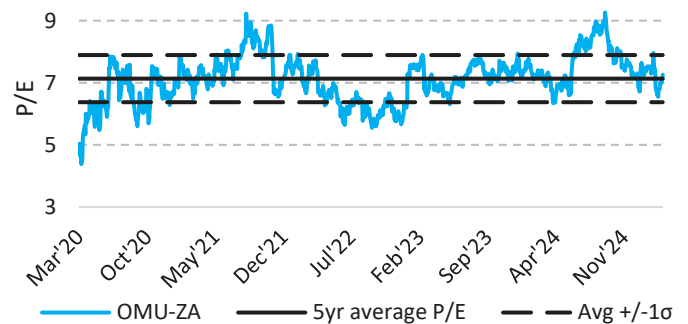
Source: FactSet

Table 6: Valuation multiples

Multiple	Latest:	Last note:
	Mar-2025	May-2024
P:E	7.3x	7.0x
P/S	0.7x	0.8x
P/B	0.9x	0.8x
Dividend yield	8.3%	8.4%

Source: FactSet

Graph 2: Price to earnings value



Source: FactSet

Table 7: Key competitors

Company	Code (ZA)	Price (local)	Market cap (R'bn)	Equity (Rbn)	Revenue (Rbn)	Net Income (Rbn)	P/BV	P/E	Price % (3m)	Price % (1yr)
Old Mutual Ltd.	OMU	12.2	57	59	159	9	0.9x	7.3x	-2.6%	2.9%
Sanlam Limited	SLM	86.4	183	101	234	25	1.8x	10.0x	0.0%	22.6%
Momentum Metropolitan Holdings Limited	MTM	32.3	44	30	133	4	1.4x	8.1x	7.7%	57.3%
Discovery Limited	DSY	201.6	137	57	76	7	2.1x	13.3x	2.7%	62.5%

Source: FactSet



Table 8: Key financials and ratios

Income statement (ZAR bn)	2019	2020	2021	2022	2023	2024		5Yr CAGR	2025E	2026E
Total revenue and other income	176.1	146.5	247.8	27.6	41.8	44.2		-24%	-	-
Y/Y growth (%)	60.3	-16.8	69.1	-88.9	51.4	5.6			-	-
Total expenses	163.7	141.8	235.8	21.0	28.0	28.1		-30%	-	-
Y/Y growth (%)	60.5	-13.4	66.3	-91.1	32.9	0.6			-	-
Profit	9.4	-5.1	6.7	5.2	7.1	7.7		-4%	7.8	8.5
Y/Y growth (%)	-74.3	N.M.	N.M.	-21.5	35.1	8.5			1.1	9.8
Earnings per share (cents)	205.2	-116.3	148.9	113.4	154.1	170.4		-4%	164.2	178.0
Y/Y growth (%)	-73.6	N.M.	N.M.	-23.8	35.9	10.6			-3.6	8.3

Above figures and trends impacted by new accounting standard (IFRS 17) implemented from 2022 N.M. = Not meaningful.

Balance sheet and cash flow (ZAR bn)	2019	2020	2021	2022	2023	2024		5Yr CAGR	2025E	2026E
Cash from operations	12.6	23.3	20.1	27.8	13.9	24.1		14%	-	-
Cash from investment activities	-5.1	-14.7	-15.9	-15.1	-5.5	-4.3		-3%	-	-
Cash from financing activities	-8.8	-4.6	-3.8	-4.1	-9.9	-7.4		-3%	-	-
Net client cash flows	2.2	9.6	0.1	-12.4	-7.5	-21.5		N.M.	-	-
Total equity	77.9	69.3	60.8	66.5	58.6	61.8		-5%	-	-
Total assets	910.9	940.7	1 051.8	1 064.5	1 157.0	1 235.3		6%	-	-
Total liabilities	833.0	871.4	990.9	997.9	1 098.5	1 173.5		7%	-	-

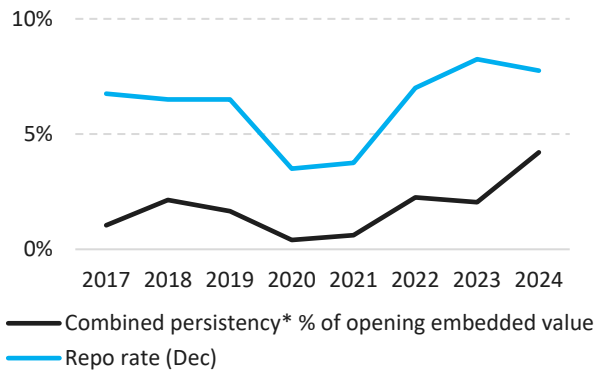
N.M. = Not meaningful.



Ratios (ZAR bn)	2019	2020	2021	2022	2023	2024		5Yr ave.	2024E	2025E
Solvency coverage (%)	189	199	184	188	190	182		188.6	-	-
Return on net asset value (%)	15.2	3.8	9.0	9.4	11.1	12.7		9.2	-	-
Value of new business margin (%)	2.6	1.1	1.9	2.2	2.3	2.5		2.0	-	-
Net underwriting margin (%)	-0.8	-4.4	1.6	1.4	0.1	4.8		0.7	-	-
Dividend per share (cents)	120	35	76	76	81	86		71	100	108
Dividend payout ratio (%)	1.7	1.5	1.5	1.7	1.5	1.6		1.6	-	-

Sources: FactSet and company financials

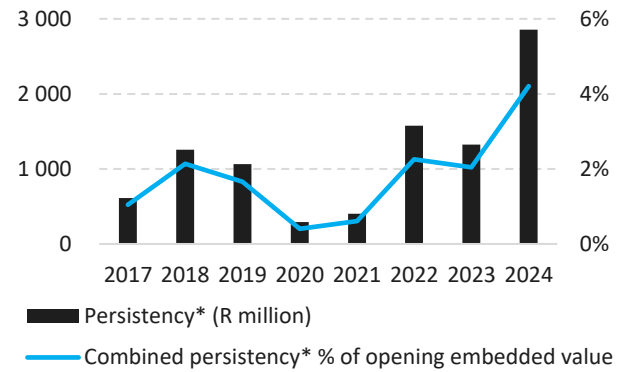
Graph 3: Persistency versus repo rate



Sources: SARB and company financials

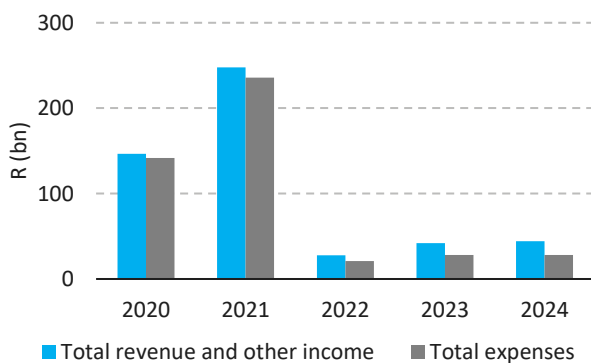
*Persistency experience and model assumptions impacts are combined representing the negative impact on embedded value

Graph 4: Persistency impact on embedded value



Source: Company financials

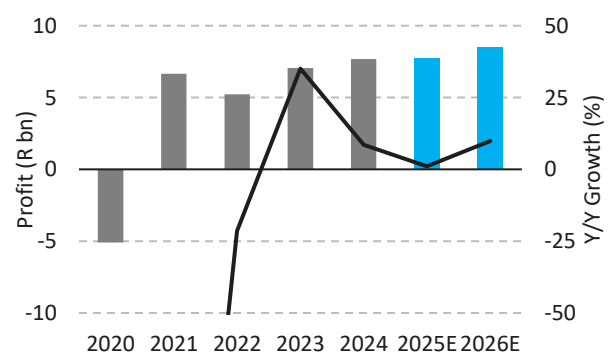
Graph 5: Revenue and expenses



Sources: FactSet and company financials

2022 onwards impacted by new IFRS 17 disclosures

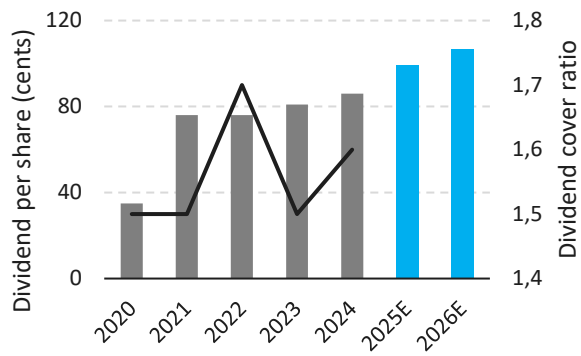
Graph 6: Profit



Sources: FactSet and company financials

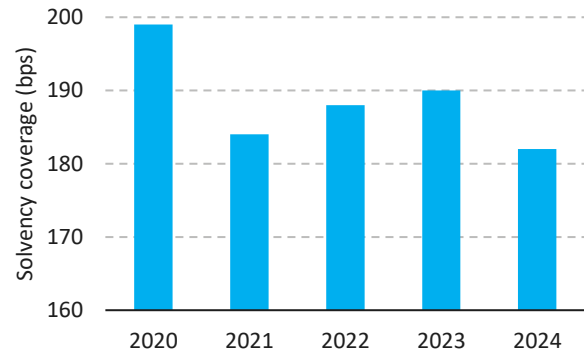


Graph 7: Dividend per share and cover ratio



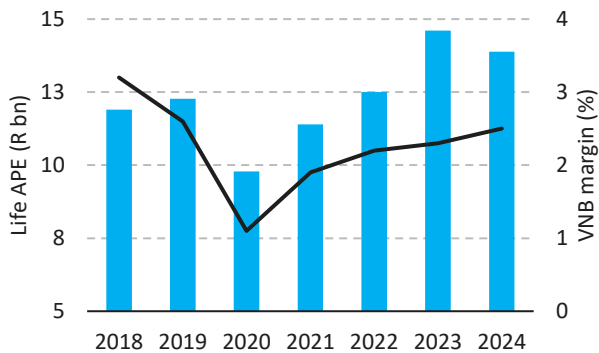
Sources: FactSet and company financials

Graph 8: Solvency coverage



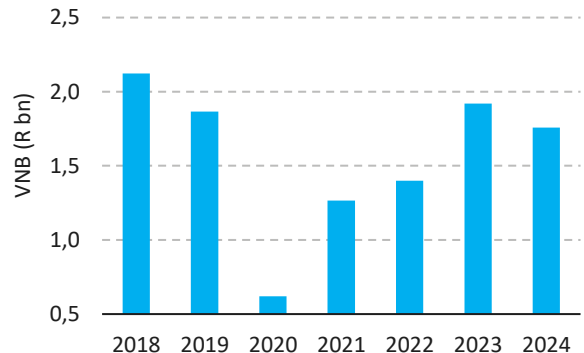
Sources: FactSet and company financials

Graph 9: Life APE and VNB margin %



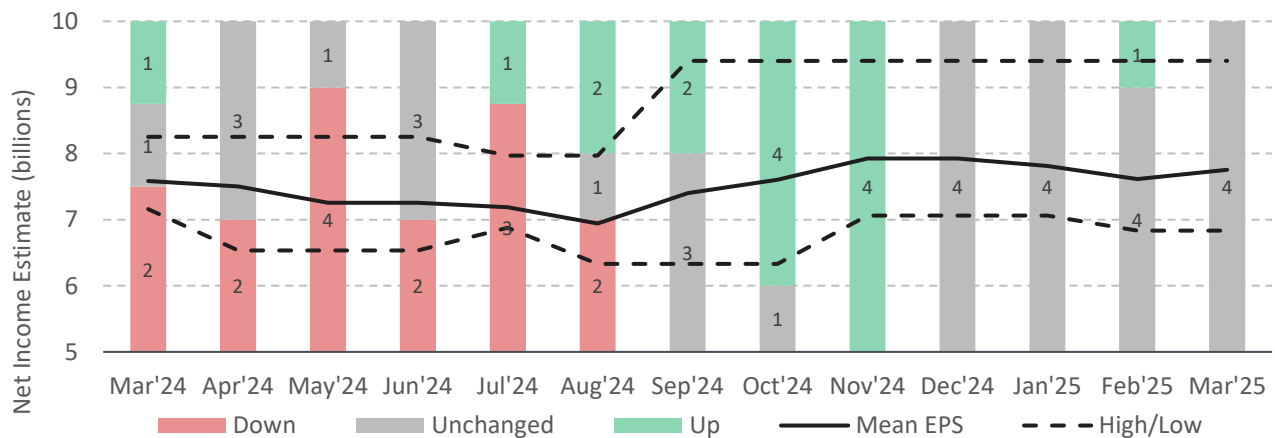
Sources: FactSet and company financials

Graph 10: VNB



Sources: FactSet and company financials

Graph 11: Earnings revision

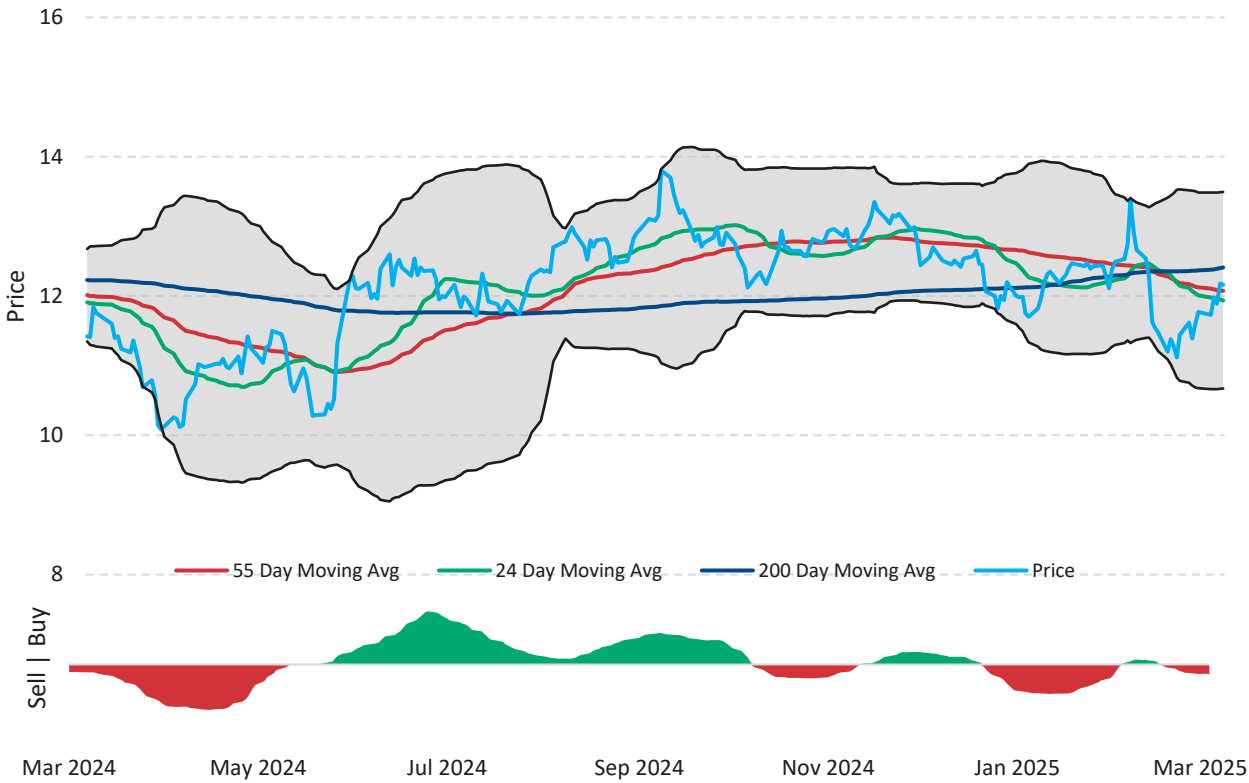


Source: FactSet



Graph 12: Price momentum

Last: 12.16 | Bollinger Bands: (50,3) [Upper/Lower]: 13.49/10.67



Source: FactSet



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*Share price as at closing.

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