

Company Update Report

OUTsurance Group Limited

Financials

Analyst thesis

Our recommendation is based on:

- Direct model cost advantage: OUTsurance's fully direct distribution model results in structurally lower acquisition costs, fast customer conversion, and a streamlined claims experience. This supports stronger underwriting margins relative to peers.
- Consistent underwriting discipline: Strong risk selection, telematics-based pricing, and advanced claims analytics provide stable loss ratios and predictable earnings across cycles. This underwriting focus underpins OUTsurance's long-term return profile.
- Growing international footprint: Australia continues to scale with improving profitability, while Ireland offers early-stage, but high-potential growth as the book matures and loss ratios normalise. These markets enhance diversification and extend the growth runway.
- Valuation concerns: Multiples are elevated relative to historical ranges, suggesting limited upside and making the stock less attractive from a risk/reward perspective.

As at: 28 Nov 2025

Ticker	OUT-ZA
Share price	R72
Intrinsic value	R64
Upside/(Downside)	13%
Recommendation	Sell

Latest company and market insights

Key highlights

In this report, we review the latest FY25 results for the year ended 30 June 2025.

Financial results at a glance:

- Earnings attributable to ordinary shareholders increased by 16%, rising from R4.06 billion in 2024 to R4.7 billion, and increased by 15% on a per share basis from 265.5 cents to 306.2 cents. Headline earnings per share grew 29%, from 230.4 cents to 298.3 cents. Gains were driven by strong organic growth, favourable claims experience, disciplined expense management, and higher investment income.
- Ordinary dividend per share for the full year increased by 36%, from 174.4 cents in 2024 to 237.6 cents in 2025 (interim dividend: 88.6 cents, final dividend: 149.0 cents). A special dividend of 33.1 cents per share was also declared. Dividend growth reflects robust earnings and strong cash generation through core operations.
- Cash and cash equivalents rose by 11%, from R1.69 billion to R1.87 billion, and term deposits increased 14%, from R12.63 billion to R14.35 billion. Strong underwriting performance and improved investment returns boosted liquidity.
- Gross written premiums grew 17%, from R33.2 billion to R38.78 billion. Growth reflects resilient organic expansion, strong performance in Youi and South Africa, and premium inflation, partly offset by currency effects and runoff in broker-driven books. As at 30 June 2025, the geographical contribution to gross written premiums was South Africa 34%, Australia at 65%, and Ireland at 1%.
- Operating profit increased by 33%. This was supported by organic growth, better loss ratios due to favourable weather and claims experience, along with disciplined cost management.
- The claims ratio improved from 57% to 54%, thanks to favourable natural perils and disciplined underwriting, resulting in a lower proportion of premiums spent on claims.
- International operations performed strongly: the Australian business (Youi) achieved strong growth in gross written premiums (AUD), and Ireland showed premium growth with the expansion of its customer base. This contributed to diversification and future growth prospects.

Management's guidance:

OUTsurance expects premium inflation to ease in the near term while remaining structurally higher over time. Management highlights cost discipline, pricing optimisation, and digital efficiency as key drivers of future competitiveness. The group's strong capital position supports continued investment and stable shareholder returns.

Sector outlook

South Africa's short-term insurance sector remains stable in 2025, supported by strong capitalisation and steady premium growth. However, affordability remains a core challenge as higher living costs have caused many policies to lapse. Insurers continue to focus on cost efficiency, flexible products, and digital transformation to reach under-insured customers and retain business. Despite the pressures, the industry's focus on innovation and prudent risk management helps position it for resilience and moderate growth.

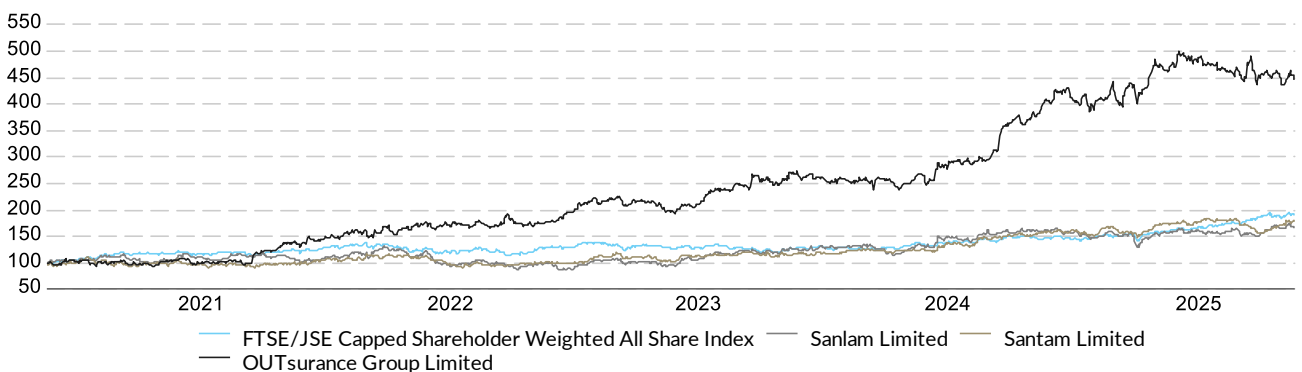


Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year operating profit CAGR is 5.6% and expected three-year EPS CAGR is 12.7%. The EPS growth expectation is driven by more AI integration and improvement in the operations in Ireland.
Valuation	★★★★☆	The share price is trading at a 14% premium to the IV. Current NTM P:E of 20x is trading at a 30% premium to the five-year average P:E of 15.8x.
Dividend	★★★★☆	LTM dividend yield 3.3%. NTM dividend yield 3.6%.
Issuance	★★★★☆	Shares issued have increased by 1% in the past five years
Catalyst		Early market traction in Ireland creates a meaningful new growth avenue, expanding the company's international footprint. Greater adoption of OUTvest and other digital channels drives operational efficiency, strengthens customer engagement, and improves retention. Continued disciplined claims management, coupled with tight cost control, underpins sustained high return on equity.
Quality of earnings	★★★★☆	Five-year average ROE 19.9%. Five-year average net profit margin 9.9%. Seven of the past 10 years had both positive earnings with growth. ROE moved beyond pre-COVID levels, but net profit margins remain sluggish.
Moat	★★★★☆	Intangible Assets: OUTsurance has a recognisable brand in South Africa, known for reliability and claims handling, which helps in attracting and retaining clients. Direct distribution and data-driven pricing: OUTsurance is anchored in its direct model and advanced analytics, which enable superior risk selection and cost efficiency, with brand and digital platforms providing secondary support.
Management and governance	★★★★☆	Marthinus Visser, the CEO, has been part of OUTsurance since 1998 and appointed Group CEO in 2018. The CFO, Jan Hofmeyr, started his career with the group in 2007, and was appointed as the Group CFO in 2008.
Balance sheet	★★★★★	Debt to equity 2.4%. Total debt levels have declined over the past five years. Debt to assets 1%.
Risks		Insurance & Underwriting Risks – Unexpected claims or mispriced policies could hurt profitability. Operational & Technology Risks – System failures, cyberattacks, or climate-related events (e.g., storms or floods) could disrupt service and harm efficiency. Market & Competitive Risks – Intense competition and slow international growth may pressure margins. Execution & Expansion Risks – Scaling operations in new markets, such as Ireland, may face delays, higher costs, or lower profitability than expected. Macroeconomic & Financial Risks – Economic downturns, inflation, and currency swings can reduce earnings, while a worldwide market decline could pose a threat to held investments. Regulation: Changes in insurance laws and cross-border rules could increase costs.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

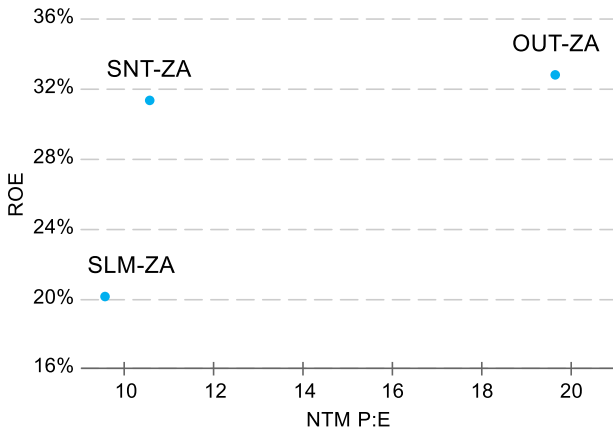


Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
OUT-ZA	8.6%	-1.1%	-3.0%	-2.8%	10.2%	67.5%	154.8%	347.2%	211.7%
SLM-ZA	5.4%	0.6%	4.1%	6.4%	1.7%	32.3%	68.6%	66.5%	49.0%
SNT-ZA	8.9%	3.4%	-2.0%	2.4%	11.1%	51.8%	80.3%	77.9%	112.5%
Capped SWIX	29.9%	0.6%	8.0%	17.6%	27.7%	48.6%	47.8%	88.6%	71.7%

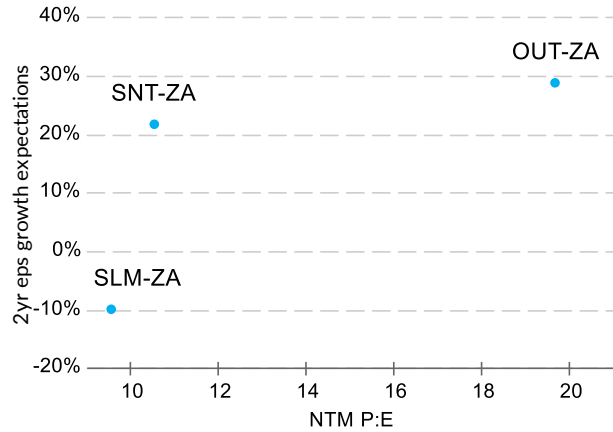
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

OUTsurance was valued using a P:B approach, based on available data over the past two years. We applied a 2-year historical average P:B multiple to capture normalised market conditions. In our scenario analysis, the bull case applies two standard deviations above the mean multiple to reflect strong growth or improved profitability, while the bear case uses two standard deviations below the mean to account for potential downside risks. Each scenario was probability-weighted, and the weighted average provides the intrinsic value, integrating recent historical trends with the company's strategy and current macroeconomic considerations.

Table 3: Valuation summary

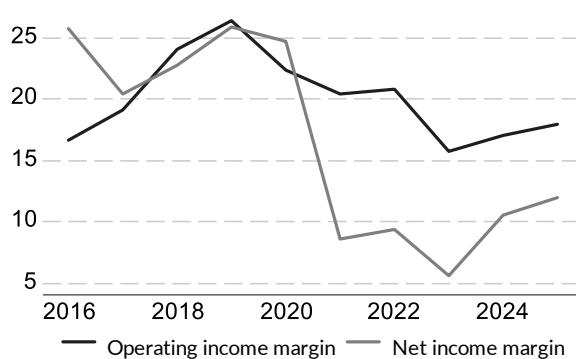
Valuation Probabilities			
	Bear	Base	Bull
P/B	3x	6x	8x
Probability	10%	55%	35%
Implied share price	R30	R60	R80
Weighted intrinsic value	R64		
Upside/(Downside)	-13%		

Graph 4: NTM P:E relative to benchmark



Source: FactSet

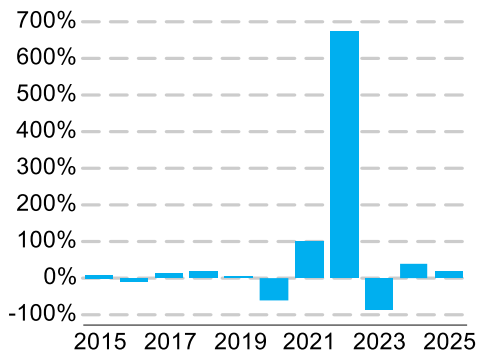
Graph 5: Profit margins (%)



Source: FactSet

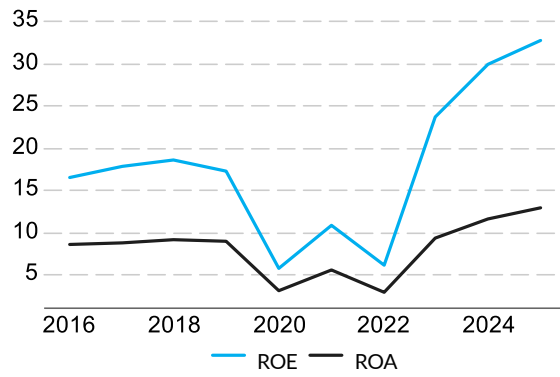


Graph 6: 10Y EPS year-on-year change



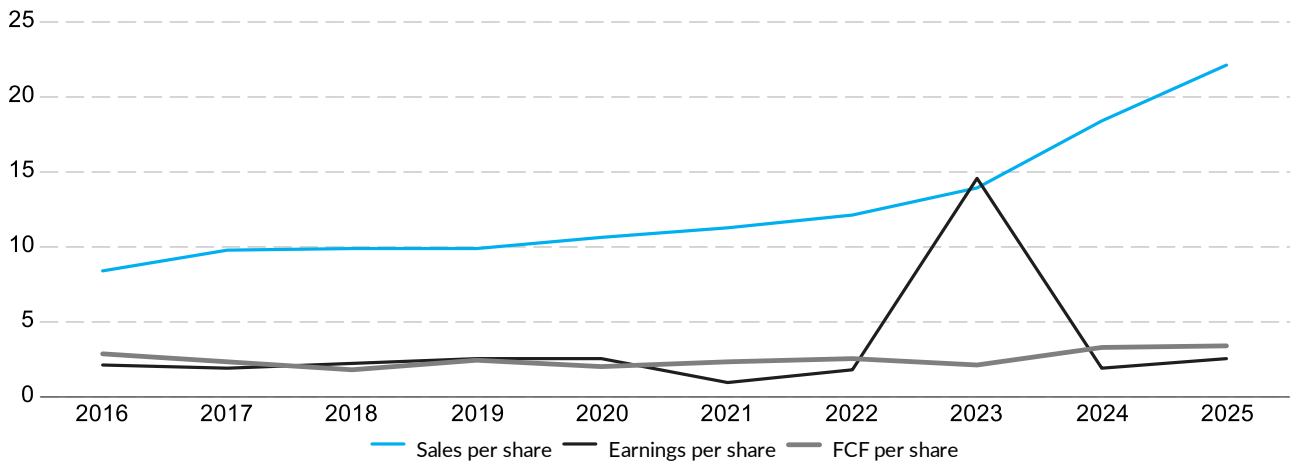
Source: FactSet

Graph 7: ROE and ROA (%)



Source: FactSet

Graph 8: Sales, earnings and FCF per share (Rand)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	18 691	21 356	28 326	33 931	39 244	16%	22%	18%
Losses, Claims and Reserves	9 501	11 328	19 837	24 977	28 668	15%	36%	27%
Selling, general and admin expenses	5 295	6 663	3 671	2 871	3 192	11%	-22%	-9%
Profit before interest and tax	3 895	3 365	4 818	6 083	7 384	21%	30%	16%
Profit before tax	3 154	2 704	4 856	6 158	7 492	22%	40%	24%
Net income	2 015	1 677	3 397	4 364	5 030	15%	44%	27%
EPS (Rand)	2	15	2	3	3	15%	-41%	26%
Balance sheet (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	52 924	27 615	29 561	34 257	38 649	13%	12%	-5%
Total shareholders equity	29 014	12 952	14 926	15 387	15 944	4%	7%	-10%
Total liabilities	23 910	14 663	14 635	18 870	22 705	20%	16%	0%
Ratios	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	5Y Avg		
Price to book	1.85	2.05	3.96	4.90	7.30	4.01		
Price to earnings	16.9	3.1	16.2	15.9	21.7	14.8		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
API	Annualised premium income
CAGR	Compounded annual growth rate
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FLR	Financial leverage ratio
FY	Financial year
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month to date
NAV	Net asset value
NTM	Next twelve months (also known as forward)
OUT	OUTsurance Group Limited
P:B	Price to book value
P:E	Price to earnings
PAHI	Ping An Health Insurance
ROA	Return on assets
ROE	Return on equity
SLM	Sanlam Limited
SNT	Santam Limited
Y/y	Year(s)
YTD	Year to date



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