Prudential Full Year 2023 Results - Live Q&A

Wednesday, 20th March 2024

Introduction

Patrick Bowes

Chief of Investor Relations, Prudential Plc

Thank you and welcome to everyone. We are going to just have a short address by Anil to start, and then we will go straight into questions and answers. I will pass over to Anil to kick off.

Full Year 2023 Results

Anil Wadhwani

CEO, Prudential Plc

Thank you, Patrick. Good morning, good evening ladies and gentlemen, very warm welcome to the 2023 full year results for Prudential. I am Anil Wadhwani, I am the CEO for Prudential, and it is indeed my honour and pleasure to be welcoming you today.

Earlier today we announced our results. We are delighted with the strength of our performance. I thought the results were excellent, both on operational grounds as well as the financial performance that we delivered in 2023. Our sales came in at $5.9 billion for the full year, up by 37%. Our new business profits came in at $3.1 billion, up 45%. 17 out of the 22 markets were able to register new business profit growth, 12 of them on a double-digit basis. The margins held up; in fact, they improved by 4 percentage points, ex economics, and our IFRS earnings came in at $2.9 billion, up 8% year-on-year.

So clearly a very strong set of results. Hong Kong led the results, a strong rebound post the borders opening up. And the pleasing aspect of the Hong Kong growth was that we were able to gain market share, both in domestic as well as in Mainland Chinese visitor segment. And again, one of the other pleasing aspects of the Hong Kong results were that we gained market share in Agency, which is the lifeblood of our company.

In China, it was a year of transition. We pivoted to driving a different product mix in China, and as you are well aware, we took proactive steps way back in April 2023, much in advance of the regulatory guidance. And in many ways, the regulatory guidance of quarter three ratified some of the steps that we took in terms of repricing our 3.5% guaranteed product. Our Agency grew by 25%. And on account of the steps that we took to reposition our bancassurance product mix, as we transition to 2024, we feel optimistic about the growth prospects in China. And I am sure we will talk about that as we go along.

In ASEAN, again, strong performances by Malaysia, delighted with the sales and the new business profit growth. Indonesia, four quarters – four consecutive quarters of new business profit growth, early signs of the transformation work that we are leading in Indonesia. And Singapore, clearly we have a quality, quality franchise there, multi-distribution channel, and it underscored the strong rebound that we witnessed in Singapore in the second half of last year.

So overall, as I said, very pleased with the results that we delivered in 2023. I believe that these are excellent results. We have seen sales growth in the first two months of 2024. March and April of 2024 will have base effects, given the fact that we saw a resurgence in March 2023 and April 2023 on account of the border opening. We are in early days of the execution of our strategy, and we are already seeing some measurable progress against our strategy execution. And a combination of these factors lead us to believe that we are increasingly getting confident in terms of delivering our two financial objectives, which is 15 to 20% growth on new business profit to 2027 and the acceleration of cash on the value that we generate.

We are also increasingly confident of our strategic objectives and are effectively deploying capital to drive organic profitable growth, but at the same time looking a sharp eye out on extending and expanding our distribution footprint through partnerships.

I also wanted to, at this juncture, thank our people, thank our agents, and thank our partners. Without their dedication and commitment, these results simply would not have been possible.

So thank you very much again for joining us. I would like to now start by introducing our management team. On my right, Ben Bulmer, our Chief Financial Officer. Next to Ben, Dennis Tan. Dennis Tan manages a cluster of our ASEAN markets and is also responsible for Wealth. Next to Dennis, Catherine Chia. Catherine is responsible for human resources. And at the far right is Avnish Kalra, our Chief Risk Officer. On my left, Lilian Ng. Lilian runs Greater China in along customer as well as distribution for the company. Next to Lillian, Solmaz Altin. Solmaz runs, again, a cluster of markets in Southeast Asia and ASEAN, alongside India, Africa, as well as is responsible for health and technology over and above his geographic responsibility. And on the far left, Bill, who we appointed as the incoming CEO of Eastspring in the middle of last year.

So on that note, back to you Patrick.

Q&A

Patrick Bowes: Thank you. Thank you Anil. And we will turn over to the Q&A in a second. Obviously, proceedings are taking on the basis that you have only read the materials that have been published on the website, so please do read the rubric.

Michael Chang (CGS International): Thanks. Just two questions. First, primarily on Hong Kong, China and the strength over there, especially in relation to Hong Kong, and it does look like 2024 has had a strong start to the tourist numbers. So extrapolating forward, firstly, if I take a look at the 2027 new business profit targets, management did say they are increasingly confident, and it does work out that 9 to 15% new business profit growth CAGR is required to achieve those targets. Now I know some people in Pru, and when they talk about internal target setting, it just seems that Pru sets targets to maximise their potential. And I just think that 9% new business profit target sounds very pedestrian. I just want to know, in terms of updating those targets, under what conditions could those targets be a bit more aligned to your more strenuous internal targets? When would investors look forward to such a situation? Maybe you can just elaborate on that.

And then in the case of China, China Agency business is doing quite well. Bancassurance, as management has flagged previously, continues to be a drag. And it does look like, if I take a look at I think slide 27, the basic effects get much easier in the second half. So could management just share some details on how much bancassurance contribution, in terms of the new business profit, there was in FY23, and how confident management is about a turnaround in China, and roughly when can we look forward to that? Thanks a lot.

Anil Wadhwani: Thanks Michael. It is good to see you. Many questions in that. So let me try and start with the Hong Kong question, and then I will turn to the 15 to 20%, and then we will come back to China. And I will also ask Ben and Lilian to provide any additional comments that they might have.

So starting with Hong Kong, clearly very pleased with the rebound. We grew market share both in domestic as well as in the Mainland Chinese visitor segment. Particularly in Agency, we saw some really strong performance. The momentum, as you rightly mentioned, has continued in the first two months, but, at the same time, just to remind you that we did see a resurgence in May [Editor: March] 2023 and April 2023 on account of the border opening. We believe that the growth prospects in Hong Kong continue to be solid. The government is indicating a growth of 3 to 3.5% in terms of GDP. We are also encouraged with some of the steps that the government is taking in terms of attracting further international traffic into Hong Kong.

A little bit more colour on MCV. So in terms of events, MCV, despite the strong growth that we saw, Michael, the traffic levels in 2023 were close to about 60 to 65% as compared to what we witnessed in 2019, and we do not see any fundamental impediments for the traffic to go to 2019 levels, if not exceed it, over a period of time. Additionally, the ticket sizes saw a surge, as I mentioned in March and April, and then started to normalise from May 2023 onwards. We saw the ticket sizes held up quite well in quarter three and quarter four and as we transition to the first two months of 2024. We also believe that when we talk to our customers, and we do that quite often, the fundamental need and the attraction for the Hong Kong health infrastructure, alongside the products that we offer in Hong Kong, that remains pretty undiminished. And if you simply look at the new-to-Prudential customers, in MCV, they were close to 70%. So that gives us a fair amount of runway to broaden the relationship.

So that hopefully gives you a good sense as to why we feel optimistic about the growth prospects of our Hong Kong business.

Moving to your second question, clearly 45% new business profit growth would have prompted that. And I just want to go back to the conversation that we had when we announced our strategy, which was the late part of August last year. And what we had said is we are going to be growing all our four geographies, which is Greater China, ASEAN, India and Africa, and we have the capital strength and the capital flexibility to do so. Clearly, having delivered what we have in 2023, you can almost infer, as you rightly did, as to what those growth numbers would look in 2024, 2025, 2026 and 2027.

However, I do want to remind you that we do not cap our aspiration on the 15 to 20% growth target and just, again, reiterating that we do have a capital strength and capital flexibility. And as you would have noticed in 2023, we have deployed that effectively to grow profitable organic growth and, at the same time, looking at expanding our distribution partnerships.

So that is where the increasingly confident part with respect to the target comes through. In terms of China, so let me try and provide a little bit of colour before I hand it to Ben and Lilian for any additional comments that they might have. So just stepping back, we believe, and we see this, that the fundamental demand drivers in China have not changed. The demand for long-term savings for retirement and for Protection remains highly intact. The GDP is slated to grow at 5% as China pivots to a more sustainable, high-quality, consumption-led economy.

You simply have to look at the deposit velocity last year in China, grew by 9%. So that illustrates the opportunity that insurance companies, and specifically companies like Prudential, have to be able to cater products and services to address those needs.

Yes, we took certain hard decisions on bancassurance. Our bancassurance margin, on an ex-economics basis, increased by 8%. In combination of the regulatory guidance that we saw in the second half of the year, clearly the volumes on bancassurance got impacted, Agency did quite well. However, having now taken the hard measures, having pivoted to a different product mix, and we are already starting to see the early progress of that in the back half of 2023 and as we transition to 2024, we believe we have poised our China business to grow both across banca and Agency as we move forward. We have a strong partner multi-channel distribution, and, as I said, the pivot from predominantly a savings product mix to now a much more balanced product mix now allows us and gives us, as I said, the optimism to grow our China business further.

So I am just going to stop. I am first going to go to Ben and then see if Lilian has any additional colour to add.

Ben Bulmer: Yeah, thanks. Thanks Anil. Hi Michael. I think you had a specific question on China banca contribution to NBP. So that was 45% in 2023, down from about 69% the year before. What you will have seen in the slides, no doubt, is the fruits of the labour, if you like, of repricing, shifting the product mix, and actually we were able to build our China banca margins as we moved through the year by eight points to end in the late 30s, early 40s. And because those are structural changes in the mix, the ending margin, if you like, of around 42% is something I would guide you to in terms of thinking about 2024.

Similar story really in Hong Kong, very, very pleased with the margin expansion that we saw in the second half of the year. You will have seen in the slides, Health and Protection increasing as we move through the year in terms of number of policies. Not quite yet at 2018, 2019 levels. So I think there is a bit of potential there. No doubt though you will have seen rates up at the moment. So for now when you are thinking about Hong Kong margin outlook, again I would guide you to around the 72% that we closed out for the full year.

Anil Wadhwani: Lilian.

Lilian Ng: Maybe just to add, Michael, when we de-emphasised the non-par savings products, we actually shifted to annuity and savings, as well as longer term payment terms. So with that, actually, annuity and savings products for our banca channel grew actually 65% in 2023 and actually contributed to 44% of NBP and similarly on the longer pay [Editor: using CPL's definitions]. Now having said that, what we are seeing is now – you mentioned about the momentum on 2024, and we are seeing that distinct shift to continue to more Health and Protection as well as par savings and longer term. So that will inform you how we are going to drive the business in 2024.

Charles Zhou (UBS): Okay, thank you. I also have two questions for you. First, let us talk about China. So as we all know, China is now facing probably a prolonged low interest rate environment. So can I ask you, how are you going to cope with this environment? Maybe talk about it both from the insurance sales about your guarantee rate, your product mix going forward, and also from your investment, how do you do your asset allocation? So this is my first question.

Second question is related to the ASEAN or Indonesia, Malaysia, Singapore. If I combine those three markets, I think overall growth may not be as exciting as Hong Kong. So can I ask you, how do you see the outlook for ASEAN in 2024 and also going forward? Thank you.

Anil Wadhwani: Thanks Charles, and good to you again. So let me start, and I am going to ask Ben to speak to specifically the investments and the asset allocation. So notwithstanding the rate environment, the fundamental needs, the fundamental insurance needs, what we are seeing and the guidance that we are getting from the regulators is more shifting towards long-term savings, towards retirement. And you can see the pillar three focus that the government is employing, and we are obviously crafting value propositions and products to be able to address that specific need, as well as Protection. So that fundamentally does not change.

To your point around the interest rates being lower, we already took those hard measures, and we took those hard measures of repricing the guaranteed product much in advance of the market. And as I said, some of the regulatory guidance that came in quarter three in many ways ratified our decision, when the rest of the market obviously made those adjustments much later in 2023. So I think the fundamental needs do not change. We have significant experience in managing par business and crafting par value propositions, and we believe that, as we go through 2024 and beyond, you will see the shift from non-par into par increasingly. And that is really what we have been focused on.

I am going to stop and ask Ben to specifically comment on the investment and the asset allocation.

Ben Bulmer: Yes, thanks Anil. Hi Charles. Actually, I was going to say a very similar thing in terms of, I think what sets us apart is our experience in lower-for-longer environments and our capabilities on the with-profit side. When you look at CPL's portfolio, it has a diverse set of products, both Protection and Savings. Within the Savings book, half to two-thirds of the liabilities, we can actually vary the benefits depending upon the investment return. So it is par, it is ILP. You have seen, in 2023, management take action actually ahead of the market to lower cost of liabilities and shift mix and candidly shift mix towards par. When I think about the yields on the assets that we are earning, we are still earning very decent spreads over and above the cost of liabilities. As I say, the repricing has had the effect of lowering the cost of liabilities, and actually we have lowered our fund earned rate expectations as well.

In terms of the assets, and there is a slide in the appendix to my slides that shows you the snapshot, 70% of those backing assets, Charles, are fixed income. Significant proportion of those are government debts and other state-owned entity bonds, if you like. So the business is very active in managing its balance sheet and will continue to be to optimise risk/reward trade-off.

Anil Wadhwani: So Charles, coming to your second question on ASEAN, clearly a very important segment for us, and, again, we are delighted with the market positions that we have been able to establish in many of the ASEAN markets, if not all the ASEAN markets. You have to look at the strengths that we have, for example, in Malaysia across conventional and Sharia, which resulted in the growth that we witnessed, which was pretty strong. In Indonesia, again, strong positions both, again, in conventional and Sharia, and the early green shoots of transformation is playing out. Likewise Singapore, quality franchise. In Vietnam, despite the challenges that the market is witnessing, we were able to grow market share. It underscores and speaks to the quality of our Agency and bancassurance distribution.

So we have significant market positions in a market that is home to roughly about 650 million people. So we cannot not be excited about the growth prospects. Having said which, we also have called out to deploy our capital in ASEAN specifically to expand our distribution. So we are actively looking for bank partnerships, which will then go and complement the existing bank relationships that we have, UOB and Standard Chartered, as well as the scale of Agency that we have in every single geography.

So we believe that going forward, ASEAN will be a bigger part of our growth story. I again want to remind you that if you look at the composition of our embedded value, ASEAN countries today contribute to 43% of that embedded value, so cannot not be excited about our position as well as the growth prospects that ASEAN has to offer.

Edwin Lui (CLSA): Hi. Hi. Thank you for opportunity to raise question. Two questions, one on Hong Kong, one on ASEAN. So on Hong Kong, given the medium-term NBP outlook and just Charles' comment on ASEAN, I think the future growth will still very much rely on Hong Kong. Can we expect that the Hong Kong NBP growth will be higher than average for Prudential Group, but also in particular for MCV, should we expect high teens, or even higher than that, medium-term growth? And if you can provide more colour, just what you have observed in terms of pre-pandemic and post-pandemic behaviour of your MCV customers, but also your agents? Where you hire agent from, what is the current agent profile for your MCV business?

Second question on ASEAN. You mentioned inorganic opportunities, particularly on bancassurance. Just wonder if you can provide more colour in terms of which market that you see more active opportunity in terms of bancassurance that can satisfy your IRR requirement, which market would be more competitive and more challenging to secure bancassurance deals. Yes, thank you.

Anil Wadhwani: Thank you. Thank you for those questions. So let me start with the Hong Kong question and the growth prospects in Hong Kong, and I am going to go to Solmaz specifically on the banca question. I will tee it up and then have Solmaz provide you greater colour in the way we are thinking about driving a distribution in ASEAN.

So firstly, as I said, you have to step back and look at the guidance that we have provided in the medium term, which is 15 to 20% new business profit growth. As I mentioned earlier, as you look at our 2023 results, you can almost infer the growth rates that will get us to that range, to the lower versus the highest rate. However, I want to underscore the point that we are not capping our growth to that guardrail. That is a guardrail. We have the capital flexibility and strength, and we demonstrated that in 2023. We will manage our market to its fullest potential. And Hong Kong being a big part of our business, you can again infer the same logic for our Hong Kong business.

I have always been emphatic about the fact that that is exactly why we are growing the multi-market growth model, because what we cannot control is how and at what speed some of these markets will grow at. What we can control is how we compete in those markets, how we serve our clients and how we gain market share, which is exactly what we were able to illustrate and demonstrate in 2023. And as I said, Hong Kong has solid growth potential, and we will continue to work towards expanding our footprint and expanding our market share.

In terms of ASEAN, again, going back to the strategy, we had illustrated multi-market but we will also be focused on multi-distribution. And it is becoming a much more acceptable norm that you require bancassurance in all your geographies to complement the strength that we have in Agency. And we have always been clear that is exactly how we are going to grow. Bancassurance is lower margin as compared to Agency, but it is not low margin. Even if you simply have to look at the results of 2023, the banca margin was about 37%, which I think is a very acceptable margin, and we would love to do more bank partnerships if we are able to deliver that kind of margin through bank partnership.

But I am going to stop here. I am going to turn to Solmaz specifically to talk about how he is thinking about expanding his footprint in ASEAN.

Solmaz Altin: Well, thank you very much, Anil, and thanks for the question. We are always interested in expanding our banca distribution, and there are a number of opportunities coming up in ASEAN countries, and let me mention a few. Indonesia, there is an opportunity in the Sharia segment. We will certainly be interested in pursuing that opportunity. We are already number one in Indonesia by market share. We have gained 1.7% market share [Editor: in traditional] in 2023. So that is an opportunity we are pursuing.

We are very strong in Agency, as you know, in Indonesia, with the biggest Agency force. Now we want to also diversify Indonesia more. We already are active with SCB and UOB there, but we are very keen on diversifying even further.

Malaysia is another good example. We have grown 36% banca last year. It is an amazing team that can do banca very well. So again, Malaysia, for us, is an opportunity both in conventional and Takaful to grow our footprint.

Philippines is mostly an Agency channel for us. There has been little opportunity in the past in terms of banca deals, but we are working actively and are also evaluating more bank opportunities in Philippines.

And the same can be said for the CML countries, Cambodia, Myanmar, Laos, where we are mostly a banca company, but we are again interested in doing more.

So as you can see we have already an amazing footprint in banca. We are well diversified, but we are particularly keen on Indonesia and Malaysia and Philippines in terms of banca deals.

Anil Wadhwani: Just a couple of follow-up points. So we were able to establish the CIMB partnership in Thailand, again, a good illustration of our intent to grow banca distribution and it allows us further diversification within the bancassurance channel in Thailand, which is, again, an important market for us. And I do also want to reiterate that as we think about these bank partnerships, we are also going to put this through a return lens. We are very conscious of the fact – remember we have given two targets, 15 to 20% new business profit growth, but also employ a discipline where we are converting this value into cash. So having strong internal hurdles and having strong return hurdles is absolutely going to be the way we are going to be evaluating these bank partnerships. I hope I was able to answer that question.

Farooq Hanif (JP Morgan): Hi everybody. Thank you so much for the opportunity. Firstly, Ben, it seems you are making a comment in the press release that you are looking at improving the conversion of free surplus generation to cash at the group. Could you possibly elaborate on this? And at what point do you think you will be able to move up or away from the 7 to 9% DPS growth target? I simply ask because although you are delivering strong growth, clearly, as you can see from the share price performance, I think the market is really, really interested in this topic. So anything you can say on that would be helpful.

Secondly, on the $1 billion investment that you are making into the business, what has the first $100 million been spent on, and where will we see the incremental change now in the investment? What are your priorities for that?

And then lastly, could you comment a little bit about your Health proposition? So you have commented a little bit about some of the markets where you are launching propositions, but where will the big delta come from in this business in terms of earnings and sales and the numbers? And by when, what is the phasing of that? Thank you very much.

Anil Wadhwani: Thanks for those questions, Farooq, and it is good to hear from you again. I am just going to start by saying one thing, and then I will have Ben speak to the specific question that you asked. Returning back to the shareholder is always going to be an option in front of the Board. What we have to understand is it has to be compared with the investments that we would put elsewhere, whether it is to drive our organic business where every dollar that we invest returns $3-4 back, or, for that matter, expanding our distribution capabilities, because, remember, we are creating a business that allows us to deliver sustainable, long-term value over a period of time.

But I am going to stop there and turn to Ben for his comments, and then I will come back on the Health proposition. I am sure Solmaz will have some additional comments to offer.

Ben Bulmer: Yes. Okay, thanks Anil. Hi Farooq, thanks for your questions. Maybe if I start with operating free surplus generation, you have seen the targets that we have set out. We are absolutely focused on the acceleration of operating free surplus generation. We even set out the expected pattern of that in the slides. Just to remind everybody, of course you have the effects of investment in capability programme in the early years. Thereafter, you get a very rapid effect of the compounding of successive cohorts of very high-quality new business coming through.

In terms of bringing capital up to the HoldCo, so in 2023 we brought up $1.6 billion. That is about $300 million more than the year before. And that has grown the HoldCo cash and our financial flexibility after repaying down debt, servicing dividends and central costs. And I think, as I have said in my speech, whilst I appreciate the flexibility of having surplus in our operating entities, it gives us a degree of agility to fund new business opportunities, I also do not want to be leaving surplus capital that there is no obvious use for in those entities. So increasingly we will move towards that line of thinking.

In terms of the $100 million, or it was actually $133 million of our $1 billion investment in capabilities, about half of that was spent on distribution in full year 2023, and really around platforms and tools to enable Agency productivity. So platforms like PRUforce, PRUExpert, PRULeads. We have also been funding a strategic talent sourcing programme. And just to give you a flavour of the value creation, if I take the PRULeads example, we had issued 4 million leads last year. We saw an 8% conversion rate on that, and agents using the PRULeads platform were roughly 30% more productive than those who did not. And this is currently only available to about 40% of our Agency force. So there is potential to come on that.

In terms of our professional agent or professional career switching programme that we have been funding, that has rolled out across seven markets. And on average there, we are seeing six times the productivity of a recruit versus our average agents.

We have also spent on the customer side of things, so about 40% of the $133 million I referenced. That is going into platforms around CX, customer experience. A good example here is PRUServices 2.0, a much-simplified customer experience, and we have been able to do that on the back of looking at the drivers behind net promoter scores. When that is rolled out, that will replace some 15 other apps.

And finally the balance then we have spent on the Health side. That is very much focused around claims management, and again, there is good examples there of saving hard dollars, one of which is the use of AI running across data platforms. In Indonesia, detecting fraud, waste and abuse and saving dollars there.

Anil Wadhwani: Thanks Ben. I am going to now shift to Health and Farooq, you are absolutely right, Health is one of our strategic pillars. We have a scale business, we draw almost $2 billion in terms of Health business across the four major markets of Hong Kong, Singapore, Indonesia, and Malaysia. And Solmaz will be happy to provide you some colour in terms of how we are driving that forward.

Solmaz Altin: Well, thank you very much, Anil. So first of all, we grew Health 20% in 2023 from about $280 million to $330 million. And we have set out in our Health strategy explanation in August that we are going to plan to double that by 2027. And we are doing this by primarily tackling two strategic legs. One is really managing Health business as it deserves to be managed, not just as an attachment to a life chassis, but really as a standalone business. Looking at metrics that matter for Health business that do not necessarily matter for life business, like combined ratio, loss ratios. Focusing on the imminent core value chain of the Health business, like underwriting, pricing, claims management. With that, and as Ben alluded to as well, we can save hard dollars and just get more profitability of our existing business.

Secondly, we are certainly going to look at new value propositions of standalone Health medical reimbursement products, medicalised CI products and the like, where we see a really big need and Health Protection gap in many of our markets.

Thirdly, as we are building up capabilities at the centre and in the countries with regards to managing the Health book better and more profitably, let me remind you, as Anil said, 90% of our business currently is coming from the four countries, Hong Kong, Singapore, Malaysia, Indonesia. Just with these four countries, we have a significant potential to increase our value propositions and grow and, at the same time, work in our existing business to make it more profitable. On top of that, countries like Thailand, Philippines, Vietnam, highly populated countries, hundreds of millions of individuals with a high protection gap in health, are just making up 10% of our book currently. So there is ample room to grow, and we will certainly, as Anil said, not hold back on exceeding that target by 2027, but as of now, we are continuing to execute on the new operating plan, and we will continue to update as we move forward in the quarters.

Anil Wadhwani: Thanks Solmaz. And just one other call-out in terms of India, we do have the opportunity, as we have illustrated earlier, to be able to set up our Health business, which we are actively again looking at, which we can outside the joint venture that we have with ICICI. And again, India is a huge opportunity when we think about it in terms of the health business.

Kailesh Mistry (HSBC): Hi, good afternoon. Thank you for taking my questions. Three from me. First one is just going back to cash remittances. Ben indicated in his speech that the remittance ratio was around 80% in 2023 versus a medium-term average in the 60s. What should we expect this to be going forward?

Secondly, just a recap on investment spend. You said that there is $900 million left, which will be split in 2024 and 2025. How much of that will go through the P&L and the cash numbers?

Thirdly, just coming back to Hong Kong, you talked about improving sales mix through the course of 2023. Has this continued in terms of sales mix improvement in the first couple of months? And on the top hand right side of that chart, slide 26, I think, I think the H&P contribution is a policy count basis. What is that in NBP and APE terms? And then if you could just give us a little bit more colour on Hong Kong MCV. I think Anil mentioned 70% of business comes from new customers. What proportion comes from GBA, non-GBA, and what is the growth in the MCV focused agents? Thank you.

Anil Wadhwani: Thank you Kailesh. I am going to first ask Ben to address the cash remittance and the $900 million spend, and how are we thinking about that. And then I will turn to Lilian to speak to specifically the H&P mix in terms of its contribution to NBP and the GBA versus non-GBA. Ben, you want to?

Ben Bulmer: Yes, thanks, and I will be a bit quicker in my answers this time. Hi Kailesh, thanks for the question. So in terms of the remaining $900 million, I would guide you to around $250-300 million this year. Similar number in 2025. So still weighted towards the beginning of the objective period, split - again, stick to the rule of thumb I gave, I think, back in August - roughly two-thirds CSM, one-third P&L.

In terms of your cash remittance ratio question, yes, you are right. So we were slightly higher in 2023 at 80% versus the 60% average over, I think it was the last five years. There is an element of bringing up more to pay down the debt that matured. I would look to this year as just a very rough rule of thumb, around 70%. But, as I said, we are actively looking at uses of capital, the capital in the businesses, and I do need to balance this, of course, against that nimbleness of having that capital in country and also satisfying local stakeholders, regulators, distribution partners, rating agencies and so on. So yes.

Anil Wadhwani: Thanks Ben. Thanks for that. Lilian, you want to take those two questions on sales mix and the GBA versus non-GBA?

Lilian Ng: Okay, on the H&P contribution to NBP, in 2023 is actually [Editor: roughly] 40% in terms of NBP contribution. So on MCV, of the MCV customers, above a third comes from GBA cities. The rest actually come from mostly tier one cities such as Beijing, Shanghai, Zhejiang, etc.

In terms of our recruitment on Agency, our MCV agents, in the past you have heard us speak about recruiting from what we call the IANG who are the graduates in Hong Kong, and we continue to do that. And what we have actually embarked on 2023 is also we recruit our MCV agents from the talent scheme, which the Hong Kong government has actually promoted in 2023. And this has actually driven up our increase in MCV agents in 2023.

Anil Wadhwani: And Kailesh, just to add to that comment, when Ben was talking about the sustainability of margins in Hong Kong, while the policy count is about 60% H&P, we believe we have a runway in Hong Kong for H&P to contribute more to new business profit mix. And that gives us the confidence that we should be able to sustain, if not grow our margins in Hong Kong going forward.

Andrew Sinclair (Bank of America): Thank you everyone. A few from me. So first, just looking at that $3.5 billion of HoldCo cash, that is about 13% of your market cap, remittance sounds like it is going to be pretty decent going forward. Just really, how much cash do you really feel you need at Holding Company, and what are the plans for that with the shares where there are clearly the inorganic expenditure has a pretty high hurdle?

Second point was just related to that. Shares are trading at about 60% of published embedded value. What are your plans and timescale for giving a TEV number consistent with your Asian peers?

And then the third question was, you injected some cash into Mainland China to accelerate growth there. Are there any other markets you are looking at where you see any need to inject cash to facilitate growth plans that cannot be funded organically by those countries? Thank you very much.

Anil Wadhwani: Thanks Andrew. Thanks for those questions. I am going to ask Ben to tee up, and then I will add my set of comments specifically on the cash infusion piece. But Ben, you want to first take the $3.5 billion and the TEV question?

Ben Bulmer: Yes, thanks. Maybe I will start with - and hi Andy, thanks for those questions. Maybe I will start with TEV. As I think I said back in August, our focus has been very much on delivering IFRS 17. We have now done that, so we are actively considering TEV. Whether we give that as an additional metric or an alternative, we need some time to do that work. So in the meantime, please bear with us, and I point you to, of course, our adjusted IFRS 17 equity, if anyone wants to look at a risk neutral lens and, of course, our EV sensitivities.

In terms of use of capital and HoldCo, you are right Andy, $3.5 billion, I think we have been quite clear that we want to build financial flexibility. In terms of the uses of capital, really it remains entirely consistent with the principles we set out back in August. We are looking to grow organically, looking to deploy in terms of our investment in capabilities, and then looking at strategic options to widen that potential universe for reinvestment. As I think Anil referred to, there is a very active pipeline of potential opportunities. We talked about distribution partnerships, Health being a couple of good examples, and, as we have said in our speech, we will be disciplined about that. We will compare the economics of that versus returns of capital to shareholders. But from where we sit now, very much valuing that flexibility that we have to be able to grow the business.

Anil Wadhwani: Capital infusion.

Ben Bulmer: Capital infusion into, I think your question, Andy, was anywhere else. I think the majority of our businesses are self-funding. They are capital generative, they remit to centre. It is really the smaller businesses, if you like, the Laos, Myanmar, Africa that continue to require support from centre. Of course, that can change depending on how we deploy capital to grow the business and what opportunities there are widen distribution.

Anil Wadhwani: So Andrew, just a couple of comments from my side to supplement Ben's response. So firstly, on the TEV question, clearly we hear the ask. Our focus was IFRS 17. We are very pleased that we have landed that quite well. We also reiterated the fact that we are focused on execution, on delivering on our two financial objectives that we announced in August last year. And that obviously requires financial resources as well as ensuring that we are stacking up the right quality of talent to drive that execution. So we have to weigh some of the work that will be required as well as the spend of capital that will be required to generate the TEV financials. But we hear the ask and, as Ben said, we are actively considering that.

To your capital infusion, just one point, we like the capital flexibility and the strength. It allows us to grow and gives us optionalities to grow organic as well as look at opportunities across our geographies, and across the geographies of Greater China, of ASEAN, of India and Africa. And I just wanted to reiterate that that allows us to grow all the markets and do not have to necessarily suck out the growth from one market to grow the other.

Patrick Bowes: Okay, just to point on the HoldCo cash usage, bancassurance, there is some payments made in bancassurance out of HoldCo cash as well. So that would be when it is a strategic transaction in the past, you have contributed central cash to facilitate that as well. Just to clarify that.

Michelle: Thank you management for taking my question. My first question is about Singapore. Singapore is a very important region for us, and the NBP growth was a bit soft last year, but I understand that is primarily because of the first half, and we are seeing some improvement in the second half. But just wonder about the future growth driver for this market and would like to do some brainstorming with management team, because, given the increasingly important role of an offshore wealth management hub internationally and given the huge success we have achieved in Hong Kong, so is it possible that we replicate the success in Hong Kong MCV business to Singapore? And what is the hurdle you are seeing deterring us from doing so? That is the first question.

And the second question is about recovery. I do know I count to this simple calculation. So if we compare NBP last year with that in the 2018, so we have about 60% of 2018, but there is a lot of economic assumption changes involved here. But just wondering if management can give us a ballpark number of what is the 2023 business level versus 2018? So what is the pace of recovery for each region? Thank you.

Anil Wadhwani: Thanks for your question, Michelle. I am going to ask Dennis to talk specifically on Singapore, but just to start with the Singapore question, it is a quality franchise, it is multi-channel, and it was illustrated in the strong rebound that we were able to show in the second half of last year versus the first half. Remember, we took the hard steps to pivot from single premium, which, as you know, was a star offering in 2022, to regular premium. And we do that pretty quickly, and now the business has pivoted towards regular premium, and you are starting to see the growth that we were able to demonstrate in the second half.

But I am just going to stop there and have Dennis provide you some extra colour.

Dennis Tan: Thanks very much Anil. Thanks, Michelle, for the questions. So Singapore market last year, it was like a tale of two halves. So if you look at the first half of the year, there was softening in the entire industry, given the high inflation and high interest rate environment that moved really, really quickly. But the second half of the year, there was a very, very strong rebound, and we saw quarter-on-quarter growth. And this came across from a couple of things that we did. So firstly is actually a whole pivot towards the regular premium business. Because of the softening of the single premium, we decided to come really, really hard, pivoting towards regular premium. And that saw [Editor: regular premium] sales numbers grow 32%. And in addition to that, we also launched our Prudential financial advisors, which is a holistic wealth planning business. And that talks to your question in terms of what are the growth opportunities going forward as well, because we feel clearly that that will be a fantastic growth engine for us.

On top of supporting the tied agency force, open architecture bancassurance business, we decided also to invest in this open architecture financial planning unit. So we launched that in April last year, and within a short nine-month period, we ended last year December with 500 advisors, 500 wealth-planning advisors in that unit. And that continues the momentum in terms of recruitment going into this year.

I think one final point is your point on, so-called, MCV into Singapore, in that sense. We already are doing that. So for these foreigners who are coming into Singapore, the first port of call tends to be the banks. They will set up their banking relationship with the local or the foreign banks in Singapore. And as you know, our two big bank partners, Standard Chartered Bank as well as UOB bank, they would have not just the onshore team, but also they have the offshore desks by countries, by region. So we have been working very closely with them to tap on that, and that is an ongoing thing and definitely will also be a key driver going to the future as well.

Back to you, Anil.

Anil Wadhwani: Thank you. Thank you Dennis. Michelle, coming to your second question, so you are absolutely right, the sales did exceed the 2019 levels, but the NBP still has a bit of a runway. And even if you compare it to 2018 levels, I believe the new business profit still has some runway. Part of that is interest rates, as you rightly pointed out, but it is quite evident from the presentation that we have shared that in many markets, we still have an opportunity to go back to 2018, 2019 levels, if not exceed it, including the likes of Indonesia, CPL, which obviously had a challenging year in 2023. Even Hong Kong for that matter, from an NBP perspective, it is still not at the levels that we had experienced in 2018. So the short answer is that opportunity exists across Greater China and across the ASEAN markets, and we have not even spoken about India, which is now slated to be one of the fastest, if not the fastest market across Asia in terms of GDP growth.

Patrick Bowes: Thank you. Just conscious we have nine more questions online. There is a few that have come in online as well. We will respond to the technical questions. There is one on IFRS yield curves, which is very technical. We will come back to the individual on that one.

Larissa Van Deventer (Barclays): Thank you, and good morning. Two from me please. My apologies for the voice. The first on margin expansion. You have spoken about Health growing 20% year-on-year and the rebalancing of bancassurance relative to the other portfolio. On a four-year view to your 2027 benchmarks, do you believe that it is possible for margins to expand, or how do you see the margin involved within that context?

And the other one, if I can just get back to the very first question we had on Hong Kong. We had three years of pent-up savings, but arguably only one year of critical illness riders coming through in last year's volumes. Can you give us any sense of how much of last year's volumes were pent-up savings that are unlikely to recur?

Anil Wadhwani: Thanks for those questions, Larissa, and it is good to hear from you. So on the margin expansion, you are absolutely right, we still believe we have runway to improve our health and Protection mix. If you look at 2023, health and Protection contributed to roughly about 40% of the new business profit and grew year-on-year new business profit by 34%. And as we look at some of the demand drivers, not only in China and Hong Kong, but pretty much across the region, we believe that we can do more there. And it comes down to products, it comes down to how we craft the value propositions, how we train both our Agency as well as our bancassurance partners. And you simply have to look at the pivot that we made in China, and the [Editor: bancassurance] margins on an ex-economics basis due to the product mix, and the Protection again was a part of it, did increase by 8% on an ex-economic basis.

On the Hong Kong part, I will turn to Lilian. Suffice to say, obviously Health and Protection related products is a key focus area for us, and we did launch a few products that Lilian can provide you greater colour on to be able to deepen and broaden our relationship with customers in Hong Kong. Lilian.

Lilian Ng: Okay, just on the pent-up demand, so if I look at 2023 in terms of the MCV case size, it was hovering about over $20,000, but in the second half it actually normalised to $18,000. So I believe that the first half, the pent-up demand is now normalised at the $18,000, and we are seeing that trend continue into 2024 to two months. So I think that is the pent-up demand, and we are now seeing a normalised case size in 2024 as well.

In terms of driving customer proposition, we continue to innovate our product proposition. Firstly, on critical illness, we actually innovated our critical illness products to actually deliver for the family life stages. And with that, we see an increase in our Health and Protection growth in APE, and we continue to do so as we move forward, for 2024.

Anil Wadhwani: Larissa, just to be clear, $18,000, so we did see a spike in MCV in March and April of last year, and then it normalised at roughly about $18,000. And that is what

Lilian was alluding to, that it continued in quarter three, quarter four and into the first two months.

And to your point on pent-up demand, our customers are largely emerging affluent and affluent. And if you then look at the savings rate in China, China has one of the highest savings rate in the world, and you simply have to look at the deposit velocity growth in China last year. So we believe that is going to be the source of we being able to provide a different value proposition to address those customer needs.

Andrew Crean (Autonomous): Good morning, all, two questions please. Firstly, your $0.7 billion in investment in new business, I think at 100% of economic capital. At 150%, which is I assume where you would be really targeting, the remittance ratio goes from 80% to 100%, which means that everything is being paid up. Is that a fair thought? And, therefore, is there any ability to increase the remittance ratio above that?

And secondly, your group surplus is $8.5 billion, your group cash $3.5 billion. Could you tell us how much of that is actually excess to your requirements? And also could you talk more explicitly about when you are comparing buybacks to acquisitions, what are you holding as the key comparative? Because it is all very well, you can always do a banca deal, which on a 10-year view will be more value accreting than a buyback, but that is hardly holding your feet to the flames.

Anil Wadhwani: Thanks for those questions, Andrew. I am going to ask Ben to speak to the economic capital and the group surplus, and then I will be happy to address your question on buybacks.

Ben Bulmer: Okay, so hi Andrew. Thanks for the questions. I will try and be brief. You are correct on the 150% point. We brought up some stock from the Hong Kong business, and that is one reason why I do not think we will be repeating the 80% I referenced earlier. And in fact you should expect a number like 70%.

In terms of the surplus, the $8.5 billion free surplus you reference, in practice, I think as we talked about at the half year, roughly half of that is accessible, if you like, and ultimately deployable for use organically, inorganically and in terms of investment in capabilities. In addition to that, Andrew, as I am sure you will have seen, we are operating at the lower end of our leverage ratio, so we have some flexibility there as well.

Anil Wadhwani: Thanks Ben. Specifically, Andrew, on your question on returning back to the shareholders, as I said right at the outset, that is an option that is always in front of the Board. Just to remind you that we are only in the second quarter of the execution of our strategy that we announced in August of last year. And we believe that there are opportunities across not only distribution expansion or expanding our reach through bank distribution, but we spoke about technology. We are creating technology both that will help enhance customer experience but also enhance distributor experience. And you know how important that is both to drive retention and higher stickiness with our customers, but also ensuring that becomes a huge retention tool for our high-performing and active agents. Likewise, Solmaz gave you a lot of colour in terms of Health. We are looking at opportunities to be able to drive health partnerships. We are also looking at opportunities, for example, in a market like India where we can establish a health business outside the joint venture.

So there are opportunities, and when we look at some of those hurdles, we keep the bar really high. Again, just to reiterate, every dollar of investment that we put in does generate $3-4 back. And that is something that, as I said, is going to be our ongoing focus. But I do want to reiterate that returning back to our investors is always an option in front of the Board.

William Hawkins (KBW): Hello. Thank you for taking my questions. Two, I hope brief. Can you tell us, in the growth markets, what is happened in Taiwan and what is the outlook there? That seems to have been quite a success in the second half of the year, and maybe if you could tell us what the new business profit was in 2023 versus 2022, please. Thank you.

And then secondly, in the narrative around slide 29, you make reference to medical reimbursement issues, which we know is an issue in the region. Could you just tell us a little bit about the scale and the outlook for that comment, for slide 29? Thank you.

Anil Wadhwani: Thanks, William. Thanks for those questions. I will be really quick. We are pleased with the Taiwan performance. It was largely predicated on a differentiated value proposition that we had on our par offering. As both Ben and I mentioned earlier, we have significant experience on crafting and on developing par products, and that is something that came to the fore in Taiwan. We believe that continues to be an opportunity, but we, at the same time, are also looking at diversifying our product mix, which Lilian and team are again actively working in the Taiwan market.

In terms of medical reimbursements, I am going to turn Ben to respond to that question, but suffice to say this is one of our big focus areas, as Solmaz mentioned. We are looking at claims, we are looking at adopting technology, we are looking at being much more disciplined on repricing, and we have again demonstrated that in our two larger health markets of Malaysia as well as Indonesia. Ben.

Ben Bulmer: Yes, thanks, and I will talk with a few numbers if I may. William. So very briefly, mortality is a risk. For us, it has been good. We have had continuously small positive variances for many years, and we look to retain more and more of that risk going forwards. On the morbidity side, pre COVID, typically small positives versus assumptions. For us, they grew during COVID as people deferred the non-medically necessary treatment. Post pandemic, we are seeing much higher utilisation rates of medical reimbursement products. This is across our four major medical markets. We are seeing higher medical inflation. We have got a strong US dollar to contend with at the moment. A lot of health goods are effectively priced in US dollars. All four markets have taken actions to reprice. Of course, we annually reprice these products and, particularly in Malaysia and Indonesia leading the way in that regard.

There is a lot of claims management actions that have been put into swing. We have been prudent. We have set up a provision for around $200 million, and my expectation is that that $200 million caps the negative experience variances that we have seen.

Operator: The next question is from Dominic O'Mahony from BNP Paribas Exane. Please go ahead.

Dominic O'Mahony (BNP Paribas Exane): Well, thank you folks, and I appreciate you squeezing me in. Let me stick to one question. It is really for Ben. On slide 36, I am just looking at the OFSG trajectory, and I suppose I am just trying to work out how you can get to the $4.4 billion because it looks like it could be quite tight. Just to run through some numbers on this, you have already disclosed as at full 2023, you have got $2.3 billion expected emergence in 2027. On my back of the envelope, if you keep growing your new business free surplus generation, you can add $800 million-ish to that. You might get about $300 million expected return. Let us say asset management does $300-400 million, that is $3.7-3.8 billion. Which bit of the equation am I missing? Are you going to really massively increase the new business contribution in the next three vintages, or is it action from the investment plan which is going to revise the baseline? Or are you expecting operating variances to come back and turn positive by 2027?

Ben Bulmer: Yeah, thanks Dom. That is a great question. I think a couple of things. One in terms business experience, yes, absolutely, getting back to in line with assumptions or better than. And just to remind everybody, if you look back to 2010, our operating experience and assumption changes have added some $2.8 billion to our embedded value. So yes, we absolutely need to tackle that. In addition, Dom, I think we are at the very early days, of course, of our strategy, a couple of quarters in. I think there is a lot more we can and will do in terms of Agency productivity. I think that is going to help velocity of cash flows. Equally, I think there is a lot more to be done on the Health side that will help. In terms of the 2023 new business cohort, I think a bit more normalisation in country mix versus past years will also assist. So I think they are the points for me perhaps to factor in.

Patrick Bowes: We are going to turn back to Anil just to close off.

Anil Wadhwani: Thanks Patrick, and thank you. Thank you for those questions, and both Ben and I will be on the road towards the start of April, in fact starting tomorrow in Asia, and then into April, into UK and into North America in early part of April. And we will be happy to dig deep into some of those questions.

Importantly, the message that I want to leave with you is we are delighted with the 2023 performance. It just simply underscores the underlying strength that we have with respect to our distribution, with respect to the quality of relationships that we have with our customers, and, importantly, the quality of talent that we have in Prudential. We are only in the second quarter of the execution of our strategy, and we are also pretty pleased with the early progress that we are witnessing against the execution focus that we are employing on our strategy. And a combination of these factors gives us that additional confidence to be able to deliver the financial and the strategic objectives that we unveiled late August last year.

Once again, thank you for your time, and we look forward to keep the communication going. Thank you very much.

[END OF TRANSCRIPT]