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Interview with James Turner

Ian King

I mention the name Prudential and some people will automatically think of the famous Man from the Pru, but that part of the business is now part of M&G, one of two businesses spun off by Prudential in recent years. While headquartered in the UK, the Pru is now focused on Asia and Africa, where it provides life and health insurance and asset management services to 19 million customers. Well, today it reported an adjusted operating profit for 2022 of \$3.38 billion, which was up 8% on 2021. I've been speaking with James Turner, the chief financial officer, and I've begun by asking him what he'd seen since China dropped its lockdown restrictions.

James Turner

We're really encouraged by the opportunity set now that the border between Hong Kong and China has reopened. We've seen visitor numbers in January, it's only been a few weeks, but visitor numbers in January are about 9,000 a day on average. It crept up to about 40,000 in February, in March year to date, it's about 60,000. It's still about 45, 50% of the level pre-COVID. And one of the things that we are delighted to announce is that by the end of February, our sales are already up 15% as a group.

Ian King

Now, prior to the pandemic, you did use an awful lot of doorstep agents in terms of distribution in mainland China, I understand a lot of those fell away during the pandemic. Has that changed the way that you are distributing products?

James Turner

So, during COVID, you're absolutely right, one of the advantages that we had in the mainland is that we have a very dynamic model, and therefore we have both agency and banker. And so, during that pandemic, when agency and face-to-face was restricted through COVID restrictions, we were able to utilise a very broad banker network. So we're in 23 provinces, we're in 99 cities, I think we've got 6,000 odd bank branches. And so there was a shift from agency to banker during that period, but what we've seen is the agency has really been coming back fast as the restrictions have started to ease.

Ian King

How would you describe the competitor landscape right now? It looks like a lot of your, you've been in Asia for a century, but it looks as though some of your European competitors are playing catch up with you a bit now.

James Turner

Look, I think it's a very difficult market if you are outside of it to break into. We have a number of structural drivers, as you say, we are 175 years old this year, 100 years in Asia. We have the largest agency force in Hong Kong, for example, to capture that mainland Chinese business that's coming across the border. And so, you are absolutely right, this is a very attractive market, but we have got a very big competitive advantage going into it.

Ian King

You've been trying to acquire a licence in Macau, what's the latest on that?

James Turner

So we are delighted to announce that we've got that licence in Macau and we are starting all the processes to actually start selling product in Macau now.

Ian King

Now, you have a joint venture with CITIC, the state owned financial services conglomerate. Your senior management have said for a while you'd like to raise your stake in that, what can you tell me on that?

James Turner

It's a great business. Of course we'd like to have a higher economic interest, but this is a great business, and actually we benefit from having a great partner. And I think we've really benefited from that during the last few years. And this is still a business that's got massive structural long-term drivers, and actually, when I look at NBP this year, for example, in the mainland, that new business profit grew by 15% year-on-year.

Ian King

Looking at the macro, obviously the latest Chinese inflation data has been a bit softer than expected, what kind of assumptions are you making about Chinese GDP growth this year?

James Turner

So look, I'm not in the business of making predictions on GDP or inflation, but taking the 5% that has been predicted seems perfectly reasonable. We're seeing a huge uptick in economic activity, that's good for consumers, that means it's really good for our business.

Ian King

Now obviously you've got a big franchise in Taiwan as well as in China and Hong Kong, how would you characterise the mood there right now?

James Turner

So Taiwan's had a great year, it's predominantly a banker business. Our focus is on consumers and the Taiwanese business is focusing on servicing its consumers, largely through a banker presence, and it's been growing positively.

Ian King

And a word on Africa, we often forget that you have a sizable presence in Africa as well. How's that been trading recently?

James Turner

So we're delighted, Africa's still, we started it relatively recently, but it's grown, we're in eight markets. All markets grew. All markets delivered higher operating profit this year than last year. We are really pleased with the momentum that they're building.

Ian King

And we'll be getting reaction from the investment community to Prudential's results a little later in the programme.

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