

Prudential Investor Day
Mike Wells, Group Chief Executive, Prudential plc
Overview of Prudential plc, key capabilities and strategy

Introduction

Slide 3: Hello

Welcome to the main part of Prudential's 2021 Investor Conference.

In my presentation I will start with an overview, covering the journey we have been travelling, where we are headed next, and the way we have been transforming this business – across multiple dimensions.

I will then hand over to Nic Nicandrou, our Chief Executive of PCA, to show you how we execute with a focus on delivery, digitalisation – and what we are calling “humanisation”.

Put simply, that's about enabling our people to empower our customers.

Nic will be followed by Mark FitzPatrick, our Group CFO and Group COO, on how we will translate our strategy into financial value.

I hope his presentation will leave you a clear sense of our scale, quality and velocity of our business.

We will then have an initial Q&A session and go into the two panel sessions. After a final Q&A, I will set out the investment case and close with a summary.

Slide 4: Who we are today: Leading pan-Asia & Africa focused life & health insurer and asset manager

Taken together, the showcase videos we have uploaded for this represent around 180 minutes of rich content.

I realise that's a lot for people to absorb.

But the one key thing I would like you to take away is that – at its heart – Prudential is actually a simple business, with a simple proposition to investors.

We have a simple purpose: We help people get the most out of life. And we do that by making healthcare affordable and accessible, by protecting people's wealth and by growing their assets.

We have an equally simple strategy. We focus on the largest markets in the fastest-growing regions of the world, offering a broad set of differentiated products to serve the unmet needs of these communities.

We have built a competitive advantage in three ways:

One, through a multi-channel distribution model with 600,000 agents, access to 20,000 bank branches and a modern, scalable platform.

Two, through our distinctive culture focused on innovation and growth.

And three, through the experience and trust with regulators, policymakers and communities that comes from operating in Asia for almost a century.

We have an inherently sustainable business model.

We benefit from a virtuous cycle where the superior economic growth in our markets and ageing demographics create an ever-greater need for what we do.

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Policymakers recognise the important role we play as a pillar of the social safety net.

We are also taking steps to align our business more closely with the global transition towards a lower carbon economy.

Any future climate crisis will heavily impact the communities we serve in Asia and Africa.

As a steward of long-term capital and a protector of people's lives, we need to drive decarbonisation in a way that's just and inclusive.

So last month, alongside a new set of near-term measures, we announced a goal that the assets we hold on behalf of our insurance companies will become "net zero" by 2050.

Slide 5: Today's success is built on a strong financial track record: Asia has delivered compounding growth across all metrics

This is a business that is materially larger and more valuable to shareholders than it was 10 years ago – or even five years ago.

In particular, looking at embedded value, the best proxy for compounding growth. This has more than tripled over the past decade and doubled over the last five years.

While many of our peers might be able to move the needle on one or two metrics over a shorter timeframe, very few can drive all these metrics over such a sustained period.

There is no single ingredient in the sauce that creates this sustainable growth.

It's a blend of positive external trends; constant internal transformation; and the dedication of our people – a dedication so clearly seen in their response to the challenges of Covid.

All of this makes our growth formula extremely hard to replicate.

This strong track record is one of the reasons why we believe that we can continue to grow new business profits – or NBP – faster than our markets' GDP.

And it's why we believe we can sustain double-digit growth in embedded value per share in the years to come.

Slide 6: Success is underpinned by rising unmet consumer needs: ...with external megatrends creating a long runway for future growth

Over the past few years, we have taken steps to actively manage our business model to align it more closely with the big structural changes that create demand – largely unmet – for the services we provide.

These are the charts that tell that story. Despite their fast-rising prosperity, Asian people still have low levels of insurance cover, with 40 per cent of health and protection spend still paid out of pocket.

This creates a large and growing unmet need, a vast health and protection gap that has been estimated at 1.8 trillion dollars.

Even larger is the estimated 83 trillion-dollar mortality gap – representing the income that families forego if they lose their breadwinner.

It is these long-term trends which underpin strong, rising demand for savings and protection across this region, and create significant opportunity for growth and value creation.

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Slide 7: The transformation of Prudential: Structural transformation - unleashing the potential of all our businesses

In some ways, it is harder for a successful, growing business to adapt and change, than it is for a business that's facing a visible challenge.

But this is exactly what we have been doing over the past few years – fixing the roof while the sun shines.

This has been more than essential maintenance. It amounts to a complete reconstruction of the house.

The transformation has taken place across three dimensions: structural, operational, and cultural.

Let's start with structural transformation.

When we look back to Prudential of 2015, we had a great set of businesses, but we were strategically constrained.

The Group was not necessarily the logical owner of all our businesses, nor were the individual units strong enough to stand on their own as independent companies.

What we did was create genuine optionality and then we exercised those options.

Break-ups are difficult, which is why so few financial services businesses with long histories attempt these kinds of structural changes.

But with Jackson expected to separate in the second half of this year, subject to shareholder and regulatory approval, the completion of this phase of the structural transformation is within sight.

In 2015 we were a global enterprise, straddled across four continents, operating in wildly varying markets.

Once the structural changes are complete, we will be focused purely on the two continents with the most attractive opportunities for the services we know how to provide.

Shareholders will own a pure play on future growth through a portfolio of powerful businesses: China, India, scale businesses in the ASEAN region, emerging growth markets in Asia and Africa, and a leading regional asset manager.

These businesses are linked by our culture and an increasingly integrated and flexible approach to servicing the customer through digital.

That makes us scalable, adaptable and ready to seize future opportunities.

Slide 8: The transformation of Prudential: Operational transformation - Meeting customer needs at scale

This brings me to the operational transformation.

Prudential in 2015 was like an auto company that made separate models for individual countries.

They were often beautifully designed for their drivers, but there was no common platform and few shared components.

What we are doing is systemically re-engineering our business.

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We call our new common platform Pulse – and you will already have heard a lot about this in our business videos.

Pulse is more than an attractive app that welcomes new consumers with distinctive health and wealth services.

It is a new way of thinking and working within the organisation.

It is a set of common tools to make our agents more effective and more productive.

It is the way in which we can connect seamlessly to third parties such as banks and our new digital distribution partners.

It is also transforming our ability to become a genuinely inclusive business.

Where before our business model constrained us in the type of customers we could effectively service, now there are few limits to our reach.

Over the past few years you have seen us rapidly develop our Group and SME businesses and our sharia-compliant offerings.

We create bite-sized products that suit Millennials, not ready to commit to our more traditional, comprehensive plans.

And we have stretched our brand into the high net worth segment.

All of this makes for a more resilient business better able to adapt in difficult times and seize new opportunities as they emerge.

The traditional model for our industry was to focus on relatively small numbers of high-value customers.

And those cohorts of loyal customers, some of whom have been with the firm for decades, remain hugely important to Prudential.

The model we are moving to now is one where customer acquisition at scale is consistent and indeed supportive of the creation of long-term shareholder value.

And that is why we are developing the capacity to reach 50 million customers by 2025, which you will hear Nic talk about in more detail.

Slide 9: The transformation of Prudential: Cultural transformation - Drive and pace in innovation

Underpinning the transformation of our capabilities is a genuine shift in our culture.

In 2015, compared to where we are today, Prudential was a siloed world both in its internal habits and in the way it interacted with the outside world.

There was a prevailing view, common in financial services, that we needed to own and control the whole value chain – even the elements in which we had little expertise.

Here are a few things that we have shifted:

First – we have moved from a culture of regarding external firms as mere “vendors” to building deep partnerships, where there is collaboration between teams and a two-way transfer of ideas. To date, we have entered into no fewer than 35 key digital partnerships.

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Second – We have brought in new people with expertise in tech and consumer-facing sectors, but more importantly we have upskilled our existing colleagues. 3,100 of them have now gone through training in artificial intelligence.

Third – We have introduced new ways of working in order to accelerate innovation and product development. Two years ago we introduced the Silicon Valley idea of “hot houses”. These are intense three-day workshops designed to convert at high speed concepts into propositions ready for launch (subject of course to regulatory approval). Since then, the hot house has become part of our standard way of working.

The output of this is a step change in innovation:

- The launch of 175 new or improved products last year – up from 106 launches in 2015.
- The roll-out of Pulse across 17 markets in Africa and Asia in 21 months.
- The ability to swiftly enter and scale up in new markets, such as countries in Africa or new provinces in China.
- The acquisition of consumer insights through Pulse to define the next phase of innovation. Each day, we acquire 20 gigabytes of behavioural and engagement data.

The proof of this execution and innovation is demonstrated in the \$70 million of Pulse sales in the first quarter of this year. This represented nine per cent of our sales in the markets where Pulse is available.

There has been a fundamental mindset shift. The starting point for everything we do is the needs of the consumer – not our ability as a manufacturer to produce. (This is an attitude still, even now, too prevalent in the financial services sector.)

It means that our people can dare to dream in a way that they never could in the past

Slide 10: Operational management team committed to further transformation: You have been watching...

I hope you have enjoyed the videos we have uploaded and later on you have the panel sessions as well. The energy and dedication of our people never fails to inspire me.

This a diverse team in every sense of that word.

As well as diversity of gender and ethnicity, this is a mix of industry experts and people who have entered our world from other disciplines and sectors.

You will have also watched a mix of veterans and younger people with high potential.

All of them have come together to build a distinctive ethos and culture that I believe represents a genuine competitive advantage.

Slide 11: Building a diversified Pan-Asian franchise: Well positioned for long-term profitable growth

This transformation has supported the development of a diversified franchise focused on the high growth markets of Asia and Africa. The business has access to 3.7 billion people in Asia and a further 400 million in Africa.

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The map here illustrates the number of our leadership positions – nine top-three businesses - and the sheer scale of those businesses, with seven of them producing profits of over a quarter of a billion dollars last year.

The number of material profit engines in Asia is a major change compared to five years ago.

In particular, our Mainland China business, almost immaterial in 2015, has grown its IFRS earnings by more than five times and is now the sixth largest contributor to the Group.

The diversity of our platform is demonstrated by our broad product mix and our multi-channel distribution, which includes our long-term bancassurance partnerships with Standard Chartered and UOB.

In Eastspring, where the reliable and stable flows from our Asian life business, which are sizeable, are largely uncorrelated to market factors, and are growing as the life business grows. These flows provides Eastspring the opportunity to develop investment strategies, that can be subsequently deployed for third party retail customers and institutions.

And then our currently relatively small but fast-growing Africa franchise has great scope for leveraging on the Asian game plan.

This robust platform is a strong launchpad for the opportunities of the future.

Slide 12 The new opportunity set for Prudential

When we look back five years, there were three opportunities that loomed large in our discussions around the Board and executive tables.

First, the creation of a corporate structure that could unleash the potential of our businesses.

Second, the creation of a common operating platform that would allow us to compete effectively in an era of digital disruption.

And third, the creation of a corporate culture focused on innovation and growth – able to keep pace with fast-changing consumer needs.

That work, while not complete, is well underway.

And now new opportunities are presenting themselves.

China: We have a huge opportunity through the mainland China business of broadening and deepening our presence in our nationwide footprint. We are also well positioned to capture the significant opportunity presented by the Greater Bay Area, a region which, if it were a separate country, would be the 10th largest economy in the world.

India: Here, with leading life insurance and asset management businesses, there is an opportunity to expand our presence in a country with 1.4 billion people as the businesses grow both in terms of scale and profitability.

South-East Asia: We have the opportunity to broaden our offerings, and enhance our distribution to deliver personalised solutions to meet people's health and savings needs – particularly in the region's largest economies: Indonesia and Thailand.

Health and protection: The opportunity to build out from our traditional role of financial protection into solutions that help postpone and prevent ill-health.

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Wealth: The opportunity to combine our capabilities into a super-app – or one-stop shop – for Asia’s wealth needs.

And new markets: We will consider the options available to us, but the biggest opportunities lie on the doorstep of our existing offices.

These are the many hundreds of millions of people in Asia and Africa who are currently unserved or underserved by financial services.

And we are well positioned to meet the health, protection and savings needs of the region.

Slide 13: Our Key objectives:

[Pause to allow people to read the slide]

I will now hand over to Nic, who will say more about how we are delivering, digitalising and empowering our colleagues and valued agents - upon whom the financial success of this great business relies.