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OUTsurance

Financials

14 March 2025

52% increase in H125 earnings

OUTsurance released H125 results on 14 March 2025, delivering 52% normalised EPS growth and return on equity (RoE) of 30.8%. South Africa (SA) property & casualty (P&C) delivered 32% earnings and 9% premium growth, while Youi (Australia) recorded 154% earnings and 22% premium growth. SA Life delivered 225% profit growth, while its Irish start-up made losses of ZAR246m (up 289%). Net asset value (NAV) per share was 870ZAc (large dividend payments over the period). It declared an interim dividend of 88.6c/share (up 44.8%). OUTsurance trades at a price to NAV of 7.5x, which is the highest level seen since its unbundling and superior to its peers.

Hard underwriting cycle bolsters SA performance

SA P&C earnings growth of 32% was supported by a strong local market with much lower weather-related claims following a period of high premium rate increases. In addition to the hard underwriting cycle, it also benefited from the J-curve for OUTsurance Business with the underwriting margin reaching 20% (from 2% in FY22). Premiums in SA were up 9% (including re-rating), and will become more dependent on new business production going forward. OUTsurance SA recorded real growth in policy count over the period, which is a strong result relative to peers.

Youi claims ratios down to FY23 levels

Youi suffered from high natural catastrophe (Nat Cat) claims in recent periods and loss ratios well over 60%. H125 was much better, with 54% for Youi Personal and 59.5% for Youi Business, supported by a benign Nat Cat environment. Very strong top-line growth, which has been a feature over recent years, continued with a 22% increase in H125. This was supported by the reduced utilisation of reinsurance in Youi Commercial and strong production from its CTP business.

Attractive exposure to P&C growth markets

OUTsurance is the leading direct personal lines P&C insurer in SA and the fastest growing player in the Australian market. Its direct model has consistently delivered lower loss ratios than peers due to much lower distribution costs, sophisticated risk rating, enviable pricing power with suppliers and strong brand, supported by incentives (like cash-backs, which it introduced to the SA market). After successfully building a grassroots business in Australia, it has now entered the Irish market (posting ZAR246m of start-up losses in the period). Its SA direct life assurance business offers further diversification (225% increase in H125 earnings to ZAR185m). OUTsurance trades at a high price/NAV of 7.5x due to strong growth, superior returns, high cash conversion and diversification potential.

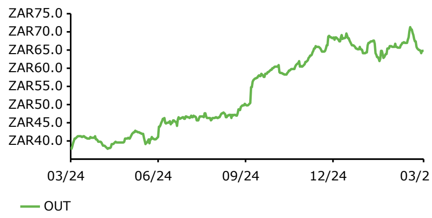
Historical financials

Year end	Revenue (ZARm)	PBT (ZARm)	EPS (ZAc)	DPS (ZAc)	NAV/share (ZAc)	ROE (%)	P/E (x)	Yield (%)	P/NAV (x)
6/22	21,218.0	2,731.0	191.10	207.50	749.90	27.9	34.0	3.2	8.66
6/23	26,833.0	4,876.0	189.30	143.30	871.70	23.4	34.3	2.2	7.45
6/24	31,913.0	6,285.0	226.40	214.40	916.10	26.2	28.7	3.3	7.09

Source: Company data. Note: Includes special dividends.

Price **ZAR64.91**
Market cap **ZAR100,516m**

Share price performance



Share details

Code	OUT
Listing	JSE
Shares in issue	1,546.4m
Net cash/(debt)	ZAR1,692.0m

Business description

OUTsurance is a group of leading insurance providers operating in three markets. In South Africa, OUTsurance offers car, home, business, life funeral and pet insurance. In Australia, Youi provides car, home, business and CTP insurance and OUTsurance Ireland offers car and home insurance.

Bull points

- Market share leader in SA and strong market share growth in Australia.
- Sustainably high underwriting margins
- High cash conversion and shareholder distributions

Bear points

- High exposure to the South African market and the rand.
- Premium valuation.

Analysts

Martyn King +44 (0)20 3077 5700
Marius Strydom +44 (0)20 3077 5700

financials@edisongroup.com
Edison profile page

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London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom