



# APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

## OUTsurance Holdings HY 2026 Results

Share Price	R70.86
Date	11 March 2026

### RESULTS SUMMARY

The OUTsurance group delivered solid interim results, although profit growth moderated compared to the prior year. Normalised earnings rose by 12.6% to R2.5bn, supported by strong premium growth and investment income, partly offset by higher natural peril claims in Australia. Short-term insurance gross written premiums rose 6% y-o-y to R20.04bn, or 17.4% excluding exited operations, reflecting strong momentum in key markets. Both OUTsurance SA and Youi delivering solid organic growth, with annualised new business premiums increasing by 24.2% (excluding exited operations).

Youi Direct performed particularly well, with gross written premiums in Australian dollar terms rising by 23.8%, and net earned premiums increasing by 30.6%. However, natural disaster losses in Australia roughly doubled from the prior year, weighing on earnings. OUTsurance Ireland, launched in May 2024, reported a loss of R263m due to start-up costs and IFRS 17 provisions. Ireland contributed 1.7% to the group premiums. Management expects further cumulative funding of €60m – €70m over the next four years.

The group declared an interim dividend of 120.7 cents per share, up 36.2% from 88.6 cents last year, along with a special dividend of 30.3 cents per share. Capital levels remain robust, with OUTsurance Life's solvency capital requirement ratio comfortably within its target range of 1.3 - 1.7 times.

Looking ahead, management remains positive on growth, supported by lower reinsurance costs, a supportive SA macro environment and improving efficiency through proprietary systems and AI. OUTsurance Ireland is expected to reach a turning point in its cash burn rate within six months and targets monthly breakeven by April 2029, while the group remains well positioned to sustain strong operational performance.

### OUR LONG-TERM INVESTMENT VIEW

- We regard OUTsurance as a quality short-term insurer with considerable scope to continue growing its market share, particularly in Australia. The group has a strong balance sheet, with capital levels above the target range and relatively superior underwriting metrics.
- In part, the group's impressive underwriting metrics are a result of its large market share in the motor vehicle segment, a position we believe the group can sustain, despite the competitive dynamics within short-term insurance.
- OUTsurance's insurance book is diversified across motor and personal property insurance. We believe that there remains an opportunity for the group to grow meaningfully within the business and property insurance. The group's business portfolio is relatively small and is an area management have been increasingly investing in. The group's operations in Australia further add diversification to the group's strong South African operations, which we believe places the overall group in a good position.

### UNPACKING THE HY 2026 RESULTS

#### High-level numbers

- The group's **normalised earnings** increased by 12.6% to R2.5bn. Growth was driven by strong performance in the South African operation, while the Australian operations were negatively impacted by the strengthening of the rand against the Australian dollar and a period of volatile weather-related claims. Notwithstanding these factors, the Australian operations continued to show good organic growth. Normalised investment income

#### SA remains resilient

- **OUTsurance SA** delivered a solid performance, with operating profit increasing by 68.9% to R2bn - benefiting from a lower cost-to-income ratio following reduced share-based payment expenses. Gross written premiums increased by 8.2% to R7.22bn, supported by premium inflation and some growth in policy volumes.
- **Personal Insurance** benefited from good growth in written premiums and strong retention rates. Operating profit for the segment rose 10.8%, with

increased by 27.7% due to strong equity market performance, which offset lower yields on money market investments.

- **Gross written premiums** saw a solid increase of 17.4%, excluding disinvestments, with Youi Group delivering growth of 20.8%. Annualised new business for the group rose 24.2%, highlighting the group's ability to attract new customers while maintaining disciplined pricing strategies. Over the past decade, the group has increased gross written premiums by an average of 11.1% per annum, which is an impressive feat.
- The **claims ratio** for short-term insurance deteriorated from 53.2% to 58.6%, due to large increases in natural peril claims in Australia. Youi's retained claims rose from 8.6% of net earned premium to 17.2%.
- The **combined ratio increased slightly from 86.2% to 86.4%**.

#### **Strong organic growth despite higher claims**

- **Youi's** normalised gross written premiums rose by 20.8% to R12.6bn, benefiting from premium inflation and strong organic growth.
- However, the division's operating profit fell 43.3% to R0.7bn, reflecting higher claims costs experienced during the period. The frequency and severity of Australian weather events tend to cause short-term volatility in Youi's operating profit. However, over longer periods, the group has shown solid profit growth within the region.
- During the period, the Claims ratio increased from 56.5% to 66%; however, after excluding the natural periods, the Claims ratio improved from 51.9% to 50.9%.
- Management commented that while volatility over six months due to natural perils is common, they expect this to normalise over the full year, with the second half better than the first.

improved combined and cost-to-income ratios.

**The Business segment** also showed significant growth, with OUTsurace Business operating profit increasing by 54.2% to R472m, driven by 12.1% premium growth and a reduction in the Claims ratio to 43.6%. A notable highlight was the continued scaling of OUTsurace Brokers, a segment now experiencing economies of scale. The broker channel expands the group's distribution reach and diversifies revenue streams. Management remains optimistic about the long-term potential of this channel as it scales further.

- **OUTsurace Life** reported operating profit of R143m, 5.9% higher than the prior year. This growth was achieved despite the negative impact of the flattening of the yield curve over the period. The value of new business rose by 61.9% to R285m, with new business margin increasing from 23.1% to 25%.

#### **Looking ahead**

Management remains upbeat about organic growth prospects, citing expectations of lower reinsurance costs, a positive SA macro environment, and the Australian interest rate cycle. Expansion in the broker channel remains a key growth driver, providing access to high-net-worth clients. Cost efficiency initiatives continue through the use of proprietary systems and AI-driven automation. Motor premium inflation is expected to stabilise, while home inflation in Australia may increase following recent natural disasters.

OUTsurace Ireland is expected to reach a turning point in its cash burn rate over the next six months and aims to achieve monthly breakeven by April 2029. Overall, OUTsurace continues to deliver strong operational and financial performance, reinforcing its position as a leading short-term insurer in SA and Australia.

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