FINAL

Bloomberg Transcript

Y 2019 Earnings Call

Company Participants

- Andy Briggs, Group Chief Executive Designate
- Clive C R Bannister, Group Chief Executive
- Jim McConville, Group Finance Director and Group Director, Scotland
- Nicholas Lyons, Chairman
- Rakesh Thakrar, Deputy Group Finance Director
- Unidentified Speaker

Other Participants

- Analyst
- Andrew Crean
- Andrew Sinclair
- Dominic O'Mahony
- Gordon Aitken
- Greig N. Paterson
- Jon Hocking
- Ming Zhu
- Oliver Nigel

Presentation

Nicholas Lyons {BIO 16348625 <GO>}

Right. Well, a very good morning to all. I wonder if you could just shut those doors there at the back. Thank you very much. And a warm welcome to the Phoenix Group 2019 Full Year Results Presentation, somewhat of an auspicious day.

2019 was a year of significant achievement for Phoenix, in which the Group delivered all of its strategic priorities and enhanced the acquisition of ReAssure Group plc. The growth achieved by Phoenix during its time listed on the London Stock Exchange is pretty remarkable and a testament to the outstanding leadership over this period and an exceptional team of talented colleagues. However, we remain incredibly ambitious and look forward to growing the business further in the future.

Phoenix recognizes the importance of integrating, environmental, social, and governance considerations into our everyday operations. As a business, we're uniting behind the sustainability vision of Committing to a Sustainable Future and have identified four areas of commitment, deliver for our customers, foster responsible investment, reduce our environmental impact and be a good corporate citizen. These commitments are underpinned by working ethically with our supply chain and strong governance and good business practices. Our achievements to-date plans and aspirations are set out in our first sustainability report, which we published today and is available via our website and I do encourage you to take a look. Moving forward, we'll be setting targets for each of these areas and we look forward to talking to you about our progress in the future.

Our results presentation today, reflects a time of change at Phoenix. We announced in November that Clive would be retiring today, and that he would be succeeded by Andy Briggs. With over 30 years of experience in the sector, Andy is the natural successor to Clive and joins Phoenix at a time of great opportunity. We are delighted to have him join our family.

This morning, we announced that Jim will also be retiring this year and we will be succeeded by Rakesh Thakrar. Rakesh has been with Phoenix 18 years and he has been integral to the success of the organization over that period. We're delighted to be able to promote internally into this role. The Board and I have great confidence in Andy and Rakesh as the future leaders of Phoenix.

Clive and Jim will begin our presentation today by providing an update on Phoenix's achievements in 2019. They will then hand the back to Rakesh and Andy, who will update you on our growth aspirations and outlook for 2020 and beyond.

Clive?

Clive C R Bannister {BIO 2183003 <GO>}

Nick, thank you very much, and good morning, everyone. Good morning.

Phoenix delivered another strong year. We report results today that are either in line with or slightly ahead of consensus across all of our key financial performance indicators. This extends Phoenix's track record of meeting or exceeding all publicly stated financial targets. Our KPIs highlight Phoenix's ability to deliver dependable cash generation year-after-year, and the ongoing resilience of our regulatory capital position. In March 2019, I set out Phoenix's strategic priorities for the year ahead. Phoenix has delivered on all of these.

Jim will walk you through the financials in a moment. Meanwhile, our Standard Life Assurance transition program is on-track to meet our GBP1.2 billion synergy target. In November, we announced an enlarged strategic partnership with TCS to support the delivery of a differentiated and scalable customer services and IT operating model, which will be crucial in Phase 3 of our transition program.

Improving customer outcomes is central to Phoenix's mission. We have made good progress on customer initiatives and maintains high levels of customer services throughout 2019. Phoenix now has a range of growth opportunities and is writing new business across both its heritage and open segments. New business written during 2019 delivered GBP475 million of incremental long-term cash generation. Finally, we were delighted to announce the acquisition of ReAssure on the 6 of December, a transaction which will deliver value to shareholders over many years to come.

Today, we set a new one-year cash generation target for Phoenix of GBP800 million to GBP900 million. And we remain on track to deliver our five year target from 2019 to 2023, which has been upgraded for the impact of 2019's new business to GBP3.9 billion. We therefore expect to deliver a further GBP3.2 billion over the next four years approximately GBP800 million a year.

Phoenix's cash generation guidance is based on enforced business only and therefore excludes the impact of any new business to be written in the future. At the end of each year, we therefore have to roll forward our cash generation guidance to take account of new business written in the year and other known differences. Last March, we estimated that the business in-force as at the 31, December 2018 would generate GBP12 billion of cash over its lifetime.

During 2019, we have added GBP700 million to this guidance primarily through the writing of new business and the over delivery of management actions. This incremental cash generation has offset the GBP707 million of cash remitted during the year. We therefore estimate that the long-term cash generation from business in-force, as of the 31 of December 2019 will be GBP12 billion. Our growth options are clearly bringing more sustainability to our cash generation. So, based on the 2019 experience, the wage hypothesis is working.

On the 6th of December 2019, we announced our intention to acquire ReAssure for GBP3.2 billion. With GBP84 billion of assets under administration across 4.1 million policies, ReAssure will bring GBP7 billion of incremental cash to the Group. It is our largest acquisition to-date and confirms Phoenix as Europe's largest life and pension consolidator. This transaction is strategically compelling and meets all of our acquisition criteria.

We expect to deliver GBP800 million of cost and capital synergies by integrating the two businesses, making the transaction value accretive to all of our investors. Not only does the GBP7 billion of incremental cash generation support a proposed dividend increase of 3%, but because GBP2.7 billion is generated by year-end 2023. This will provide funds to support additional growth opportunities. Finally, the deal was funded in an efficient manner, maintaining our investment grade rating without the need to raise fresh equity from our institutional shareholders. In this context, we look forward to welcoming our new shareholders upon completion Swiss Re and MS&AD, who will have circa 14% each in the enlarged Phoenix Group.

We are focused on completion of the transaction, which we target for July, subject to of course the regulatory approval. On the 31st December, ReAssure completed the acquisition of the Old Mutual Wealth business from Quilter. Announcing this transaction will generate synergies of circa GBP200 million. These synergies are in addition to the GBP800 million target that Phoenix had set, but were excluded from the pro-forma own accounts figure disclosed at the announcement, why? Because we had to comply with prospectus rules. Reflecting these anticipated synergies in the pro-forma own funds would reduce the price to own funds ratio from the advertised 91% to 87% further illustrating the value accretive nature of this deal.

Jim and his colleagues and treasury have made significant progress with our funding strategy. Following a revision by Fitch of our ratings outlook, which moved from stable to positive, we issued a USD750 million restricted Tier 1 bond in January. With hindsight, this looks brilliant.

Fitch categorized the RT1 as equity in their leverage calculation, and therefore our pro forma leverage ratio has been reduced by 4% to 26%, bringing it comfortably within our target range of 25% to 30%. Since the announcement of three months ago, we have been working closely with our future colleagues at ReAssure to progress the regulatory change in control application. And I want to publicly thank Mark Hodges, the CEO of ReAssure for their help with this work today. The pre-application was submitted at the end of January and we are on track to make our final application at the end of March. And finally, I thank our shareholders for their support for this transaction with a 99.99% vote cast in favor at last month's EGM.

Phoenix delivers value to investors through M&A by buying well and then delivering cost and capital signatures. We have a strong track record of integrating businesses and have been able to deliver higher cost synergies over time than those indicated when each deal was originally announced. This exhibit, first time we've shown it, shows our over delivery for AXA, Abbey and the Standard Life Assurance transactions. The GBP40 million per annum costs synergy target announced for the acquisition of ReAssure excludes any savings associated with combining the customer service and IT operations of the two legacy businesses.

Our priority in the short term reflects our desire to protect enterprise stability in both Groups. The Group continues to have a stable and sustainable dividend policy. Our proposed 2019 final dividend is 23.4p per share bringing the full year payout to 46.8p per share. Acquisitions have been a trigger to increase the dividend and we announced a proposed 3% increase following the ReAssure transaction, effective from 2020 final dividend. This increase, the fifth during my time as CEO, takes the cumulative dividend increase to 50% over 10 years, equivalent to a 4.1% CAGR.

I will now pass you over to Jim. Jim, the floor is yours.

Jim McConville {BIO 3743391 <GO>}

Thank you very much, Clive, and good morning, everyone. So, today Rakesh and I will talk you through the Group's progress against this 2019 strategic priorities and I will begin by talking you through the Group's performance against its financial targets.

As Clive said, we have had a strong year financially, exceeding our cash generation target and exceeding the year comfortably within our target range for solvency and below our target range for leverage. We have also had a strong delivery across our financial performance metrics for new business and IFRS operating profit. These financial highlights demonstrate that we continue to manage our in-force business for resilience and cash generation and are also focused on growth through new business.

At our Capital Markets Day in November, we announced 2019 cash generation of GBP707 million, ahead of the GBP600 to GBP700 million target range. Management actions contributed about a third of gross cash generation and continue to supplement cash generated from the organic unwind of our in-force business and the distribution of free surplus.

Gross cash generation in the year of GBP957 million provides dividend cover of 2.8 times and includes the first dividends from Standard Life Assurance since the acquisition. As you know, cash is king at Phoenix and the cash generation remitted to Group from our insurance companies remains our key metric. We expect the combined group post ReAssure to generate GBP19 billion of cash over the life of the in-force business. This guidance excludes incremental cash generation from new open business, new BPA deals and any further M&A. Additionally, it only includes four years worth of management actions and does not place any value on management actions beyond 2023. We will provide new cash generation targets for the combined group at our full year 2020 results in March of next year.

The format of this slide will be very familiar to you. It sets out the sources and uses of cash for Phoenix from now until the end of 2023 and overlays the impact of the ReAssure transaction. As you can see, the ReAssure transaction delivers significant cash over this period reflecting the high level of cost and capital synergies we expect to deliver as we bring the two businesses together.

Even after a potential GBP1.2 billion repayment of debt, the Group holding company is forecast to end 2023 with GBP1.4 billion more cash than it had at 31, December 2019. This cash is available to support a range of growth options that Rakesh will outline later to bring further long-term sustainability to cash generation.

Turning now to resilience, we present here the sensitivity of Phoenix's standalone GBP3.2 billion cash generation target between 2020 and 2023 to various stress events. As you will be aware, Phoenix has a low appetite to market risks and uses hedging to mitigate the majority of its exposure to equity, currency and interest rate risk. This translates into the low sensitivity to these risks we present today.

You will notice that Phoenix's sensitivity to a 20% fall in equities is actually positive. On 5, December 2019, we took out a GBP700 million equity hedge against the residual shareholder equity risk exposure of the ReAssure business. In the period prior to completion, this means, we are effectively over-hedged on equities and therefore would see an increase in our cash generation should equity market falls.

Phoenix's main exposure continues to be to longevity risk on its annuity business. Here we model the impact of every annuitant living six months longer; and even in this unlikely scenario, the Group will be able to service its debt obligations and continue to pay its dividend. This resilience in our cash generation brings increased certainty to our dividend.

This slide shows the combined group sources and uses of cash beyond 2023.The ReAssure transaction increases the illustrative holding company cash following repayment of all outstanding shareholder borrowings by 50%, bringing increased sustainability to the annual dividend, which has increased by only 40%.

Moving now to solvency, Phoenix maintains a strong capital position with a Solvency II surplus of GBP3.1 billion and a Shareholder Capital Coverage Ratio of 161%. This position is stated after the deduction of the 2019 final dividend. Shareholder Own Funds continues to be a good starting point for determining shareholder value, but does not include a number of areas, where value exists. These include contract boundaries, where the value of in-force on unit-linked business is restricted under Solvency II, and the shareholders share of our with-profit estate. Adjusting for these two items provides a proxy for shareholder value at 31, December 2019 of GBP6.1 billion, which equates to GBP8.45p per ordinary share. This value proxy is effectively ex-div. It also places no value on future new business from vesting annuities, BPA and open channels or management actions.

During the year, we saw the PGH Group surplus decrease slightly from GBP3.2 billion to GBP3.1 billion. The main driver of this reduction was the capital dis-synergy arising from our Brexit preparations, where a loss of diversification and transitional benefits arose from the Part VII transfer of the Group's European branch business to Standard Life International Limited, because it is a Standard Formula company. The strain of GBP0.2 billion from new business during the period primarily relates to the cost of BPA and vesting annuities written in the heritage segment as new business written within the UK Open and Europe segments remains capital-light.

Economic variances were a small negative reflecting the Group's hedging strategy for equity, currency, and interest rate risk, which brings resilience to the Group's solvency position. The Group recognized GBP120 million benefit from changes to longevity assumptions which included moving to the CMI 2018 mortality tables. This was largely offset by changes in the assumptions for house price inflation, dilapidations and property volatility used to value our Equity Release Mortgage portfolio. We also saw small strains from a number of other assumption changes across the Group together with expected corporate project costs.

In the second half of 2019 management actions added a further GBP300 million to our Solvency II surplus, taking the total benefit in the full year to GBP650 million. This included GBP145 million of capital synergies on the Standard Life Assurance businesses. Management actions included our ongoing investment in the illiquid assets, completion of a further tranche of Equity Release Mortgage securitization and matching adjustment fund optimization. The management actions we deliver each period contribute to free surplus available in the life companies which will, over time, be remitted as cash generation to Group. We therefore, see a timing lag between the impact of management actions on the surplus and management actions within cash generation.

One of our most material management actions continues to be the sourcing of illiquid assets to back annuity liabilities. The yield pickup associated with the illiquid nature of these investments more than outweighs the additional risk capital, driving an overall benefit to Solvency II surplus. In 2019, we originated GBP1.3 billion of illiquid assets across a broad range of maturities and spreads including investments in social housing, student accommodation, healthcare and equity release mortgages. With an average deal size of GBP30 million, 2019 origination was well diversified by type and had an average credit rating of A+.

As at 31 December 2019, our illiquid asset portfolio was GBP5.3 billion and represented 26% of assets backing annuities. With nearly 90% of our illiquid asset portfolio having a rating of A or above, we are comfortable that our credit rating remains within risk appetite. We target a 40% allocation to these asset classes; and whilst we continue to be driven by value rather than volume, we expect to originate around GBP1 billion of illiquids this year.

Phoenix's capital position remains resilient to risk events. Our target Shareholder Capital Coverage Ratio is 140% to 180% and the sensitivities set out show that Phoenix remains well within this range under these scenarios. We are currently experiencing a period of market volatility generated by the uncertainty surrounding the potential impact of COVID-19.

By the end of February, we had observed a 13% fall in equity markets, a 17bps widening in credit spreads and a 40 bps fall in interest rates. The sensitivities we disclose provide clear guidance on the impact that these changes will have on our Group solvency. As a result, we estimate that this recent volatility has had a minimal impact on our solvency position. We therefore continue to demonstrate resilience to risk events and remain well within our stated solvency range.

We have delivered a strong set of IFRS results with operating profit of GBP810 million and profit after tax of GBP116 million. The increase in operating profit year-on-year is primarily driven by the inclusion of a full 12 months of the results of the Standard Life Assurance businesses offset by lower year-on-year assumption changes, which included a GBP190 million release of longevity reserves following the move to CMI 2018.

Investment return variances include losses on equity hedges held across the Group to protect the Group's Solvency II surplus position and deliver resilience to cash generation. These losses have been partially offset by the positive impact of moving the asset portfolio towards our strategic asset allocation. We have also reported within non-operating items a loss of GBP169 million. This is primarily driven by the provision of future costs associated with Phases 2 and 3 of the Standard Life Assurance transition program, which are only partially offset by the recognition of the resulting reduction in future expense assumptions.

Our second strategic priority for 2019 is to deliver the transition of the Standard Life Assurance businesses. Last year, we increased the targets for cost and capital synergies arising from the transition to a combined GBP1.2 billion. Having generated a further

GBP145 million of capital synergies in 2019, we have now delivered 90% of the total target of GBP720 million. And we expect the majority of the remaining capital synergies to come from a Part VII transfer of our UK insurance companies. We have made good progress towards our cost synergy target, delivering over 40% of the target reduction in the combined cost base. Finally, we have now realized GBP28 million of one-off cost synergies by removing duplication in projects of the two legacy businesses. In summary, we are on track to deliver the GBP1.2 billion combined synergy target for the acquisition.

Our transition program is delivered in three phases. Phase 1 is substantially complete and delivered the end state operating model for the head office functions. Phase 2 is on track to deliver a multi-site finance and actuarial operating model by the end of the year. And we continue to work closely with the PRA to harmonize the Group's two Solvency II Internal Models and are targeting harmonization approval in the first quarter of 2021. Phase 3 will deliver our end state operating model for customer service and IT by the end of 2022. This will be a hybrid model, delivered through the enlarged partnership that we announced with TCS back in November.

Improving outcomes for our 10 million customers continues to be central to our mission. During the year, we exceeded all of our targets and saw improved performance across the majority of metrics from 2018. Customer service metrics comprised 25% of the performance measures within the corporate component of the Group's Annual Incentive Plan. This weighting evidence is the importance that Phoenix attaches to the delivery of high quality services to our customers.

We continue to expand our digital proposition and recorded over 12 million logins by customers and over 5.5 million Standard Life mobile app sessions. Customers are able to top up, increase regular payments and consolidate pots through the Standard Life app and gross new business inflows of GBP560 million were generated using this functionality in the year.

To be successful, we must continue to invest in our proposition. And the launch of a passive default fund within the Standard Life workplace proposition, and a variant of the offshore bond featuring capital redemption are evidence of this. We have also progressed a broad range of customer initiatives to ensure we continue to improve customer outcomes.

I will now hand you over to Rakesh.

Rakesh Thakrar {BIO 20549114 <GO>}

Thank you Jim, and good morning everyone.

Our fourth strategic priority for 2019 was the delivery of new business. Phoenix does not include new business in its long-term cash generation guidance. New business, whether through BPA or through the sale of Open products is therefore incremental to cash generation and brings further sustainability to our dividend.

In 2019, Phoenix saw gross inflows on new business across its three business segments of GBP8.1 billion. We estimate that this new business will generate GBP475 million of incremental long-term cash generation, circa 1.4 times the 2019 dividend.

Phoenix's Open business is capital light and growing. In 2019, our Open businesses in the UK and Europe delivered gross inflows of GBP7 billion and this was from new business and GBP240 million of incremental long-term cash generation. Both flows and cash generation are down year-on-year, primarily due to poorer performance across retail business, including Wrap SIPP. This performance reflects the tail off in defined benefit to defined contribution pension scheme transfers and reduced inflows seen across the sector from market uncertainty. These challenges were partly offset in retail by strong flows into our drawdown product year-on-year. In contrast, it was a strong year for workplace, which continues to be the engine for growth for our Open business, delivering over 60% of 2019 incremental long-term cash generation.

In 2019 auto-enrolment increased from 5% to 8%, having increased from 2% to 5% in 2018. These increases have been the key drivers of incremental long-term cash generation with circa GBP50 million of the 2019 result coming from this rise. Excluding this one-off increase, incremental long-term cash generation from new Open business would have been GBP190 million.

Our approach to BPA continues to be driven by value, not volume. We take a selective and proportionate approach, allocating about GBP100 million of surplus capital per annum. In 2019, the BPA market was buoyant with an estimated GBP40 billion of BPA completed. We were invited to price 72 deals, of which we priced 27 and completed four. We also completed a GBP1.1 billion buy in from the PGL Pension scheme giving us around a 5% market share.

The GBP98 million of capital we put to work in the year on external BPA secured GBP235 million of incremental long-term cash generation. The average payback period in 2019 was six to seven years, three years shorter than 2018 reflecting the underlying cash flow profile of the transactions completed. Phoenix is now an established participant in this marketplace and is committed to the further development of this franchise.

Our final strategic priority for 2019 was growth. Clive has already talked about the growth that the acquisition of ReAssure will deliver. I will spend a few minutes explaining how we think about growth options at Phoenix and how growth will bring sustainability to our business.

As Clive explained at the start of today's presentation, we provide guidance on the total amount of cash generation that our in-force business is expected to generate over its lifetime. At the start of 2019, we estimated this cash generation to be GBP12 billion. Having delivered just over GBP700 million of cash generation in the year, we would expect the remaining cash generation from our in-force business to have reduced to GBP11.3 billion. However, as we have added to our long-term cash generation by writing new business and by over delivering on management actions, today, we have restated our guidance for long-term cash generation reflecting the business in-force at the end of 2019 to GBP12 billion, demonstrating that growth brings sustainability to cash generation.

We set out the hypothesis that new business could offset the run-off of our in-force business and bring sustainability to cash generation in an illustration we call The Wedge. Phoenix is now an established participant in the BPA market and we have therefore updated our Wedge diagram to reflect our confidence that this is a dependable growth opportunity that we can fund from surplus capital. We continue to leave M&A as the top slice on our diagram. Whilst, it remains the corner stone of our strategy, the timing of deals are hard to predict and the size of deals may require additional funding support.

In 2019, the growth of our BPA and Open businesses has brought sustainability to cash generation. However, as we change as an organization, so will the relative size of each component of The Wedge. And as we deliver on our strategy, the overall sustainability of our cash generation will continue to improve.

As Jim explained earlier, the ReAssure transaction generates significant cash generation over the next four years due to the delivery of material cost and capital synergies over this period. We therefore expect to have GBP1.4 billion of cash available to increase support to our range of growth options. These include selective and proportionate participation in the BPA market, funding of M&A that meet our acquisition criteria and investment in customer initiatives and proposition to support growth of our Open business and manage the run off of our heritage business. Delivering growth through these range of options brings more sustainability to long-term cash generation.

I will now hand over to Andy.

Andy Briggs {BIO 4311809 <GO>}

Thank you Rakesh, and good morning everyone.

I want to start by paying tribute to Clive and Jim. When you think back to the position that Phoenix was in, when they both started, nearly a decade ago, I think it's hard to think of a CEO and CFO of a UK financial services business that have done a better job over this period. They've also created a remarkable platform for the business going forward, so I do feel very fortunate to be taking over as CEO.

I want to cover three areas today. First, why I joined Phoenix ? Why do I think it's a great business? Second, what do I see as the key market trends? Why I am excited about Phoenix's future potential? And third, our key priorities for 2020.

So first, what attracted me to Phoenix. I've worked in insurance for over 30 years, and I believe successful insurance businesses have two key characteristics. They have a clear strategy, and a simple financial framework. Phoenix has both of these, which is why it's successful. Our strategy is to focus on just three things. First, we are a leader in running heritage businesses. We're a safe home for customers in closed product lines, and we run this in a way that generates a reliable flow of cash for shareholders. Second, we have a strong track record in completing value accretive M&A, and successfully integrating businesses, delivering cost and capital synergies. And third, we're building a thriving and growing open business, a simple, clear strategy and very much evolution, not revolution from my perspective.

I also really like the simplicity of our financial framework. Insurance can be a complex business. So, it's really important to focus on the basics. First and foremost, cash is king, and the sustainability of the dividend is paramount. Underpinned by a strong, diversified, resilient balance sheet. And then, having delivered both of those, we focus on long-term cash generation, the GBP12 billion soon to become GBP19 billion. And sustaining and growing that into the future, so that we can firstly sustain, and in due course, aspire to grow the dividend. Again, as far as the financial framework is concerned, it's evolution, not revolution from me.

The second reason I joined Phoenix is because I think the business is extremely well placed to take advantage of the key drivers of change in the industry, given that posted ReAssure deal will be the UK's largest life and pensions provider with over GBP300 million of UK assets -- sorry, billion pounds of UK assets 14 million customers.

I see three key market drivers and these are shown on the slide. So first, insurers are choosing to sell closed books to take advantage of the opportunity to release trap capital and because they struggle with cost in efficiency due to legacy systems and regulatory change. Business models of bifurcating; and in my view, there's plenty more to come. We've already indicated, there's around GBP400 billion opportunity in the UK with a further GBP200 billion in Germany and Ireland.

Now it's one thing to have a view -- a view on key trends, but to win, a business these distinctive competitive advantage. Phoenix is clearly well placed in this market with differentiated capability in heritage management and in M&A and integration delivery, and hence this remains our biggest value driver today.

The second key trend is that corporate de-risking. I have yet to meet the finance director of a manufacturing business, who is pleased to have a large defined benefit pension scheme attached. What's interesting is that de-risking strategies are well advanced and buy-ins and buy-outs are increasingly affordable for more and more schemes, hence, the market is growing rapidly. What is Phoenix's advantage here? It seems to me that annuities are one of the largest and most attractive profit poles of business. But the concern becomes when a balance sheet is heavily weighted to annuities and the consequent risks. At Phoenix, only around 10% of our UK balance sheets is annuities. For others, it's 30% to 50% for the multi-line players and obviously 100% for the monoline players.

I think the fact that we are only at 10% is a real advantage for Phoenix, because we can grow annuities and it will still be a low proportion of our balance sheet. And given it's a lower proportion, we should get better diversification against their existing heritage business. And therefore, therefore be more capital efficient as we grow our annuity business. Given this is a space, where demand is outstripping supply and give we will take and will continue to take a selective and proportion approach, I am confident we can create good value for shareholders here.

The third trend is the rapid growth in defined contribution pensions from auto-enrollments, the shift from defined benefits, the aging population and pension freedoms, this creates two main opportunities. In workplace pensions, the margins are thin and hence scale is critical; we're a Top 3 player. And cost efficiency is also key. This is where our business model gets exciting. Our TCS partnership, which historically has been focused on heritage, will enable us to achieve market-leading cost efficiency as we enhance and extend it to our open business, attractive, competitive advantages.

The other opportunity is helping the increasing number of over 50s as the population ages to consolidate and manage their journey to and through retirement. At the moment, only the small proportion of pay for advice a getting this help and we participate here through our partnership with Standard Life Aberdeen. But the majority also need help and the advantage Phoenix has is a scale of existing customers as the UK's largest life and pensions provider. We want these customers to turn to us first for that help. Three major market trends, Phoenix is well placed for all three and so, we have a range of attractive options going forward, hence why I'm excited to be joining.

Now better excitements is a good thing, but execution and delivery will always trump everything else. So, let me come onto my final area, our priorities for 2020.

Clive and the Phoenix team have a faultless track record of delivery that I fully intend to continue. And our strategic priorities follow on from a strategy in the same order. So first, we will seek to deliver 800 million to 900 million cash generation targets while maintaining a strong balance sheet. Then, we'll continue to successfully transition the Standard Life Assurance business to deliver the GBP1.2 billion cost and capital synergy targets. And complete the ReAssure deal and start the integration and delivery of the GBP800 million synergy target. Then we will continue to profitably grow the open business and selectively participate in BPA.

I put a fifth priority on here, because I strongly believe the best businesses have not just good, but the very best talent. I've been hugely impressed by the caliber of the people here at Phoenix, Rakesh's succession to CFO is a great example. So, key priority for me is continuing to build in-house talent and where appropriate supplementing externally, because always striving to continually build our people capability will underpin our future success. We clearly have other priorities we focus on. Nick mentioned earlier sustainability. But these are the key focus areas to ensure we deliver short-term financial performance.

So in summary, we have a clear strategy, and a simple financial framework. We're well placed for the key market trends, and we have a clear set of priorities for 2020.

And now, I'll hand you back to Nick. Thank you.

Nicholas Lyons {BIO 16348625 <GO>}

Thank you, Andy.

So, 2019 was an exceptional year for Phoenix, in which we delivered cash, resilience and growth. The proposed acquisition of ReAssure marks another major milestone in our growth journey and confirms Phoenix as Europe's largest life and pensions consolidator. We remain focused on delivering significant value from our in-force business over many years and are excited at the prospect of growing a thriving Open business on top of Phoenix's stable Heritage foundations.

We are not a sentimental organization, but it is only appropriate that my final words should be about Jim and Clive, who have been such wonderful stewards of this business. Jim has brought an immense amount to Phoenix since joining us in 2012. He's a classic Finance Director, immovable, utterly determined, and focused. He treats our money as if it were his own and he has a real drive to get things done. It is typical of him that he has invested so much of his own technical skill in grooming Rakesh as his successor. I've always admired the way he resolutely defended the performance of the Scottish Rugby team, a faith so seldom rewarded, but gloriously so this weekend. Clive is an institution. It is not just that he leaves exceptionally big shoes to fill, they're uniquely shaped to. An analogy perhaps even more appropriate given his -- who his father was.

Well, it's hard to believe that this really is his last day with us. Clive, you leave behind you so many friends and admirers not just for what you have achieved, but the way in which you have done so, energetically, eloquently, intelligently and compassionately. The two of you have built the strongest foundations for Phoenix. And now, we will look forward to the next phase under Andy and Rakesh. Congratulations, and thank you both for a job well done.

Thank you for your time today. The formal presentation is now over. And we will move on to Q&A. Please wait for the microphone to be brought to you and give us your name and the institution for whom you work, and then we will allocate the questions accordingly.

Questions And Answers

Operator

Question And Answer

Q - Greig N. Paterson {BIO 6587493 <GO>}

Good morning. Greig Paterson, KBW. Three quick questions. One is the GBP800 million to GBP900 million target, if you complete the reinsurance deal in July, is there potential for -- from ReAssure to come up towards the end of the year? And second question is in terms of downgrades and the risk they -- on Slide 26, you have a spread sensitivity that includes a downgrade assumption. Could you just remind us again, what that is? And then, maybe speak about your asset base, if there's any potential downgrade risk there?

And finally, in terms of the internal deal that you did with your own pension fund, I was wondering, if you could just illuminate how this frame was financed, if it added to cash and most importantly whether there's some further opportunities in your three pension funds for further deals?

A - Clive C R Bannister {BIO 2183003 <GO>}

I think the first one was on dividend, the second one on the downgrade and -- sensitivity and then the strain on financing. So, why don't I deal with the first one, dividend. There's going to be no change in dividend, so it's imaginative and thank you. So leading the witness, but we're very straightforward, our policy is stable and sustainable not defined by management but by the Board and we have been clear about that policy and we are proud of 3% already announced of the dividend related to the ReAssure deal, and there will be no change between now and the closing thereof.

Q - Greig N. Paterson {BIO 6587493 <GO>}

And then the --

A - Andy Briggs {BIO 4311809 <GO>}

The GBP800 million to GBP900 million fee is just from the Phoenix and SLAL legal entities. So whether there is the potential of dividends from the ReAssure legal entity and that would be in addition to the GBP800 million to GBP900 million.

A - Jim McConville {BIO 3743391 <GO>}

So, let me deal with the downgrade question. So on Slide 26, I think, it is you see the sensitivities and their sensitivity to credit is an average of 120 bps and that range is depending on the rating, so it ranges from 37 bps to 267 bps, and applied across the different ratings. And we assume a 10% allowance for defaults and downgrades. So, as we reflect those stresses, we assume that 10% of the amounts would be come through are other defaults of downgrades. So I think it's an appropriate stress of -- loans for downgrades and defaults.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Is there any risk in the balance sheet now currently downgraded just any --

A - Jim McConville {BIO 3743391 <GO>}

No, I mean, the thing I would say Greig is the book is very well diversified by both industry and by name as you would expect. In terms of those industries, which are topical in today's climate for example, airlines, we have no exposure to airlines within Phoenix, similarly in the travel sector, we have no exposure and we have an absolute de minimis exposure to oil and gas of less than 1% of the book. And similarly in ReAssure my understanding is, there is no exposure to airlines either. So, I think, in terms of the topical subjects of the day, I don't think there is any concern.

Q - Jon Hocking {BIO 2163183 <GO>}

Morning. It's Jon Hocking from Morgan Stanley. I have got three questions, please. Firstly on the ReAssure transaction, is there any similar effect when they complete LNG mature savings as the ones who hold mutual wealth in terms of having an uplift on the synergies? First question. Secondly, just a loop back on this credit book of ReAssure, I can see that -- if I understand correctly, you pre-hedge the equity exposure within ratio, presuming there is no hedging with credit, is that correct? And how can we be comfortable about that BBB book? And then, finally, in terms of the general credit environment is that an opportunity for you to accelerate the billion of allocation to -- so how are you thinking about that? Thank you.

A - Jim McConville {BIO 3743391 <GO>}

Okay. So, I pick up on the credit questions, also the hedging within our book, we don't hedge, basically the credit within our book, we think that is rewarded risk. In terms of the ReAssure position, and the numbers at June '19, which were the last disclosed numbers showed that their exposure to BBB was at 32% of the credit book that has substantially reduced and today stands around the mid '20s and the rotated -- to higher yielding assets with active management of the portfolio. So, I think again, we're well placed there. In terms of the ReAssure and the completion of the transaction, the GBP800 million of synergies that we've guided to you includes some GBP400 million or so from capital-related initiatives, which are unique to Phoenix completing that transaction. And anything that they get from the inclusion of the mutual wealth, will be over and top of that.

A - Andy Briggs {BIO 4311809 <GO>}

And I think your third question in terms of current credit markets and illiquid assets, I think, there is the potential for us to look more at illiquid assets over time, but this is an area where again you need a very selective and proportionate approach, and we need to be confident, we built the capabilities in the systems and processes to manage carefully. And I think it is something we will be looking at on an ongoing basis. I'm also conscious Greig -- it's probably it's about 5 years since I sat at the front results presentation. So I've done a lot with investors over the interim period but not sat in the front. I'm glad things Grieg Paterson -- some things never change and it's always first grade asking three questions, so that's reassuring. We didn't answer your third question around the internal BPA, I don't know, Rakesh you want to?

A - Rakesh Thakrar {BIO 20549114 <GO>}

Yes, so we -- as you are aware Greig, we did the GBP1.1 billion PGL Pension Scheme buy-in. This was a second buy-in, so we've already done one previously over years ago. And this was funded out of own resources that the cash generation in relation to that buy-in was already included within our forecast for cash generation, it was part of our management action. Now, I think, second part of your question Greig related to other future opportunities for other pension schemes, and you may be aware that we do have two other pension schemes within the group, but clearly that is a discussion between ourselves and the trustees and the optionality that the trustees made, wish to undertake in the future but clearly, from our perspective, as you know, we do carry out BPA transaction and would be an option for us, should the trustees be willing to engage in that area.

Q - Gordon Aitken {BIO 3846728 <GO>}

Thanks. Gordon Aitken from RBC. Couple of questions on mortality, one on corporate bonds. And the first one on mortality, can you split the gain between the base table and the improvements? Secondly on the improvements you know that CMI '18 there's a 6-month reduction, 3 months of that was due to recent debts in '18 and 3 months was due to the smoothing factor changing. Just can you tell us what smoothing factor you're using -- are you still on 7.5 or have you moved to 7?

And third, on corporate bond spreads pushing out. Just, I mean, we often hear in businesses such as yours that on periods of my last couple weeks this morning when spreads push out that ironically of course, stocks -- your stock gets whacked, but in the business you love it and you just go out take the opportunity to go out and pick up yield. And just talk about, what you have been doing over the last couple of weeks?

A - Jim McConville {BIO 3743391 <GO>}

Okay. So, your questions in terms of mortality, I'll have to come back to you on the smoothing factor, because I don't know where --

A - Rakesh Thakrar {BIO 20549114 <GO>}

Yeah. I can pick up that Jim -- So the smoothing factor, so as you're aware the think the CMI '18, there was a 6 month general in change from that '18 table, and I think half of it related, it's about 3 months related to change in smoothing factor from reduction from moving to 7, I think the CMI '18 had quoted. And the balance was just general experience coming through. So, in relation to the smoothing factor, Phoenix currently uses 8. So, we have to apply it to our business and for those who will probably not -- may not be aware that the lower the smoothing factor, the more emphasis is on the more recent data. So, we've left it at 8 because we think that's a better fit to our model. And we haven't changed that. And therefore, our focus is primarily on the clearing.

A - Jim McConville {BIO 3743391 <GO>}

And in terms of corporate bonds over the last couple of weeks, we have not done anything specifically over the norm other than obviously closely monitoring market movements.

Q - Andrew Sinclair {BIO 17749036 <GO>}

Thanks. It's Andrew Sinclair from BoFA Securities. Three for me as well. First, I just wondered if you could remind us, how much exposure do you still have to capital after having done the expanded TCS deal?

Secondly, was just on the overhead position to equities at the moment. Is that effectively comparing -- the hedging is looking effectively across both Phoenix and ReAssure versus effectively to dominate or just being Phoenix. What would it be if you look at the combined entity without the -- close to zero?

And third, Andy, just wondered if you could tell us a little bit more, you're saying that Phoenix can -- for customers can do that through retirement journey where the capabilities today and what do you need that's not here today? Thanks.

A - Clive C R Bannister {BIO 2183003 <GO>}

Yes. So, Capita, so we have 10 million policyholders in total and residual, we are migrating away from Capita that is a two year plan and that migration comprised 1.8 million policyholders and that will be completed by the end of 2020 -- 2021, spring of 2021. So, it was a two year plan. So, we have residual exposure for less than 20% and those plans are well underway and Capita continues to be an extremely good business partner and serving our clients well.

A - Jim McConville {BIO 3743391 <GO>}

So on the hedging your right hand, there is a positive that comes through in the sensitivities from the equity hedging, if we see 10,000 equity markets and that is because on 7th December immediately following the announcement of the ReAssure transaction, we took our hedges at Phoenix group level to protect our position. We took out some GBP700 million of hedges, which together with the existing ReAssure hedges that are in their books protects us for well over 90% of the equity risk within the ReAssure structure. And that leads us to obviously in the period prior to completion turnover hedge position for Phoenix as a total. But within Phoenix, as you know, we always trying to take out the majority of our equity risk as well, and that continues.

A - Andy Briggs {BIO 4311809 <GO>}

Then the third question Andy, so focused through retirement. I mean, the way I tend to look at this is roughly 10% of the population that will own up to half of the asset will pay fees for advice and will be well served by wealth advisors and IFAs. And obviously, we participate in that in our support of the products into the Standard Life Aberdeen -- set and their advice capability there. The other 90% of the population, just over half of the assets, basically they're not really getting much at all today and I think, the real opportunity for us as you say -- post the ReAssure deal 14 million customers, over 300 billion of UK assets with the UK's largest life and pensions provider, our opportunity is to help those customers, most of whom probably don't need full advice, they just need a bit of a helping hand, but a guidance and support to understand how they consolidate journey to and through retirement. And it's an area we've already started investing in. So Susan and her team have done a great job over the last year in building an online guided journey for customers, just Standard Life branded customers. It's been available online. We've not particularly promoted it yet actively, so it's on a reactive basis and we've had over over GBP500 million of positive net fund flows, as a result of customers self-discovering this and going through that journey online themselves.

So, we think the opportunity to start to think about how we optimize that journey, promoted more strongly to Standard Life Aberdeen customers and then think about how we would take it to Phoenix branded in due course ReAssure branded customers is an exciting opportunity. It's also kind of at the core of the purpose of what we're here for. We're here to help people, enjoy a secure healthy and prosperous retirement and that's part of what we should be offering as part of that.

A - Unidentified Speaker

Andrew.

Q - Andrew Crean {BIO 16513202 <GO>}

Hi. Good morning. It's Andrew Crean from Autonomous. Three questions, if I can. Firstly on slide 22, you've given us the embedded value essentially was 845p, what is that including ReAssure? Secondly, could you give us a new business profit either on embed value -- basis for the new business, the discounted value? And thirdly, if we add back the GBP250 million, capitalization of your European operations, I think your cash generation 2019 was over GBP950 million and you're targeting a lower figure of GBP800 million to GBP900 million for this year, why is that falling?

A - Jim McConville {BIO 3743391 <GO>}

So, I'll pick up that last question and can pick up the new business profit question. The GBP250 million of credit life was the cost that we incurred in terms of the Brexit preparations for the European business, that was deducted from this -- to get to the GBP707 million cash generation that we see. And really, the reason is just slightly different this year, is to do with the timing of management actions. So, we've roughly 1/3 of that cash generation results from management actions. The recognition of these can be slightly lumpy depending on which side of the line in terms of the year-end and it is a reflection of that.

A - Clive C R Bannister {BIO 2183003 <GO>}

Who's going to tackle --

A - Rakesh Thakrar {BIO 20549114 <GO>}

Okay. So, on the new business so just looking at it on a Solvency II basis and what's reflected on the analysis of change within Jim's slides he spoke about and in terms of new businesses in 3 components. So one is the small -- a very small capital strain on the open business, and circa GBP30-odd million, GBP31 million. And then the second component will be our BPA transaction, the fact that we've invested capital, which has caused a strain on the overall group, which is just under GBP100 million. And the third element of that will be our ongoing vesting annuities, which will also cause a strain on that new business. So those 3 components aggregate to GBP0.2 billion strain on new business.

A - Jim McConville {BIO 3743391 <GO>}

Then your final question was on the shareholder value per share of 845p. It does not include the ReAssure number, and we'd have to update that in due course.

A - Andy Briggs {BIO 4311809 <GO>}

Sorry, Andrew, I think you were asking about the new business contribution. And we quote that to the open business at GBP168 million? GBP158 million for the U.K. and Europe open business. The new business contribution is basically the present value of future profits on the new business we've written. Andrew, is that -

Q - Dominic O'Mahony

Thanks. Dominic O'Mahony, Exane BNP Paribas. I have a just two questions, if that's all right, both on ReAssure. So you've got the RT1 out at -- time. There's a bit left to do as I understand it to finance that transaction. I'm sure it will go well. But could you just talk us through the backup plan if the bond markets do close in the next few months, can you use the revolver? How comfortable are you with that as a bridge?

The second question is just on thinking about the solvency position of the combined entity post-close. You're very helpfully gave us a pro formas previously, but that was Q3 '19. Could you give us your sort of best guess if you're allowed to, on what the solvency position of the combined group would look like immediately after close? Thank you -- assuming markets stay where they are, which is a vague assumption? Thank you.

A - Nicholas Lyons {BIO 16348625 <GO>}

Jim, do you want to deal with the debt question?

A - Jim McConville {BIO 3743391 <GO>}

Yeah so I think, the capital -- the time we announced ReAssure transaction, -- to say, we've been raising GBP800 million of hybrid capital with a further GBP400 million being financed through use of the revolving credit facility that still is the plan. So, we have revolving credit facilities on drawn is 1.25 billion and we also have an acquisition facility on top of around GBP600 million. So from a liquidity perspective, there is more than enough around.

In terms of our Hybrid issuance plans, clearly, we had the RT1 issue, which has raised around GBP550 million after we take account of the capital, we will have to set aside for the currency with that transaction. It contributes around GBP500 million to our solvency position. Therefore, there's a further GBP300 million still to raise. We will obviously monitor markets and take a decision as to when's the best time to raise that is most likely to be in the Sterling markets, but we're keeping up a weather eye on all markets at the present time. And in the event that the markets continue to be very choppy, I would remind you that the underwriting that we put in place for these Hybrid issues at the time of the acquisition still in place. So, it's effectively underwritten.

A - Rakesh Thakrar {BIO 20549114 <GO>}

Shall I pick up -

A - Nicholas Lyons {BIO 16348625 <GO>}

By all means, yes.

A - Rakesh Thakrar {BIO 20549114 <GO>}

Solvency I, so at the announcement of the ReAssure transaction, we set out a pro forma based on 30 September of 148% ratio. Now that excluded any subsequent benefits that we were expecting, which includes that the completion of the quarter transaction and the management actions that have benefited from that. We would have also exclude the benefit of potentially any incremental benefit on the Part 7 of the LNG book, and it would have excluded any future run-off that would have been between announcement either September position to when we actually complete, either run-off of both the ReAssure business and how the Phoenix business will do.

Now, clearly, a number of things that change of all things being equal, we would have expected that our ratio, excluding how the recent market volatility would have been at least 5, 6 percentage points higher than that taking into account, possibly a reduced Hybrid issuance, I think that 148% had GBP1.2 billion. And what we potentially looking to do, as Jim has just outlined is issue another GBP300 million. So altogether, all other things being equal would have been about a 150% and 354%, clearly the markets would have played a part that as you know, we've already talked about the resilience of both our Phoenix ad also the resilience of the ReAssure book from these market events.

Q - Ming Zhu {BIO 17001429 <GO>}

Ming Zhu from Panmure Gordon. Just two questions, please. And one is the follow-up question on the solvency sensitivities. I think previously, you've always said, you will consider capital deployment if that ratio goes above 180%. And then based on the low sensitivities you have, it looks like -- and also based on what you've just sort of guided on the pro forma basis, does that mean all the good scenarios happen the same time? And looks like you still probably not going to get to the 180%, I mean it's quite unlikely to get to that level. And could you just give a little bit color in terms of whether the 180% is still in place, or is it too conservative?

And second -- second question is on the risk margin given we're kind of going -- still going through the Brexit, and lot of -- still talks around -- maybe we think, the 6% risk margin and I just want to have a feeling from Phoenix, have you looked into that if you were to reduce your risk margin from current 6% to say, a lower level. What benefit would that bring going forward? And what would you do with that benefit? Thank you.

A - Clive C R Bannister {BIO 2183003 <GO>}

Ming, thank you. So now we'll ask some question about the group dividend of course one being remitted. Ming, listen, you can see it on Slide 26, we chose to give clear guidance, there's a number of 140% and it's a book ended by 180% and we are comfortably in the middle of 161% today. I take you back to 2016, we were 139%, 2017 was 147%, 2018 was 167%, we are at 161%, so the SCCR moves around but the Board wants us to give guidance that we're north of 180% then of course, there would be an option to return capital in one way or another. We're not there and in today's environment, it's more -- bigger negative headwinds. So to answer your exam question, this remains the group policy, stable and sustainable, were we to get north of 180% then the Board would have the optionality to think about returns.

A - Nicholas Lyons {BIO 16348625 <GO>}

Risk margin, Jim?

A - Jim McConville {BIO 3743391 <GO>}

On the risk margin, we're not sitting here and thinking there will be any significant changes to the risk margin in the near future as a result of Brexit. But clearly, we will keep a close eye on that I need to come back to you offline on the sensitivity of that 6% or 1% movement.

Q - Analyst

Hi, Tom -- from Barclays, three questions from me. Firstly, I think, you said you changed your EDGAR - assumptions I'm assuming that's HPI. Can you just say, what you changed it to and roughly how much that was? Then on the GBP460 million of management actions in own funds. Can you kind of give us the split how much of that was due to illiquids, because my rough calculations are you put about GBP800 million onto your back book, which means is about GBP1.4 billion of more optimization potentially to come. So, what -- how much could that roughly be?

And then just one question for Andy. I know it's obviously an interesting place at the moment, but given a banking merger or acquisition that's currently going on, a potential change the distribution of your -- your former employers businesses out there. I wonder, if that was potential first European acquisition that you've been looking at? Thank you.

A - Clive C R Bannister {BIO 2183003 <GO>}

So -- on you asked about equity and ERM Equity Release Mortgages, can we go to slide 65 and then Jim, I think, the spread on management action, so we did 650 management actions of which the majority was Solvency II for '19 I think for 490. And then just a percentage of that which was related to the ERM, and then, the final question I think is down the other end of the table. So, there you have.

A - Jim McConville {BIO 3743391 <GO>}

So ERM assumptions basically for -- price growth in the short term, we take the OBR assumptions and in the long-term, we assume RPI plus 1%. We have a specific assumption for dilapidation risk. So, I think hopefully that answers your question. And in terms of 650 management actions from memory, go to the next page.

A - Clive C R Bannister {BIO 2183003 <GO>}

That is page Slide 24, please.

A - Jim McConville {BIO 3743391 <GO>}

So in terms some strategic asset allocation that would be just under GBP150 million benefit.

A - Andy Briggs {BIO 4311809 <GO>}

So if anything Tom, just I think, I heard you say that there's room for another GBP1 billion or so, I think there's room for up to 40%. We've got GBP20 billion all annuity assets of which GBP5 billion today are in illiquids. So, 40% would be GBP8 billion, 1/3 of GBP3 billion of room within the current portfolio. ReAssure has a lower proportion in illiquids today. So in terms of calibrating future potential value from this, I think it's a little more than the number you suggested. In terms of M&A, so I mean, right now to be honest, our focus is on the transition of the Standard Life deal and then on completing the ReAssure acquisition that doesn't complete for another four months and then cracking on with the integration of that.

Basically, will look at M&A from the perspective of our three criteria, which are unchanged; so the deal needs to be accretive, it needs to support the dividend and we want to maintain our investment grade. What we've talked about historically is that there's a market in the UK of around GBP400 billion of potential opportunity and then in Germany and Ireland of about GBP200 billion of potential opportunity. We haven't talked before historically about M&A outside of those geographies, and I would suggest it's highly unlikely that we would be rushing into M&A in Italy anytime soon.

A - Nicholas Lyons {BIO 16348625 <GO>}

I think, it would be fair to say that the Board would be surprised if our new Chief Executive brought that to us.

A - Clive C R Bannister {BIO 2183003 <GO>}

Northern Italy. Other questions? Oliver?

Q - Oliver Nigel

Clive and Jim, I thought this was going to be P and a praise Clive, but it turns out that quite rightly, you should now share it with Jim as well. I've had the privilege of knowing you both since shortly after your arrival at Phoenix a few months apart. And I and others have watched in great admiration of the transformation that you've achieved over the last 8, 9 years. I think when you both started the world is in crisis, Eurozone crisis in those days. When Clive joined the group 10 year bond yield had just hit 12%. By the time Jim arrived, it was 30%. Anyway, you're leaving in -- as well. But I'm glad to say that Phoenix looked very, very much in a better place and that's down to you.

So if I look back at 2011, your debt leverage rate levels was approaching 70%, bond investors, public bond investors wouldn't touch you, as you'll remember. These days, not only do you achieve a record demand for your -- but actually you're seeing is a bond proxy which is quite a change in these 9 years. And then, looking back at acquisitions I think, the last acquisition that Phoenix had done before you arrived was back in 2008. It took a few years for you to get over that one, but actually in the last 4 years, you've done four acquisitions each one bigger than the last. And I think in so doing, you probably as a management team achieved a record in having raised more money as a percentage you feel market cap more often than any other management team. Each one, I have to say greeted with more and more positive reaction. So throughout the process, I think three things stand out to me:

The first is really both of you the clarity of vision that you've shown, both in the sort of recovery stage and then the building stage of Phoenix that clarity of vision has been very, very clearly expressed to investors. No one I think is that any doubt as to your long-term aims even though we've probably been surprised by the scale of what you've achieved. Secondly is Jim's always calm considerate responses to any questions. I was thinking to myself, how could we ever not be reassured by that sort of measured tone of Jim always -- And then finally, the courtesy and personal touch that Clive has shown to all around you, including the occasional petulant analysts, like myself. I can't think of any other CEO, who actually goes into sales meetings and ask the names of each of the salesmen around the table, and then actually even remembers those names. William Wickham was right, manners do maketh man. So thank you to both of you. I'm sure, I say for everybody in this room that we'll miss you, and we wish you the very best wishes for the future.

A - Clive C R Bannister {BIO 2183003 <GO>}

Well, through the chair, that was as unexpected, as it as it was welcome and Oliver, thank you very much indeed. So I'm going to say three things. The Chairman accuses me of quoting Homer and I do. And he does it largely, because my wife's name is Marjorie, but she does not have hair -- and that's the generational difference, I speak classical Homer and this is a rather more modern form of Homer but Homer has two quotes, And what he greatly thought, he nobly dared, and it would have been a vainglorious individual to have laid out the path and no path goes from the bottom left-hand corner of the graph to the top right hand corner of the graph and to anticipate that would have been as I said, extremely hubristic.

But what it does depend on are two things which Phoenix has in profusion. The first is extraordinary real competence as a business and compassion and enormously important we care about outcomes, the dignity of serving people in the latest stages of their life, the technical competence that has brought to bear and the real sense of teamwork. So any success that Jim and I may have enjoyed it is a function of the people that we have been so proud and privileged to work with and lead. The other part of that teamwork is the stakeholder Oliver you recognized the amount of money that we have raised, the oxygen of our business is capital in its deployment in an intelligent way. The money that we have today were stewards of that capital, but the money we raised in the debt and the equity markets, it could not have happened without the people sitting in front of us here today and it has been a long relationship coming up for 10 years to me, 9 years for Jim and we could not have succeeded without your support. So, I repay the thank you to the community here.

The other Homer quote I'm going to say is, he said brilliantly, I do not know what the future holds, but I know who holds the future. And I think the future is held by a company like Phoenix. There will be further consolidation in this country and across the world. And we have the wherewithal and technical skills to prosecute accordingly. And I end on the most important note, I think Andy is a remarkable individual and we should congratulate the board in the dignified and graceful way and which for transition has taken place. It's a model for how these things should be done, but I said without being disingenuous in any way to my colleagues when the announcement was made in November that the future of Phoenix under the hands of Andy look better than its past and I say that completely, Andy the Board, the baton in your court. Thank you very much indeed for your comments.

A - Nicholas Lyons {BIO 16348625 <GO>}

There is one question on the phone.

A - Clive C R Bannister {BIO 2183003 <GO>}

We thought we got off scot-free.

A - Nicholas Lyons {BIO 16348625 <GO>}

So would you like to ask your question?

Operator

We have a question from Haj Usman from Usman Capital.

Q - Analyst

Hi. Is this working?

A - Nicholas Lyons {BIO 16348625 <GO>}

Yes. Is that Hugh?

Q - Analyst

Yes, it is.

A - Nicholas Lyons {BIO 16348625 <GO>}

Fire away, Hugh.

Q - Analyst

Hi, Clive. Could you just tell us now we know with the ReAssure deal what the total size of your annuity book will be? And also, if you've done any quantification of potential impact of the coronavirus, which although it's a rather morbid subject presumably would be of quite substantial benefit on the annuity side.

A - Clive C R Bannister {BIO 2183003 <GO>}

Okay. Well, Hugh first of all, thank you very much indeed, an unexpected call. He was famous for inventing this industry and I thank him for giving me the check -- he was on our Board, when I first arrived and it was his imprimatur that allowed me to become the CEO, February 8th in 2011. So Hugh, thank you for asking the question. The two parts of that question; one about how will ReAssure change our annuities? Well, I think Hugh that's smaller as Andy said, so their book of business GBP84 billion of AUM and they're 10% in annuities. So they are smaller than us in that respect. And I think Andy alluded to that earlier, so the scope there they are the smaller in a quantum sense and there are lesser liquids. So there's something to play for I'll let Andy talk about that. And then Andy, I think you have to look forward into the future with the crystal ball in the coronavirus and how that may affect us going forward?

A - Andy Briggs {BIO 4311809 <GO>}

Yes. So the ReAssure is about GBP15 billion of annuities added to the GBP20 billion on the Phoenix side making GBP35 billion overall. The key point to make is that's about 10% of our total balance sheet liabilities are GBP330 billion, so it's a much smaller proportion for us than it is for others. To be honest, in terms of coronavirus somebody's is clearly a very rapidly changing situation. Our priority here first and foremost is serving our customers and looking after our staff both in within the business and looking into our outsourced service providers. We're very much following government guidelines. We're also following the market turmoil and market impact, but as we've already indicated, because we are very thoroughly hedged, we don't -- haven't seen a material impact on our -- 3.1 billion surplus at the year-end for the market turbulence, since then. I have to say we're not really giving any thoughts to potential impact beyond that the focus is very much on the operational stability and just keeping a close eye on the markets as well.

A - Nicholas Lyons {BIO 16348625 <GO>}

Thank you. Well, it is now 11 --

Q - Analyst

Sorry, could I just -- I mean according to the numbers. I think it's a six month increase in longevity you talk about there. So, presumably a six month decrease would have the same effect the other way. But anyway, can I just thank all the management team, and Clive and Jim in particular, it's been a good ride, since I left.

A - Nicholas Lyons {BIO 16348625 <GO>}

Thank you, Hugh.

A - Clive C R Bannister {BIO 2183003 <GO>}

Thank you, Hugh. Thank you. Very gracious.

A - Nicholas Lyons {BIO 16348625 <GO>}

I think that's a very good point at which to complete proceedings. Thank you all again for coming. Thank you for your support and for your interest in Phoenix. Oliver, thank you for your kind words and we'll see you again soon. Thank you.