



# **Phoenix Financial**

**Investor Overview Presentation** 

December, 2024



### Forward Looking Statements & Disclosures

This presentation, based on publicly available materials from the Investor Presentation for Q2 2024 and the Strategic Targets presentation published in September 2024, outlines the 2027 strategic targets and roadmap of Phoenix Financial Ltd. (the "Company") and its affiliated companies within the Phoenix group. These targets are based on the Company's strategic plan, which is subject to periodic updates. Accordingly, the presentation includes information regarding the Company's strategic plan as well as forward-looking information as defined in section 32A of the Securities Law 5728-1968.

Such information includes, among other things, forecasts, goals, assessments, and various estimates, including information presented by way of illustrations and/or graphs and/or tables relating to future events or matters, the realization of which is uncertain and not under the control of the Company or the companies in the Phoenix group, including, among other things, regarding revenues and profitability from new initiatives and the implementation of various plans, profit forecasts, EBITDA, and other future financial data.

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- Market Opportunity
- **Strategic Targets & Roadmaps**

# **Phoenix Overview**



# Phoenix Financial | Overview

Leading Israeli financials group	502 NISb AUM <sup>1</sup>	TA-35 Leading index
Distinctive performance	19% AUM CAGR 5-years <sup>2</sup>	15% ROE 5-year average <sup>2</sup>
Shareholder payout	At least 40% Dividends	<b>200 NISm</b> 2024 Buyback Program
Strong capital position	<b>195%</b> Solvency II Ratio <sup>3</sup>	<b>11.1 NISb</b> Shareholders' equity <sup>1</sup>
Recognized resilience	AA / AAA Israel ratings <sup>4</sup> Holding / Insurance	A- / Baa1 International ratings <sup>4</sup> Insurance



Insurance Asset Management, Agencies & Credit

P&C Health & Travel Life & Savings Retirement
Investment House & Wealth
Distribution / Agencies
Credit

### 2023 highlights:

17.5 NISb
Premiums & Contributions

872 NISm Core Income

6.5 NISb Shareholders' Equity **2.8 NISb** 

Revenues

450 NISm

Core Income

**926 NISm** 

Core EBITDA<sup>5</sup>



<sup>&</sup>lt;sup>1</sup> Includes all activities including insurance as of September 30, 2024

<sup>&</sup>lt;sup>2</sup> Five-year period (EOY 2018-23), acquisitions included

<sup>&</sup>lt;sup>3</sup> Solvency with transitional measures estimated as of June 30, 2024

<sup>&</sup>lt;sup>4</sup> Israeli ratings: ilAA for Phoenix Financial & ilAAA for Phoenix Insurance by S&P Maalot, Aa2.il for Phoenix Financial & Aaa.il for Phoenix Insurance by Midroog; international ratings include S&P A- with stable outlook & Moody's Baa1 with negative outlook (Moody's standalone credit profile A2 before sovereign constraint)

<sup>&</sup>lt;sup>5</sup> Adjusted EBITDA - calculated as income before finance expense, taxes, depreciation and amortization in the relevant areas of activity, see Glossary for definitions; 743 NISm without minority interest

# Broad Activities | Leading Financials Group



Capital intensive with attractive ROE

Shifting mix toward high ROE activities
6.5 NISb book value

Capital light with strong organic potential

High multiples & limited capital needs

Over 1 NISb EBITDA run-rate

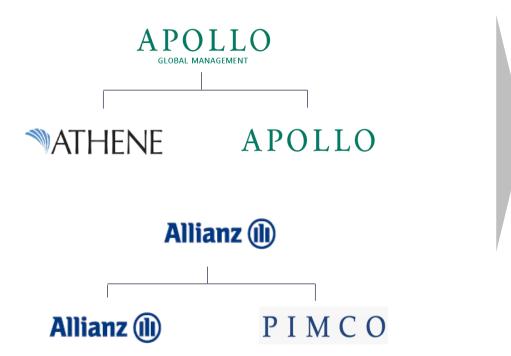
Each activity creates value independently and as part of a group with strong brand, over 3 million clients, synergies, and capital efficiency & liquidity Business model focuses on high growth, ROE, & dividends, with combination of capabilities, resources, and growth engines





# Insurance & Asset Management | Aligned with Global Trend

Global players capturing opportunity...



...Phoenix positioned for value creation in Israel



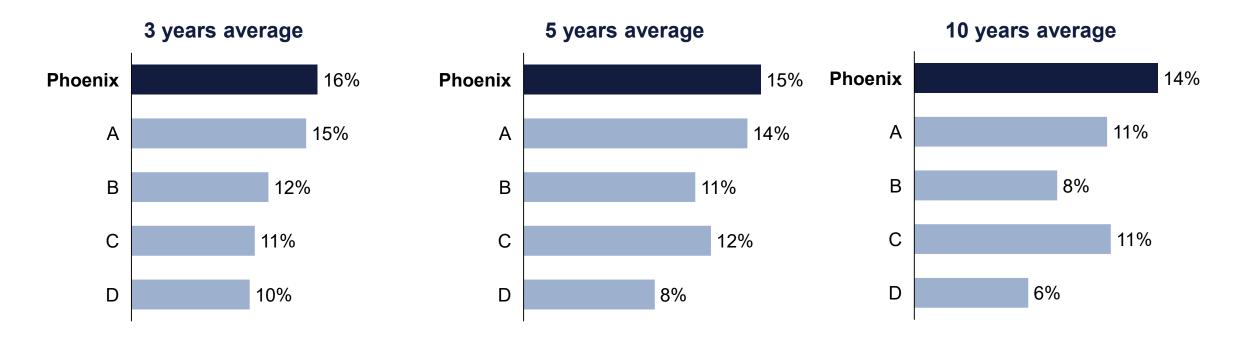
Early stages of journey
Aspiration to be best in class





# **Best in Class ROE**

### **Return on Equity**





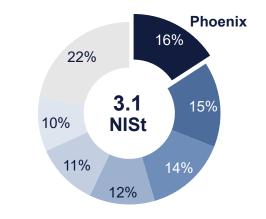


# **Ideally Positioned to Capture Growth Opportunities**

# Insurance Penetration Premiums out of GDP, % 2022 US 12% UK 11% Italy 7% Germany 6% Spain 5% Israel 4%

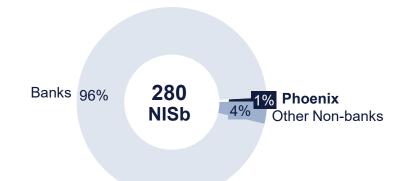
### **Assets Under Management**

Institutional investors & Mutual funds, 3/24



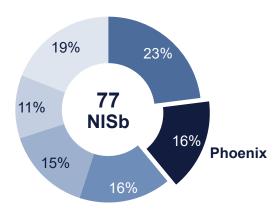
### **SME Credit**

% of total credit portfolio, 2023



### **Insurance Premiums**

2023



### **Distribution / Agencies**

% of total commissions, 2023







# Core Income Grew 30% Annually 2020-23

### **Core Income**

NISm, before nonoperating effects (capital markets, interest rates, & special items)



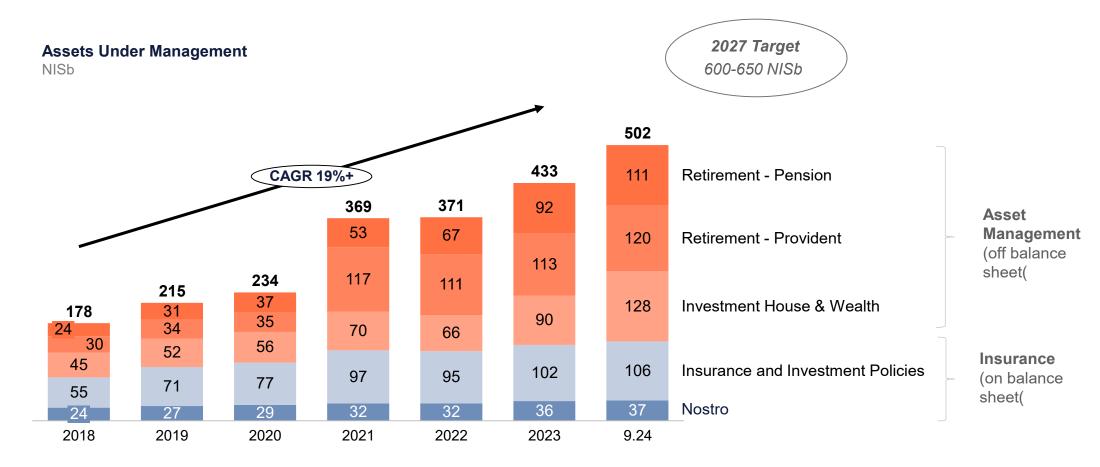








# **Phoenix Compounded AUMs at 19%**



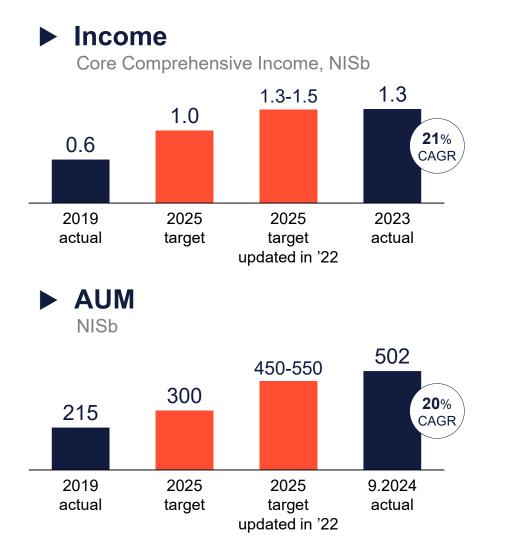
Investment House includes acquisition of 22 NISb Psagot funds in Q1

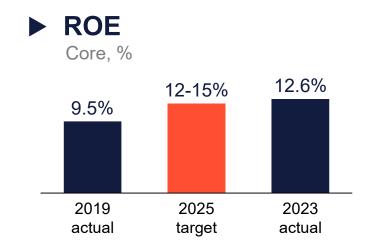


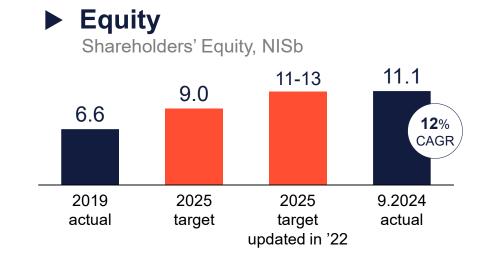


# Phoenix Achieved Previous Guidance Ahead of Plan

Previous targets for 2025 were set in 2020 and updated in 2022











# **Growth & Value Drivers**

- Strong market position with distinctive growth & performance through the cycle
  Leading financial services company with over \$130b AUM, delivering 5 year best-in-class 15% average ROE & 19% compounding AUM
- Creating and unlocking value in high-multiple activities with untapped potential
  Phoenix has grown from an insurance company to a financials group, building strong growth engines in asset management, credit, and distribution (agencies), with recurring fee-based revenues, strong cash flows, capital efficiency & potential to unlock value of assets held at book value
- Significant opportunity for value creation in growing, underpenetrated, and fragmented market

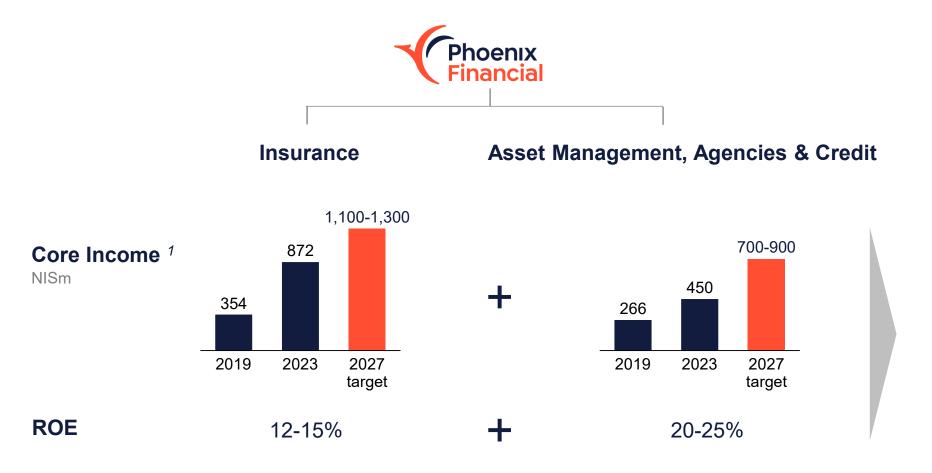
  Strong long-term demographic & wealth trends with high compulsory savings rates, potential to double penetration, macro resilience, fragmented, & barriers
- Proven value creation strategy with focus on growth & competitive advantage

  Proven strategy of accelerating growth in high ROE businesses, innovation and technology for competitive advantage & efficiency, active management of businesses to unlock & create value, & disciplined capital and investment management / deployment; target 2 NISb 2027 income
  - Asset management, credit, and distribution: Continue to grow based on attractive market opportunities, established platforms, and aligned teams
  - Insurance: Deepen competitive advantage & continue to drive optimization across activities
- Cashflow generation driving growing & resilient dividend distributions / buybacks
  Highly liquid, cashflow generating platforms with minimal capital needs & target 16-18% ROE enable consistent distribution of dividends (5% yield since 2020, at least 40% dividend distribution policy plus annual buyback plans) while continuing to shift from a balance sheet to an earnings business
- Experienced & aligned leadership team backed by strong governance

  Deep sector and broad functional experience at both board and management levels



# Strategic Growth Targets | Based on Existing Capital



Cash-flow generating businesses with consistent dividends distribution

2027 Targets:

2 NISb

Core Income High cash on cash

>8 NIS

Income per share 5x implied P/E <sup>2</sup>

**16-18%** 

ROE

>50%

Dividends + Buyback









# Israel Economy | Long-Term Structural Trends



High demographic growth

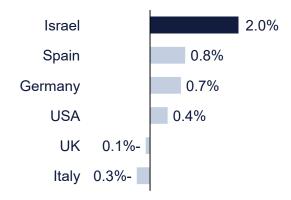


**High savings rates** 

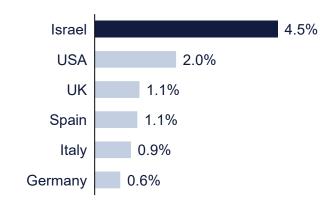


**High GDP growth** 

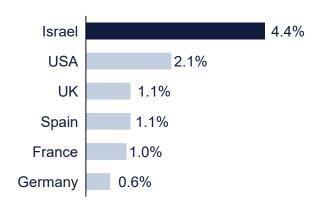
### Population growth rate<sup>1</sup>



Household savings (of disposable income)<sup>2</sup>



GDP growth (2018-22 average)<sup>3</sup>



Israel offers unique investment opportunity

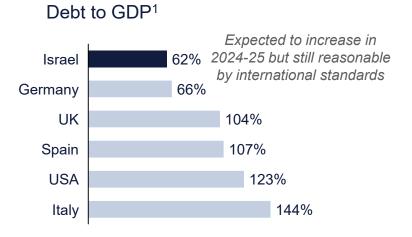


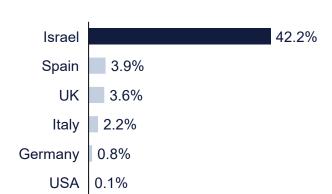
# Israel Economy | Resilience



# **✓** High FX Reserves







Foreign reserves (% of GDP)<sup>2</sup>

Net exporter since 2020

25 BCM production in 2023, with over 40% exported

Industry transition to natural gas

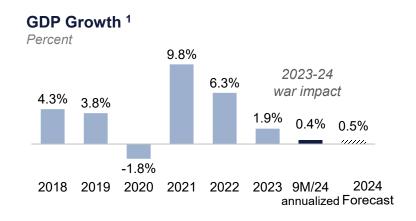
Sovereign wealth fund

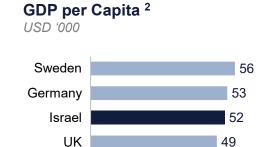
Israel offers unique investment opportunity

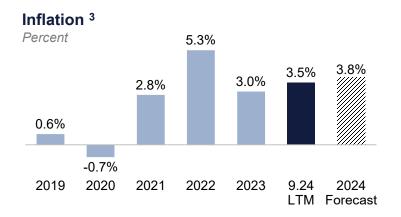




# Israel Economy | Strong & Resilient

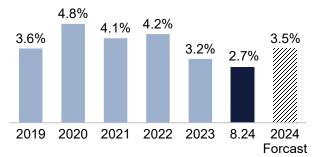






# Unemployment <sup>4</sup> Percent

Italy



38



# Competitive Landscape | Group at Heart of Ecosystem



# Value Creation Opportunity | Sector Growth

2033

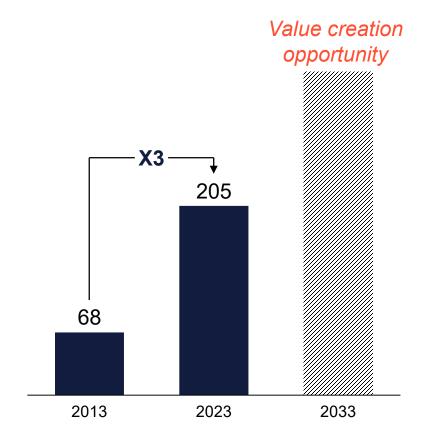
# Financial assets held by public NIStr

# Growth in assets 2X 5.6

2023

## Financial services sector market cap

NISb





2013

# Strategic Targets & Roadmaps



# Proven Strategy | Value Drivers & Catalysts



# Accelerated Growth

in profitable & capital-efficient activities



# Innovation & Efficiency

to increase competitive advantages



# Active Management

of people & structure



# Capital & Investments Management

to maximize performance

### Value Catalysts

Income growth
Shifting mix

Competitive advantage

Margin expansion

Unlocking value M&A Investments >3% real
Dividend distributions



# Competitive Advantages | Diversified Platforms



### Insurance



### P&C

Motor property liabilities

### Life & Savings

Life risk Investment policies Executive Insurance

### Health

Medical Critical illness Long-term care Travel

# **Asset Management**



Wealth &

**Alternatives** 

Proprietary

& external

managers





**Agencies** 

Broad solutions

### **Provident Funds**

Pension

**Funds** 

Lump-sum. range of strategies

### **Retirement & Benefits**

Financial advisory

### Insurance **Agencies**

Market leader

### Credit



### SME Financing

Broad client base

### Construction Finance

Merged from insurance

### Consumer Credit

Recently launched

### **Credit Card** Clearing

### ETFs & **Mutual Funds**

Market leader

Phoenix

### **Discretionary Portfolios**

Private & institutional

### **Brokerage Accounts**

Private & institutional

### **ESOP**





# Competitive Advantages | Built Capabilities

<b>▶</b> Business	<b>Differentiated products</b> & collaborations, including exclusive partnerships	
	Advanced customer platforms	
	<b>Hybrid distribution</b> (Smart, Agents, Banks)	
▶ Management	Business <b>leaders as partners</b> model	
•	Incentivized team with skin in the game	
	Succession & development	
> Toobnological	Data management	
Technological	ML pricing engine	
	Digitalization, automation, cyber & cloud	
► Financial	Liquidity, <b>solvency &amp; risk management</b>	
	Investments division	
	Dividend policy & buyback	

### **Demonstrated results:**

**Business performance** incl. growth, profitability, returns

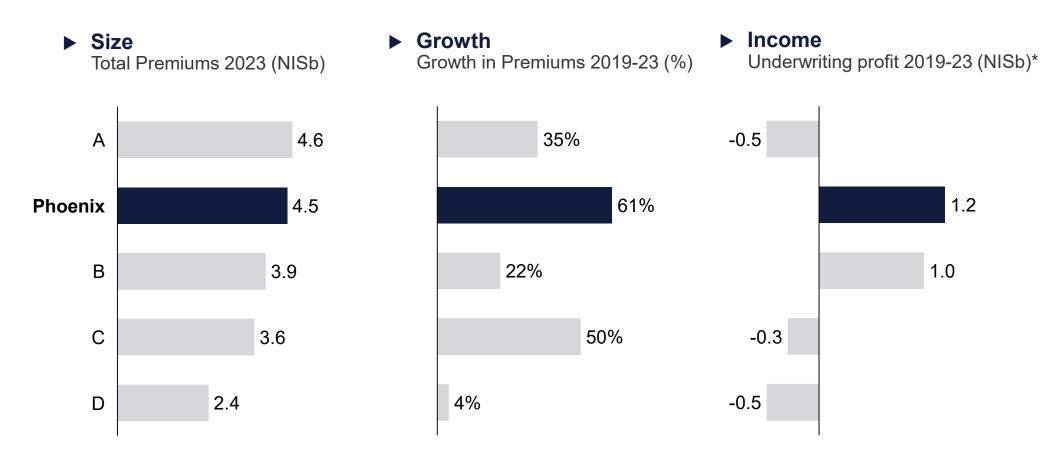
International recognition incl. analysts and investors (over 30%)

Credit ratings
Phoenix Financial - AA (Israel)
Phoenix Insurance – AAA
(Israel) A-/Baa1 (International)





# Competitive Advantages | P&C Leadership Example



Leadership in growth and profitability with ML/AI capabilities



# Strategic Targets | KPIs and Rationale

Grow comprehensive income to 2 NISb (above 8 NIS income per share) with ROE of 16-18%

and above 50% combined payout of dividend & buybacks

Targets driven by systematic development of **growing & profitable** activities, generating cashflows and dividends **based on existing capital** 

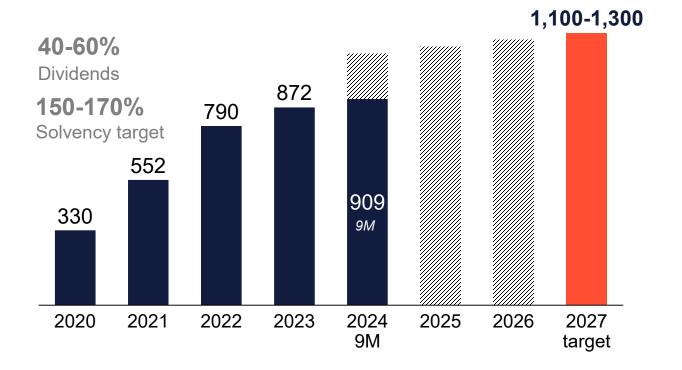




# Insurance Target | Competitive Advantages & Optimization

### **Core Income**

Net comprehensive income excluding minority interests & non-operating effects, NISm



### Deepen competitive advantages

Advanced pricing models

Hybrid distribution

Capital management, ratings & solvency

### **Broaden optimization**

Continued shift in business mix Financial & operational efficiency Reduced volatility





# Competitive Advantages | Across Insurance Value Chain





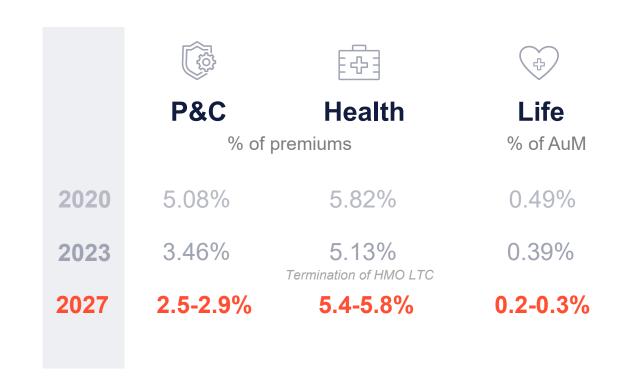
# Insurance | Efficient Operations & Scale Cost Advantages

### **Digital Self-Service**

% of service interactions



### **G&A Expense Ratios**



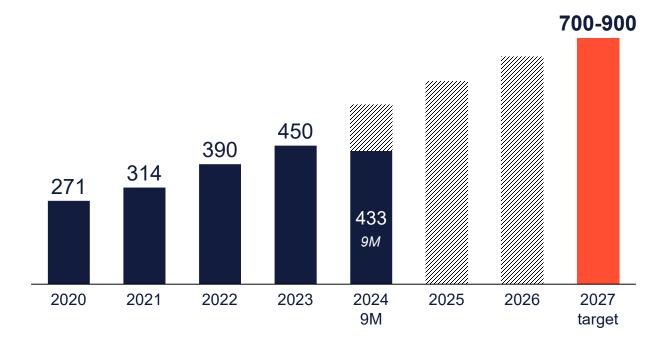




# Asset Management Agencies & Credit | Growth Engines

### **Core Income**

Net comprehensive income not incl. minority interests & special effects, NISm



Established, independent platforms with business leaders as equity partners

Low-volatility income

Strong profitability & cashflow

Minimal capital needs for growth

Group synergies



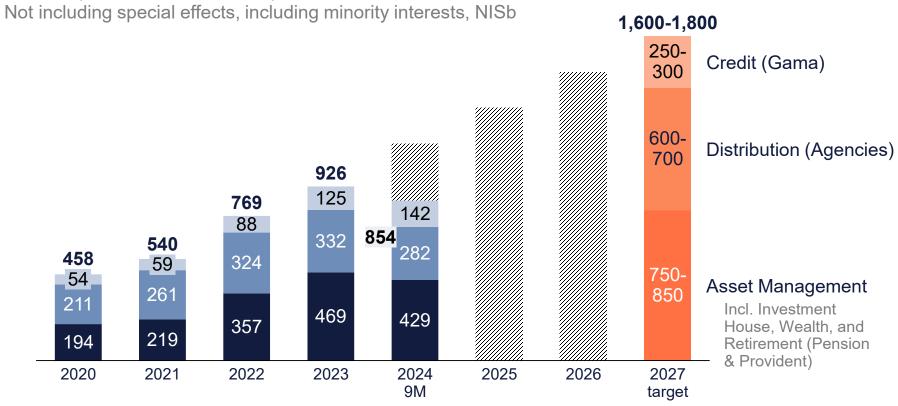




# Asset Management Agencies & Credit | Strong Cash-flows

Adjusted EBITDA for Asset Management, Agencies &

Credit (without Insurance)



Low-volatility income

Significant stable cashflow

Adjusted EBITDA target for 2027 not including minority interest 1.2-1.4 NISb

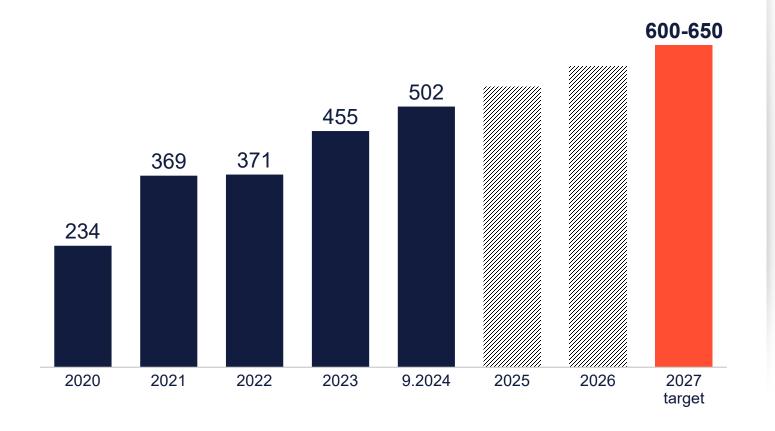




# **AUMs** | Profitable Growth

### **Assets Under Management**

NISb



- ► Focus on profit over size
- ► Accelerated growth in high-margin activities

2023-27 AUM CAGR

15%

**Investment Policies** 

13%

Investment House & Wealth

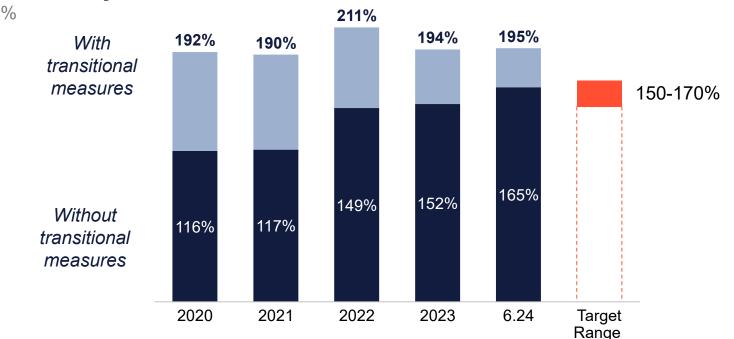
7%

Pension & Provident



# Excess Capital & Liquidity | Growth from Existing Capital

### **Solvency Ratio**



Phoenix Insurance with market leading 4.4 NISb excess capital above 100% solvency, and 3.1NISb above 115% in 2023

### Insurance

High capital and solvency
Shift mix to capital-light activities
Reduced insurance risk correlation

# **Asset Management, Agencies & Credit**

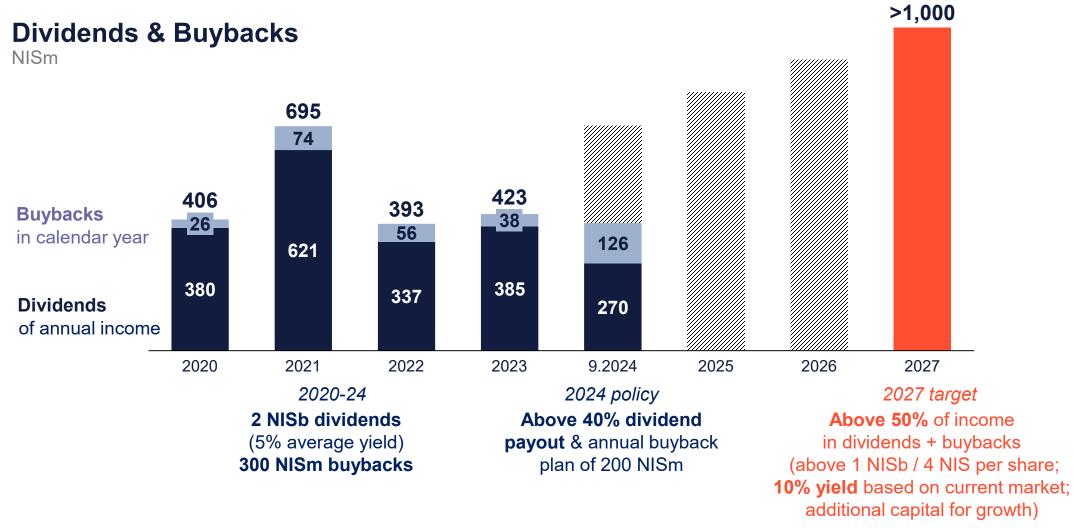
Low capital needs for growth Credit with capital efficiency and high ROE

### Group

High liquidity & low leverage



# **Dividends** | Track Record & Growth





# Active Management | Alignment & Commitment

### **Culture of alignment & performance**

Equity compensation creating long-term alignment

- Including shares, restricted share units (RSUs),
   & options
- Across business units including Insurance, Investment House, Agencies, Gama
- Typically granted annually with average vesting over 3 years
- Relatively high for market, however subject to salary regulation

Significant variable performance pay Culture of execution & performance

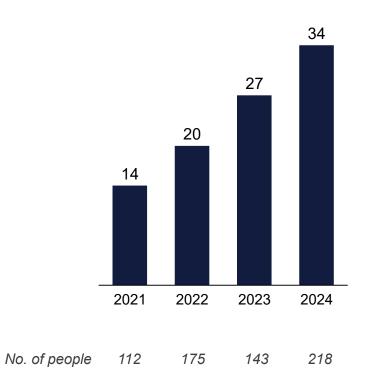
Deep experience

Values of Excellence, Agility, Collaboration, & Transparency

Comprehensive corporate governance

- Professional board of executives with International & Israel experience
- Dispersed control with over 30% international shareholders

# **Equity Compensation**Total grant value, NISm



### Aligned leadership team



Benny Gabbay Chairman

### Chairman since 2019

20+ years financial services; Chairman of Israeli Insurance Association



Eyal Ben Simon CEO

**CEO since 2019** 

20+ years financial services experience & Phoenix management roles









## Phoenix | History of Leadership, Innovation & Success

#### **Established Position**

75 years of service

3 million clients

4,700+ employees

#### **Continuous Innovation**

**Digital** 

Market distinct all-inone mobile app Al

ML based pricing engine

**Self-service** 

90% travel insurance purchased digitally

#### Client commitment

#1

**56 NPS** 

70%

in service among leading insurers\*\*

score for customers satisfaction

of service queries made digitally

### Sustainability leadership

#1

in electric-vehicle insurance

0.5%

donations of income

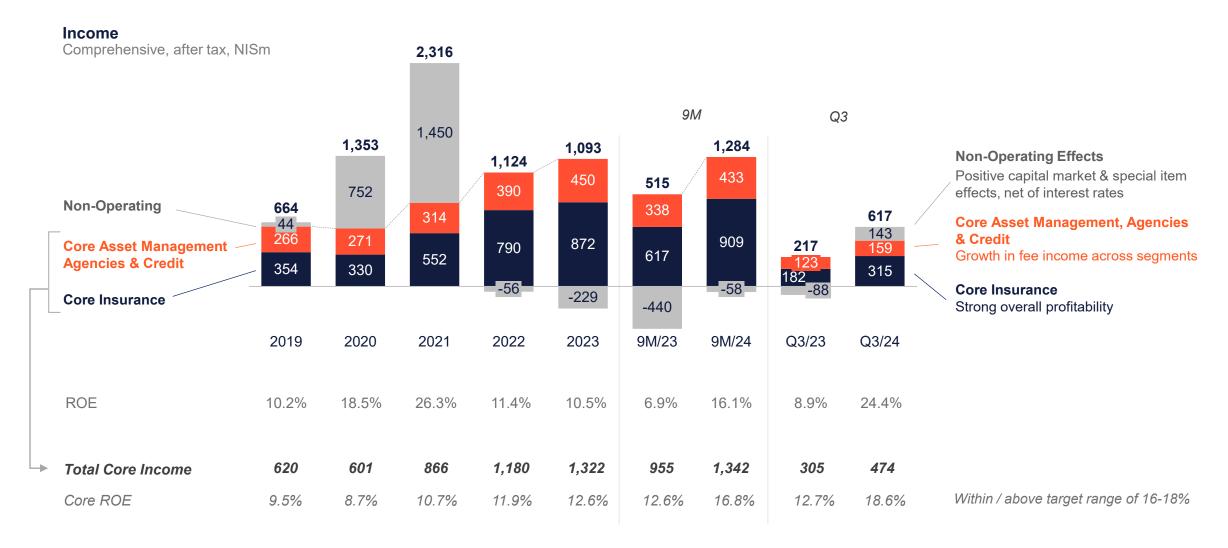
in S&P ESG ratings among leading insurers\*

#1





## 2024 Q3 | Continued Growth in Core Activities



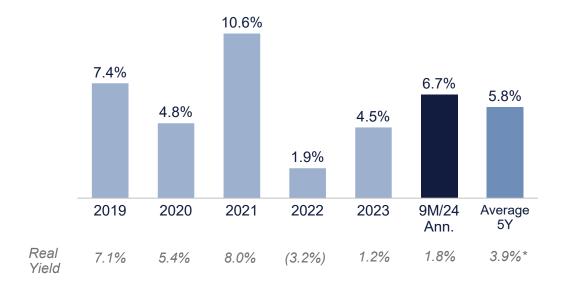




## **Investments** | Core Capabilities

#### **Returns – Insurance Nostro / Corporate Account**

Percent (nominal)



Investment performance & track record

Mark to market reporting transparency (reporting volatility)

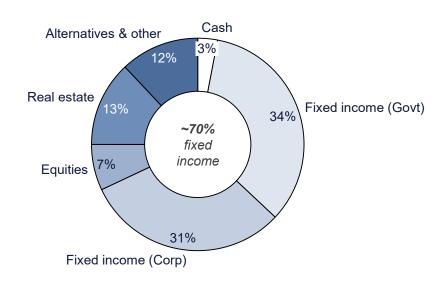
Team of over 100 investment professionals managing corporate account and client assets

**Group plans** based on 3% real returns and stable rates

**Investing in capabilities** including international investments and technology platforms

#### Asset Allocation - Corporate Account (Nostro)

Percent (September 30, 2024)



Responsible allocation & risk management

**Proactive and proprietary** dealflow and sourcing

**International investments** with leading partners, co-investments, & direct positions

**Balanced** asset allocation

**Responsible** asset and liability management



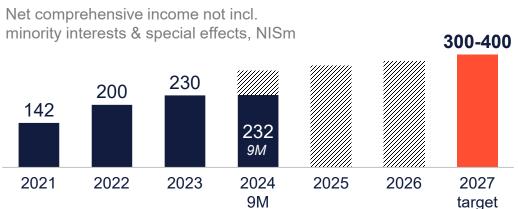




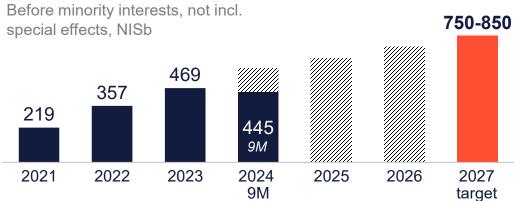
# 1. Asset Management | Growth and Profitability

Investment House, Wealth & Retirement (Pension & Provident)

### **Core Income**



## **Adjusted EBITDA**



#### **Kesem MF & ETFs**

Capitalize on research & investments capabilities to lead market & increase margins

#### Wealth & Alternatives

Focus on qualified investors, grow AUMs, proprietary products, trust, global collaborations, data

### **Trade / Private Brokerage**

Increase market share, cross-sell, trade volumes, decrease interest impact (credit & deposits)

#### **Pension & Provident**

Improve profitability with scale, digitization, automation & distribution efficiency















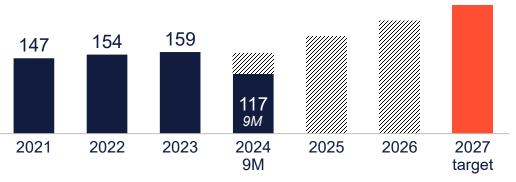
# 2. Distribution / Agencies | Strong & Independent Platform

250-350

600-700

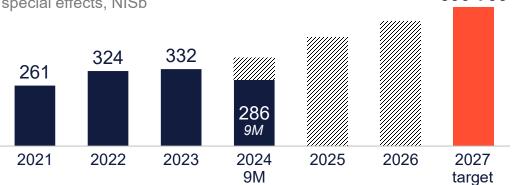
### **Core Income**

Net comprehensive income not incl. minority interests & special effects, NISm



### **Adjusted EBITDA**

Before minority interests, not incl. special effects, NISb



### Independent profit center to create & unlock value

Business leaders as partners in equity

### **Open architecture model**

Distribute all producers' products to maximize client value

#### **Accelerate growth**

Organic, synergistic M&A, expanded offering of investment and financial solutions

#### Improve profitability

Technology based differentiation and efficiency









~7% Market Share







# 2. Distribution / Agencies | Value Creation Potential

### **Growing Market...**

#### Revenues

Total commissions, NISb



Growth driven by savings rates and insurance penetration

### ...and highly fragmented...

#### **Market Share**

% of total commissions, 2023



Consolidation driven by technology. compliance, and regulation

### ...with limited international presence

**WTW** acquired specialty firm "Leaderim" in 2022, focusing on commercial lines (D&O, professional liability, M&A, cyber, credit) with ~50 employees

Marsh established local presence in 1998, focusing on commercial P&C; launched "Mercer Benefits Israel" in 2023 focusing on benefits

**Aon** established local presence in 2006, focusing on specialty P&C with ~70 employees

**Howden** established presence in 2003. focusing on commercial P&C; recently entered retirement space with mid-sized acquisition

International players interested in market but difficult to build significant position

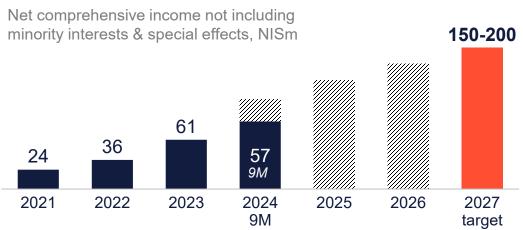




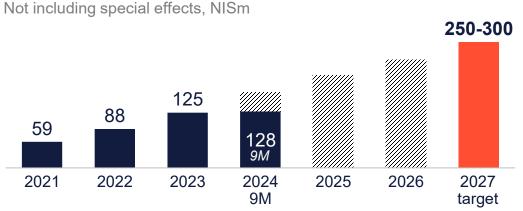
# 3. Credit | Growth & Profitability Based on Banking Capabilities

Established credit engine with diversified products and new value offerings

### **Core Income**



### **Adjusted EBITDA**



### SME lending

Grow portfolio by cross-sell, increase mid-market market share

#### Data-based consumer credit

Launch and grow based on unique platform, personalization, advanced underwriting & direct distribution (Smart) capabilities

#### **Construction finance**

Grow & optimize portfolio (diversification and distribution), collaboration with insurance (credit, quarantees)

### Credit card payments & clearing

Increase market share in profitable, capital light, liquidity-generating activities



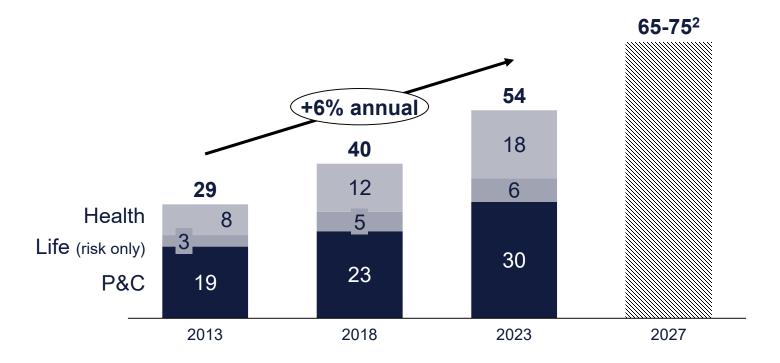




# Israeli Insurance Market | Opportunities for Profitable Growth

# Total Market Premiums<sup>1</sup>

Solvency and IFRS-17 accelerate changes, emphasize value creation, create transparency & market attractiveness



### **Opportunities for differentiation**

Accurate pricings via AI/ML models
Hybrid distribution
Data

### **Opportunities for optimization**

Shift to capital-efficient products
Efficiency in operations, service & claims via digitization & automation

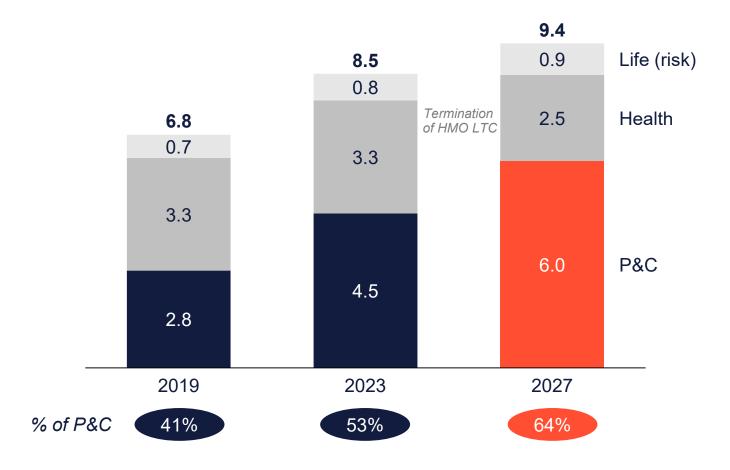




# Business Optimization | Shift in Mix to High ROE Businesses

### **Insurance Premiums**

w/o Executives Insurance and Investment Policies, NISb



### **Growth in P&C**

Based on ML underwriting models & hybrid distribution

# **Growth in Investment Policies**

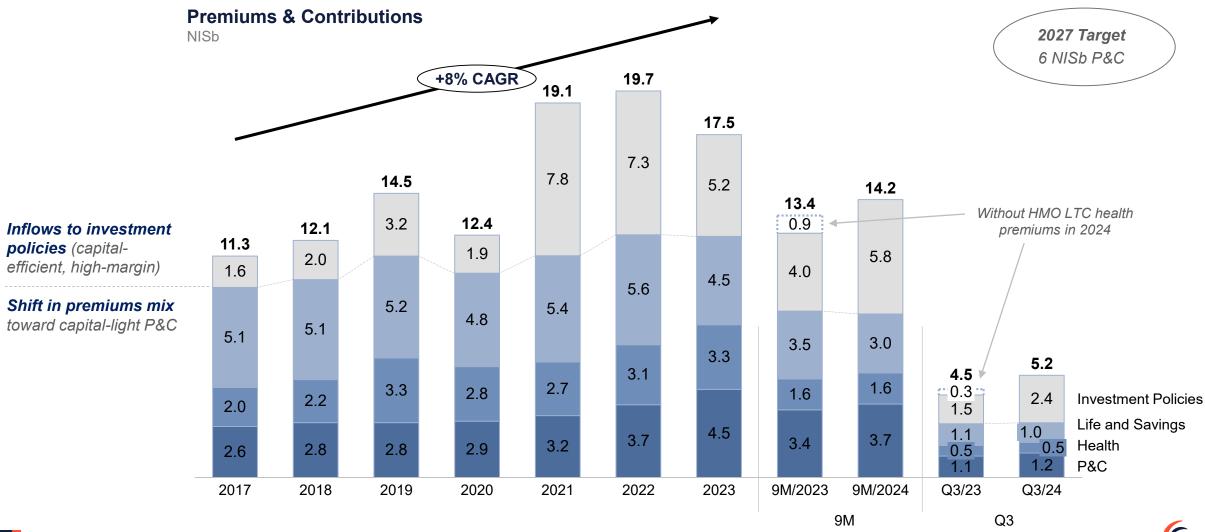
Based on distinctive products & international collaborations







# **Business Optimization | Shifting Mix Details**







## Financial Optimization | Reducing Volatility

Shift in activity mix
Increase capital efficient activities
(P&C, Investment Policies)

IFRS-17 implementation
Decrease volatility
Increase transparency and comparability of the segment

- 3 ► Capital management

  Decrease cost of capital with scale, international ratings, liquidity, backbook efficiency
- ► Investments management

  Manage exposures (incl. interest)

  Provide >3% real yields
  (3.9% of 5-years average)

## Clients, Agents & Advisors | Experience & Monetization



## Digital service for clients & agents

- Digital platforms
- ► Automatic processes
- ► Accessible & transparent data



### **Personalization**

- Advanced AI/ML tools
- Smart use of data
- ► Fit-to-consumer offering





### Sales

- Digital interactions
- High LTV
- Increased loyalty





# Sustainability | Built Strategy & Execution



Support for Social Resilience

Portfolio of nonprofit ventures
Focus on education, health & culture

10 non-profits supported (focus on education & Health)

**2,500** boys and girls provided with better starting point for their future

**70,000** visitors in Phoenix Israeli art collection exhibition



Investment Stewardship

Dialogue-based & voting influence Value creation & impact

**235** Israeli public companies in portfolio

Of which, in **130** Phoenix is a significant shareholder

**52** votes taken in 2023, focus on corporate governance



► Managing Climate Impact

Capture opportunities (focus on EVs)
Insurance, credit & investments risks

**#1** in electric-vehicle insurance

**10 NISb** investments and credit with positive climate impact

**6** growing "green" insurance products



# **Assumptions & Definitions**

Core income	Net Comprehensive Income assuming 3% real yield, not including investments performance above/below 3%, interest rate effects & special items
Adjusted EBITDA	Adjusted EBITDA calculated as earnings before interest, tax, depreciation & amortization; consolidated including minority interests; adjusted for non-operating items, without IFRS 16 influence, and cash items relevant to specific segments (Retirement includes DAC amortization, Credit includes finance expense & provisions)
Tax statutory rates	Insurance, Pension & Provident - 34% Distribution, Credit - 23% Investment House and Wealth - 34/23% depending on activity
Solvency Target	Target range based on transitional measures over time
Insurance 2027 plan assumptions	P&C - Increase market share & improve margins with advanced models & diversified channels Life - Accelerate growth in Investment Policies with differentiation, branding & international collaborations Health - Focus on selected products and efficiency
Asset management, distribution & credit 2027 plan assumptions	Investment House & Wealth: Kesem ETFs and mutual funds – market growth Trade / Brokerage – market share growth Wealth & Alternatives – growth in assets Credit: Market share growth in SME credit and construction finance
IFRS 17	Forecasts and targets do not include changes from IFRS 17 implementation starting 2025, which have not been finalized

