Market Release

09 May 2024

Macquarie Australia Conference 2024 presentation

Challenger Limited (ASX:CGF) attaches a copy of the presentation and speaking notes that Managing Director and Chief Executive Officer Nick Hamilton will deliver at 12:00pm today at the Macquarie Australia Conference in Sydney.

ENDS

This release has been authorised by Challenger's Continuous Disclosure Committee.

About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited is Australia's largest provider of annuities.

For more information contact:

Mark Chen

General Manager Investor Relations Mob +61 423 823 209 machen@challenger.com.au

Irene Xu

Investor Relations Manager Mob +61 451 822 326 ixu@challenger.com.au

Felicity Goodwin

Head of External Communications Mob +61 461 579 782 fgoodwin@challenger.com.au

Rhiannon Hornsey

Chief of Staff Mob +61 428 404 345 rhornsey@challenger.com.au



The retirement opportunity

Macquarie Australia Conference

Nick Hamilton

Managing Director & Chief Executive Officer

9 MAY 2024





Key points

01

Playing our role in Australia's Golden Years of retirement

03

Our sales re-mix supporting long-term growth and returns

02

A business model that is ready to take on the future

04

Strong growth opportunities that leverage core capabilities



The retirement challenge

Australians are living longer and demand for financial security is increasing

AGEING POPULATION



DEMAND FOR FINANCIAL SECURITY



REGULATORY SUPPORT



2.5m •

Australians set to retire over next 10 years¹

\$11.9tn •

Australian super assets expected to increase from \$3.7tn over next 20 years² 

Australian retirees would be much happier with guaranteed income for life in retirement³

65% 🦫

Australian retirees say cost of living has impacted their financial security³

Government focus



- Retirement Income Covenant
- Financial advice reforms
- Objective of superannuation

Innovative retirement products and solutions required

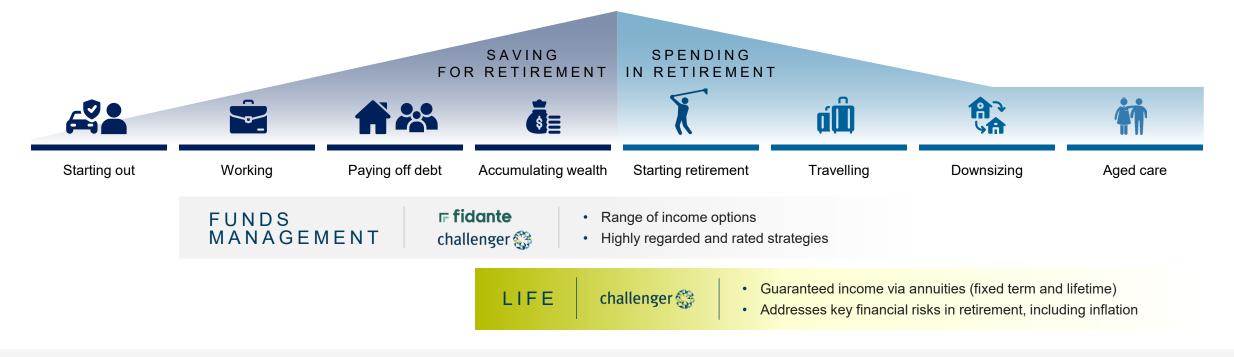


- 1. Treasury modelling, Retirement phase of superannuation Discussion Paper December 2023.
- 2. Deloitte Superannuation Market Projections Report 2023.
- 3. Research undertaken by YouGov in February 2024, surveying a nationally representative sample of 1,049 Australians aged 60 and above. Current as at 12 March 2024.



Positioned to play a major role in the retirement opportunity

Leader in income products



















Challenger Life

Australia's leading retirement income business¹



№ ~\$6bn

Customers payments per annum²



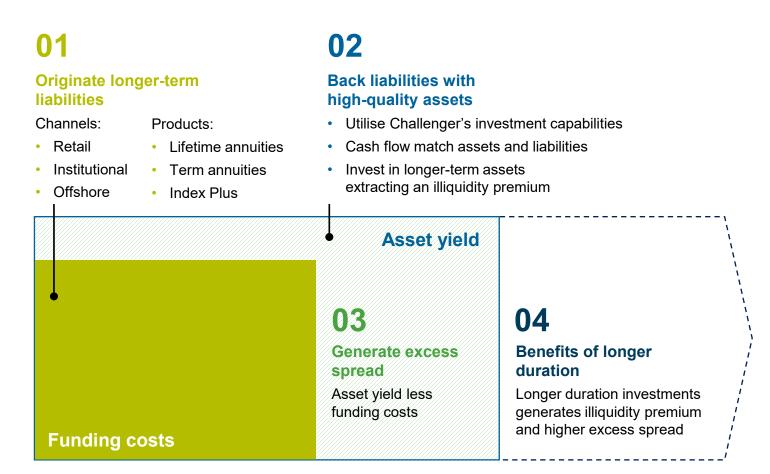
\$25bn

Life balance sheet3





Challenger Life business model



- Plan for Life September 2023 based on annuities under administration.
- FY23 annuity interest and capital payments.
- 3. As at 31 March 2024.



Challenger Investment Management

A proven alternative credit platform

9)

Proven Platform

Experience in public and private credit through multiple cycles including the Global Financial Crisis



Track Record

Since 2010 delivered illiquidity premiums of 1-2% per annum by investing in less liquid credit



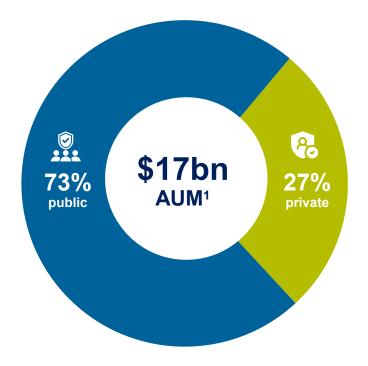
Wide breadth of credit investments and expertise

Multi-sector approach blending public and private credit originated by an experienced team of investment professionals

Challenger Investment Management fixed income portfolio

Public opportunities

- Financial Credit
- Securitised Credit
- Investment Grade Corporate Bonds
- High Yield Bonds



Private opportunities

- Asset Backed Finance
- Commercial Real Estate Lending
- Leveraged Buyout Debt
- Whole Loan Portfolio Lending



Challenger Life

Sales remix strategy driving stronger returns

GROWING LONGER DURATION MORE VALUABLE SALES

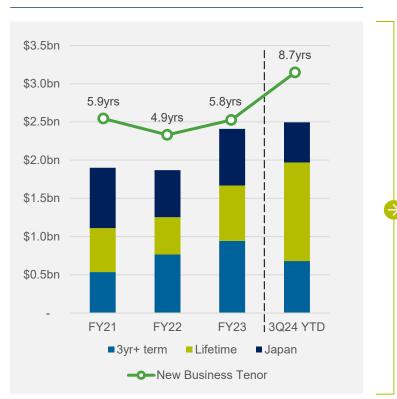


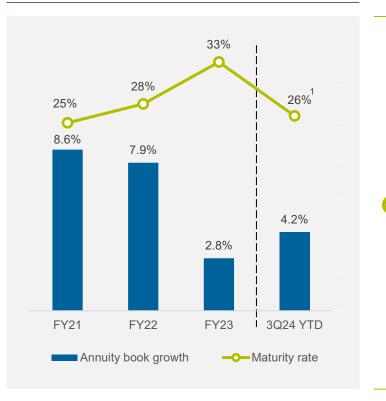
LOWER MATURITY RATE SUPPORTING BOOK GROWTH



LONGER DURATION DRIVING HIGHER MARGINS AND RETURNS







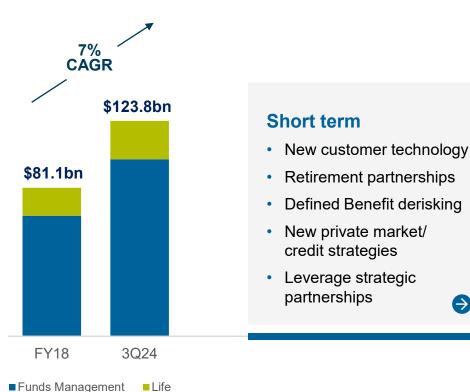




Clear plan to capture significant growth opportunities

Scalable and dynamic platforms

Assets Under Management



Medium term

- Platform integrations
- Working with adviser groups in delivering retirement
- Expand Alternatives platform
- Scaled UK/Japan distribution



Long term

- Diversified channels (Retail, Superannuation funds, Offshore)
- Embed retirement solutions into advice technology
- New retirement products for pre- and in-retirement
- Scaled private market/credit strategies



Future



Key points

01

Playing our role in Australia's Golden Years of retirement

03

Our sales re-mix supporting long-term growth and returns

02

A business model that is ready to take on the future

04

Strong growth opportunities that leverage core capabilities



Important note

This presentation was prepared for the purpose of a briefing to equity analysts and certain wholesale investors on 9 May 2024.

The material in this presentation is general background information about Challenger Limited's activities and is current at the date of this presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors, potential investors or any other person and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

Past performance is not an indication of future performance.

Any forward looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Challenger, so that actual results or events may vary from those forward looking statements, and the assumptions on which they are based.

While Challenger has sought to ensure that information is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this document and Challenger expressly disclaims, to the maximum extent permitted by law, all liabilities in respect of any information or statements in this document.



Macquarie Australia Conference 2024

Managing Director and Chief Executive Officer speaking notes

Thank you and good afternoon.

Today marks my third presentation to the Macquarie Australia Conference as Chief Executive of Challenger.

At my first appearance at this lectern, I spoke about the growth opportunity for Challenger.

Standing here today, I am very pleased with the progress we've made on delivering on that opportunity:

- We've made strategic decisions to focus on our competitive strengths in Life and Funds Management, with the sale of the Bank now complete;
- Our strategy has broadened our customer base and is delivering new revenue streams;
- Prioritising longer tenor, more profitable business is improving returns;
- We've developed retirement income partnerships and defined benefit de risking solutions as we further build out the opportunity with superannuation funds;
- Our strategic partnership with MS&AD and more recently Apollo will enhance our long-term growth;
- We are now in the planning and delivery phase of our new customer technology uplift that will
 materially improve how we connect with our customers as well deliver operational efficiencies;
- And we have significantly strengthened our financial performance, whilst maintaining a strong capital position.

Today I look forward to discussing how we'll maintain this momentum by capturing the growth opportunity in Australia's 'golden years' of retirement; capitalising on the strength of our business model; and scaling our platform to build long-term sustainable growth.

To begin, a few words on the 'retirement challenge'.

With our world class accumulation system, Australians are better prepared than many to have a fulfilling and financially secure retirement.

It's worth remembering that a retiree today has benefited from over 30 years of compulsory superannuation and the value of retirement assets will only grow as Australians retire in ever increasing numbers.

Over the last two years, the retirement discussion has gained great momentum in our country. It remains early days and the needs are varied and increasingly better understood, as more Australians enter retirement seeking a lifestyle far different to the generations before.

However, we are only at the foothills of developing an effective approach to the drawdown phase and how we can improve retirement outcomes for Australians.

With inflation elevated, protecting retiree income from the long-term destructive impact of inflation must be a priority for those in or approaching retirement.

Research reinforces what we're hearing from customers, advisers and institutional clients – demand for quaranteed income that allows Australians to enjoy their retirement has never been greater.

Recent policy reform proposals are encouraging. Whilst each reform is meaningful, what's even more valuable is their collective effect in developing Australia's retirement income system.

Super funds are responding, designing and implementing strategies to support members into and through retirement.



Retirement will require affordable advice and the re-advising of Australians is underway. The huge need has provided the catalyst for organisations to begin looking at how they scale advice and prepare clients for retirement, including integrating secure and guaranteed income solutions.

Challenger has an important role to play in strengthening the retirement phase of superannuation, and we continue to work with the industry, government and regulators to address the very real risks that Australians face in retirement.

Our unique business ensures we can support customers throughout their working lives and into retirement.

Our Funds Management business is one of Australia's largest active managers and helps clients with growth and income strategies. Fidante, our multi affiliate platform and Challenger Investment Management provide clients with access to a broad catalogue of highly regarded investment products. The business has built a reputation for its investment capabilities, with market-leading positions across equities and fixed income.

Challenger Life is the country's leading guaranteed retirement income business and we will continue to invest in our brand to maintain our position. We provide customers with reliable and secure income streams, from fixed term annuities to a regular income for life, ensuring they have financial peace of mind throughout their retirement. We are seeing opportunities to address the needs of an even broader range of customers, as we work with advisers and institutions to build innovative retirement income and de-risking solutions.

To deliver this, we are drawing on our talented team and their exceptional origination, investment and distribution capabilities, as well as leveraging the scale and growth of our strategic partners.

Over almost forty years, we have evolved to meet the needs of our customers and offer a range of products and solutions via our multi-channel strategy.

Every year, we make billions in guaranteed payments to customers, providing a regular secure income. This includes inflation protected options and allows for a structured drawdown of a retiree's capital.

So far in FY24, we've conducted over 200 roadshows, workshops and webinars to help advisers and superannuation funds understand how our offering can help clients in retirement.

As we focus on broadening our customer base, we've also launched a new brand sponsorship strategy that provides an excellent platform to showcase our credentials and engage more directly with our target audience.

A few words on our business model – we sell guaranteed income products and back them with a diversified, high-quality investment portfolio, predominantly fixed income. This diversified portfolio provides reliable investment income that we use to fund the retirement payments to customers.

We generate a spread from the yield on our investment portfolio less the payments we make to customers. As we extend the tenor of new business, it allows us access to a broader investment opportunity set, earning an illiquidity premium.

The key driver of spread earnings on our balance sheet comes from our fixed income platform, largely managed by Challenger Investment Management.

We have been active in the Australian private lending market for almost 20 years, with experience working through the credit cycle. Our team is one of the largest and most experienced private credit managers in the country, and our competitive strength lies in our reputation, asset origination capability and strong credit underwriting.



We manage \$17 billion in assets ranging from relatively liquid publicly traded investment grade corporate bonds, through to private credit.

We see a significant opportunity to further diversify our book and meet the growing demand for high yielding, high income solutions as private credit and lending grows in Australia and offshore. We have observed the growth of the market overseas, where investors have been attracted by the scalability and illiquidity premiums on offer.

For example, over the last two years, we have invested and built a domestic whole loan origination platform following increased demand from non-bank lenders to utilise whole loan sales to diversify funding and introduce new lending products. This has allowed us to originate whole loan credit for our life balance sheet. We have already secured a number of forward flow origination partnerships and see exciting potential in this space.

In addition to providing our balance sheet with high quality origination, our fixed income platform manages a series of institutional mandates for third party clients.

Further, we have established a range of high performing funds in recent years. It's worth noting that combined, our four funds reached around \$2 billion in FUM at the end of the third quarter.

Demand for private credit will continue to grow in Australia for decades to come and we are extremely well placed to benefit from this ongoing trend.

Over the last two years we have prioritised driving longer duration, more profitable annuity business, with the objective of improving the quality of Life book growth and driving stronger returns. Pleasingly, we're starting to see the benefits of longer duration business come through in our numbers as we capture greater excess spread.

As we reported in our recent third quarter update, we're delivering strong sales across our retirement income products, supported by rising demand for guaranteed income and the growing number of Australians entering retirement and aged care.

Lifetime annuity sales increased by 37% and 95% of new annuity business was for terms of two years or more. Japanese annuity sales are also performing well. In particular, we have been pleased with Japanese yen denominated annuity sales following the extension of our reinsurance partnership with Mitsui Sumitomo Primary in November last year.

Over the last two years, new business tenor has materially improved from 4.9 to 8.7 years. This has led to a significant reduction in the maturity rate, which we now expect to be 26% in FY24 from 33% a year ago. This will support future book growth.

Our focus on longer duration annuity business is insulating book growth from lower sales volumes in shorter duration business. This has been particularly important in a highly competitive term deposit market.

Longer duration sales are also allowing us to invest in longer duration assets that can generate an illiquidity premium, that is driving additional spread and supporting a higher COE margin. This dynamic was demonstrated in our recent third quarter update, with the success of our sales remix strategy driving higher Life margins that supported the upgrade of our full year earnings guidance to the top end of the guidance range.

We continue to prioritise broadening the customer channels where we write longer tenor business. The benefit this strategy is having to current returns and future returns will be an important driver of shareholder value.

Challenger has an exciting future ahead, with a multi-year strategy that will drive growth and profitability.



We have a unique opportunity to leverage our purpose, capabilities, brand and expertise to be a leader in retirement. This will see us meet the growing demand for a broader range of retirement income solutions across existing and new channels.

In the short term, our growth plans will be enabled by our new customer technology that will make it much easier for us to integrate our capabilities with advisers, platforms, superannuation funds and make it easier for customers to do business with us. This will support our focus on working with more super funds to develop innovative retirement income solutions that meet their members' needs.

We also see a significant opportunity in the defined benefit market, where there is emerging demand from corporates and trustees seeking to de-risk pension liabilities.

In Funds Management, we'll utilise our experience to drive credit origination for Life and more broadly, meet growing client demand for higher yielding income strategies.

Challenger has a strong track record of building successful strategic partnerships. As I noted earlier, we recently expanded our long-term reinsurance agreement with Mitsui Sumitomo Primary with whom we have worked collaboratively for many years.

With Apollo, we will continue to identify ways to create significant shared value. Our recent origination partnership will provide our Life business with greater access to Apollo's global investment management capability. Investor feedback on the Apollo Aligned Alternatives strategy, brought to the Australian market by Fidante, has also been very positive.

Over the medium term, we will expand our offering across existing channels. We'll integrate with more platforms and launch in-platform annuities, opening up a larger market of superannuation and pension stage monies. The retail adviser market is core to our Life offering, and we'll increase the number of advisers we work with and business they write with us. We'll capture the growth opportunity in alternatives, where we have expanded our capabilities and will continue to scale into this fast-growing market. In the UK and Japan, we'll grow using our Funds Management platform and distribution capability.

Over the longer term, we will continue to scale our existing core capabilities and develop new products, partnerships and reach more customers. This will ensure that we drive growth through a truly diversified, multi-channel strategy. High quality, affordable financial advice at scale will be critical to the financially security of Australia's ageing population. This will likely include hybrid digital advice and we'll engage with advice providers to ensure more Australians benefit from a guaranteed income stream in retirement. We have a track record of innovating to meet the changing needs of our customers and we see opportunities to develop more solutions tailored to the needs of those preparing for and in retirement. Over the next five years, demand for private credit strategies will only grow. We will leverage our capabilities and invest to capitalise on this opportunity.

Challenger has two highly scalable platforms and I am confident that by leveraging our expertise, we'll successfully execute on our exciting growth strategy.

Challenger is in a very strong position, with momentum across the organisation.

The team are engaged and motivated to deliver on the significant opportunity that we have.

This past two years we have prioritised a number of immediate strategic and financial objectives, whilst making investments that will set the business up for the longer term.

Those key investments across our fixed income, customer and technology platforms position us to capture a growing share of the opportunity that we see as millions more Australians enter retirement.



We know that our purpose of financial security for a better retirement matters. Bringing more Australians financial security as they save for, enter, and live through retirement matters.

And with the market dynamics I outlined earlier, there will be more demand, across more channels for a broader range of retirement income solutions.

We will capture this opportunity as we execute our strategy to position Challenger as the trusted partner in retirement.

This will drive long term sustainable growth and shareholder returns.

Thank you and I am happy to take your questions.

