



Sabre – A high-margin business with strong growth opportunities

December 2024



Welcome!

Sabre is setting an **ambitious earnings target** for the medium-term...

... whilst maintaining all the things that make us a great business

Introducing **Ambition 2030**, our plan to reach at least £80m of profit before tax in 2030



Presenting today



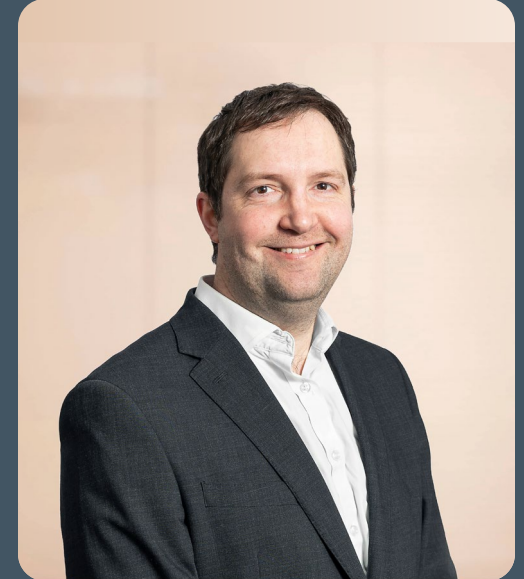
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Agenda

01 Sabre – A proven
business model

02 Ambition 2030

03 Capital allocation

04 Q&A



Sabre – A proven Business Model

Sabre's core strengths



Sabre's proven business model



Sabre is a unique **UK based motor insurer**, specialising in the **higher margin non-standard and higher premium sectors**.



Sabre's market positioning, combined with its differentiated pricing and claims capabilities, has allowed Sabre to **deliver market leading underwriting performance** over many years.



Sabre is focused on **operating profitably**, and not pursuing premium or policy count targets, unless these support earnings growth.



Sabre seeks to **deliver attractive returns on capital** which will **generate a reliable and growing dividend**, based on 70% of profit after tax and regular returns of surplus capital.



Sabre operates in an attractive market



Motor insurance is a **compulsory purchase in the UK**, providing good-value unlimited liability cover for every vehicle on the road



Motor insurance **purchasing is largely price-led**, with most purchases originating on price comparison websites



Capital requirements and the cost of reinsurance for new entrants provide real barriers to entry, keeping **competition at healthy, reasonable levels**



There is **limited pricing regulation in the UK market** meaning that fair, risk-based pricing can be applied across the market

This is different from much of the USA, where rate increases need filing with state regulators

Sabre's positioning within the market



Sabre has particular expertise in **non-standard, higher-premium risks**, leveraging more than 20 years' experience and data

Whilst the market typically operates at low margins, **Sabre targets a higher margin** reflecting the risk within its book, which is capital-efficient and delivers greater resilience

Sabre writes a **wide range of premium levels, vehicle ages and customer locations**, though has a natural bias towards higher premium drivers



Sabre's market share is currently **less than 1% of the UK market** by volume.

A modest increase in market share represents significant growth for Sabre.

Insurers operate different business models



Underwriting focus

Majority of profit through insurance premium income

Retains majority of underwriting risk

Net insurance margin is key

Low income from add-on products, commissions etc

Low focus on policy count

Low regulatory exposure to non-insurance products



Mass-market, commoditised insurers

Majority of profit from add-on products and other related income streams

Significant focus on volume

May pass on most of the underwriting risk

Less focus on underwriting margins

Significant focus on policy count

High regulatory exposure to non-insurance products

Sabre's products

Sabre currently sells three products:

- **Motor Vehicle** (i.e. cars and vans)
- **Motorcycle**
- **Taxi**

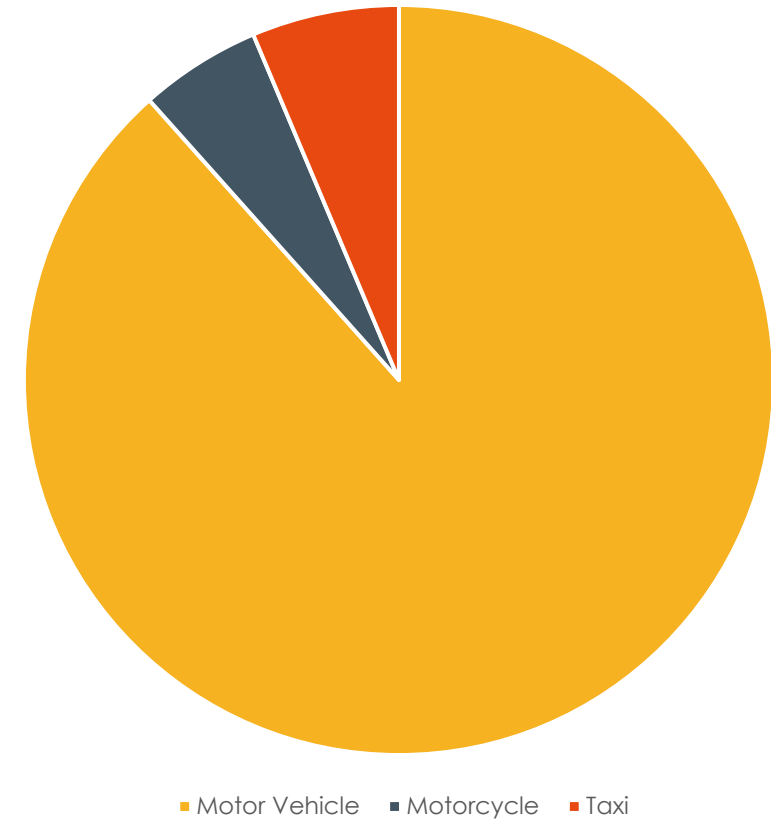
Motor Vehicle products are sold through insurance brokers and direct to customers – with both channels primarily reaching customers through **price comparison websites**

Motorcycle products are currently sold through a single broker partnership

Taxi products are distributed through a range of brokers and an expert partner



Sabre's business by product



Sabre's products



Since 2021, Sabre has complemented its core Motor Vehicle business with a Motorcycle product and a Taxi partnership

The Motorcycle and Taxi lines provide resilience in the cyclical motor insurance market

Both markets have been entered through low-cost partnerships with highly experienced providers

Core Motor Vehicle products will remain the majority of our book

The Motorcycle product is now reaching maturity and provides an opportunity to grow in an attractive market, where Sabre can deploy its capabilities

Sabre achieves this consistent level of market outperformance through:



✓ A rigorous focus on **technical expertise** and **emerging market conditions**, with a proven history of early identification of inflationary trends

✓ Maintaining unique, consistent data populated with over **20 years' pricing and claims experience**

✓ **Low reliance on income streams** outside of pure underwriting (such as cross-selling 'add-on' products)

✓ **Investing in a highly skilled claims function** with specialist understanding of the non-standard sector

✓ The dedicated **support of c.170 colleagues**, all based in one site in Dorking, Surrey, primarily in technical roles

✓ A **highly integrated senior management team** with close feedback loops between pricing, reserving and claims operations

✓ **Utilising proprietary techniques**, designed to leverage the insights from our data.

✓ A **unique** culture of talented individuals working towards our **shared goal** – to ensure great customer outcomes and increase profit

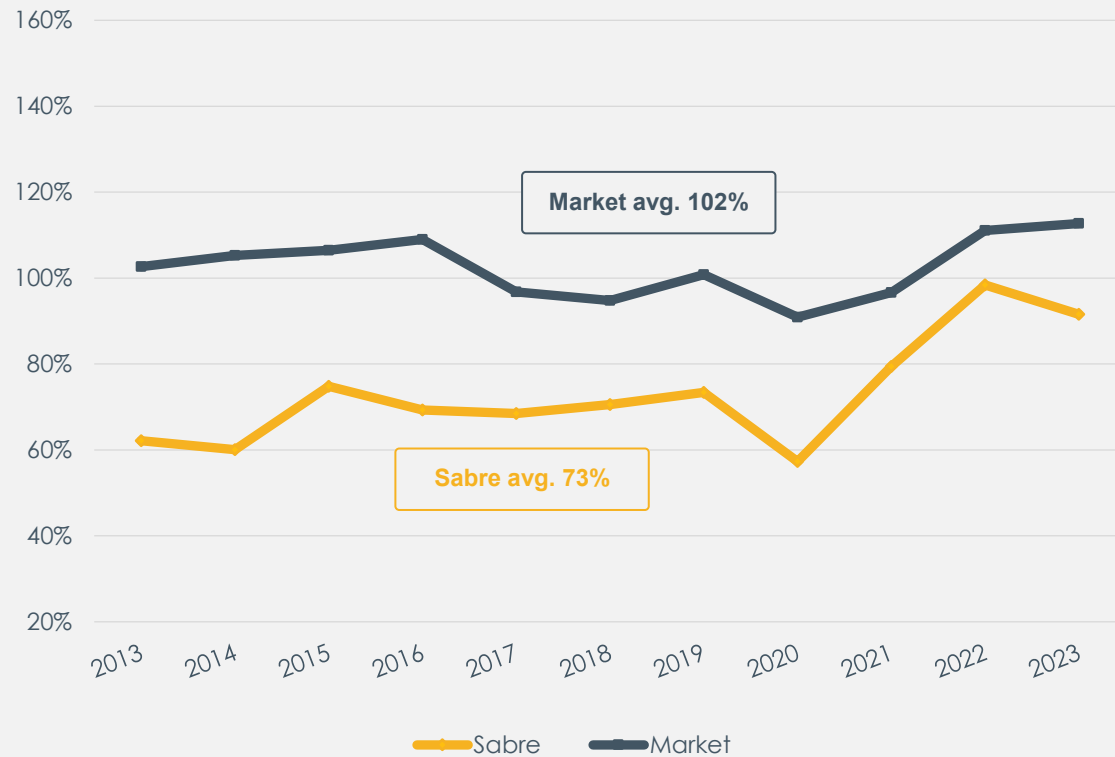


Sabre delivers leading underwriting performance



Market leading underwriting performance

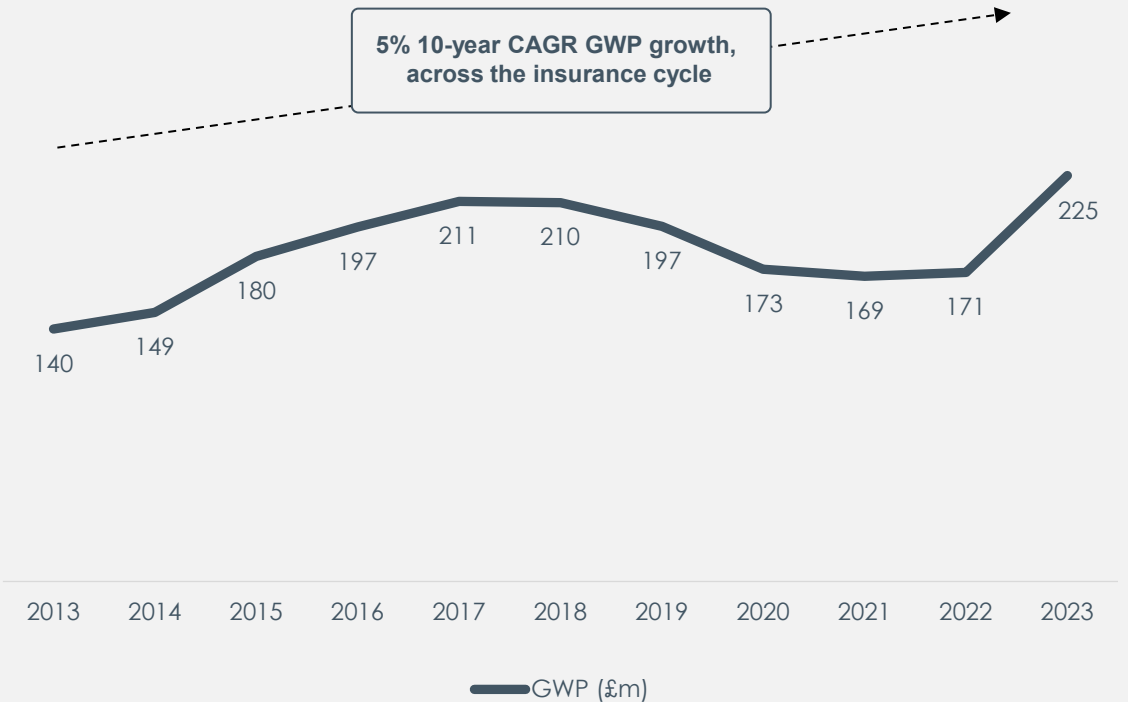
COR (%)



Source: EY Motor Market Seminar, historical reported information

Controlled and attractive growth

Growth written premium ("GWP") growth





Ambition 2030

Delivering at least £80m of profit in 2030



Ambition 2030



Sabre has ambitious medium term growth plans – to increase profit to at least £80m in 2030

These growth plans will be driven by initiatives that stay true to Sabre DNA – high-margin underwriting activities

Growth will not be linear – and may accelerate and decelerate in various market conditions. This represents a CAGR of c.10% between 2024 and 2030

These plans do not require capital investments to be achieved – the foundations have been laid over the last two years. There are no plans to change Sabre’s capital distribution policy, enabling shareholder returns throughout the cycle



Key Strategic Objectives



> £80m
profit before tax
in 2030



Core Motor
Increase Profit

Efficiency of direct distribution

Expand market position



Motorcycle
Increase Profit

Direct

Broker



Continued controlled expenditure

What's new

We are making use of three core concepts in setting our growth target:



We will target **profit growth** through **balancing** income and margin, whilst maintaining **underwriting discipline**



We will accelerate growth by **competing for additional, slightly lower-margin** business, **without compromising** the profitability of our current book, enabled through technology



We are now ready to **expand our motorcycle product distribution**, primarily through the launch of our 'Sabre Direct' brand and additional broker relationships

Key Strategic Objectives



> £80m
profit before tax
in 2030



Core Motor
Increase Profit

Efficiency of direct distribution

Expand market position



Motorcycle
Increase Profit

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Broker



Continued controlled expenditure

Target a margin to reflect policy risk



For the existing portfolio our current margin is appropriate because of the **relatively high-risk profile**



For less “high risk” business a modestly **lower margin is appropriate**



By targeting a slightly lower margin **the competitive footprint will be materially larger**



Sabre already **quotes for almost all risks** and **writes business of various volume** across the spectrum



This development **leverages existing skills, data and strengths**

Option 1

Increasing income at consistent margin

	Option 1		
	Current	Discount All	Impact
Net Earned Premium	\$100	\$120	\$20
Net Loss Ratio	53%	55%	2pp
Expense ratio	27%	28%	1pp
COR	80%	83%	3pp
Profit	\$20	\$20	\$0

N.B. Illustrative numbers only in table above, \$ amounts are not reflective of £ income projections

By reducing price uniformly:



The net earned premium (NEP) will increase



The loss ratio will increase on “existing” and “new” business



Overall profit will increase by a relatively small amount vs increase in NEP

Option 2

Targeting different margins

	Option 1			Option 2		
	Current	Discount All	Impact	Current	Discount New	Impact
Net Earned Premium	\$100	\$120	\$20	\$100	\$120	\$20
Net Loss Ratio	53%	55%	2pp	53%	54%	1pp
Expense ratio	27%	28%	1pp	27%	27%	0pp
COR	80%	83%	3pp	80%	81%	1pp
Profit	\$20	\$20	\$0	\$20	\$23	\$3

N.B. Illustrative numbers only in table above, \$ amounts are not reflective of £ income projections

By only reducing price on new lower risk policies:



The NEP will increase



The loss ratio will only increase on new business & existing remains the same



Overall profit will increase more in line with premium growth

Technology-powered, cutting-edge pricing



We have committed extensive effort and resource to developing an enhanced pricing infrastructure, which we are now rolling-out.

This significantly expands our ability to deploy even more sophisticated pricing models

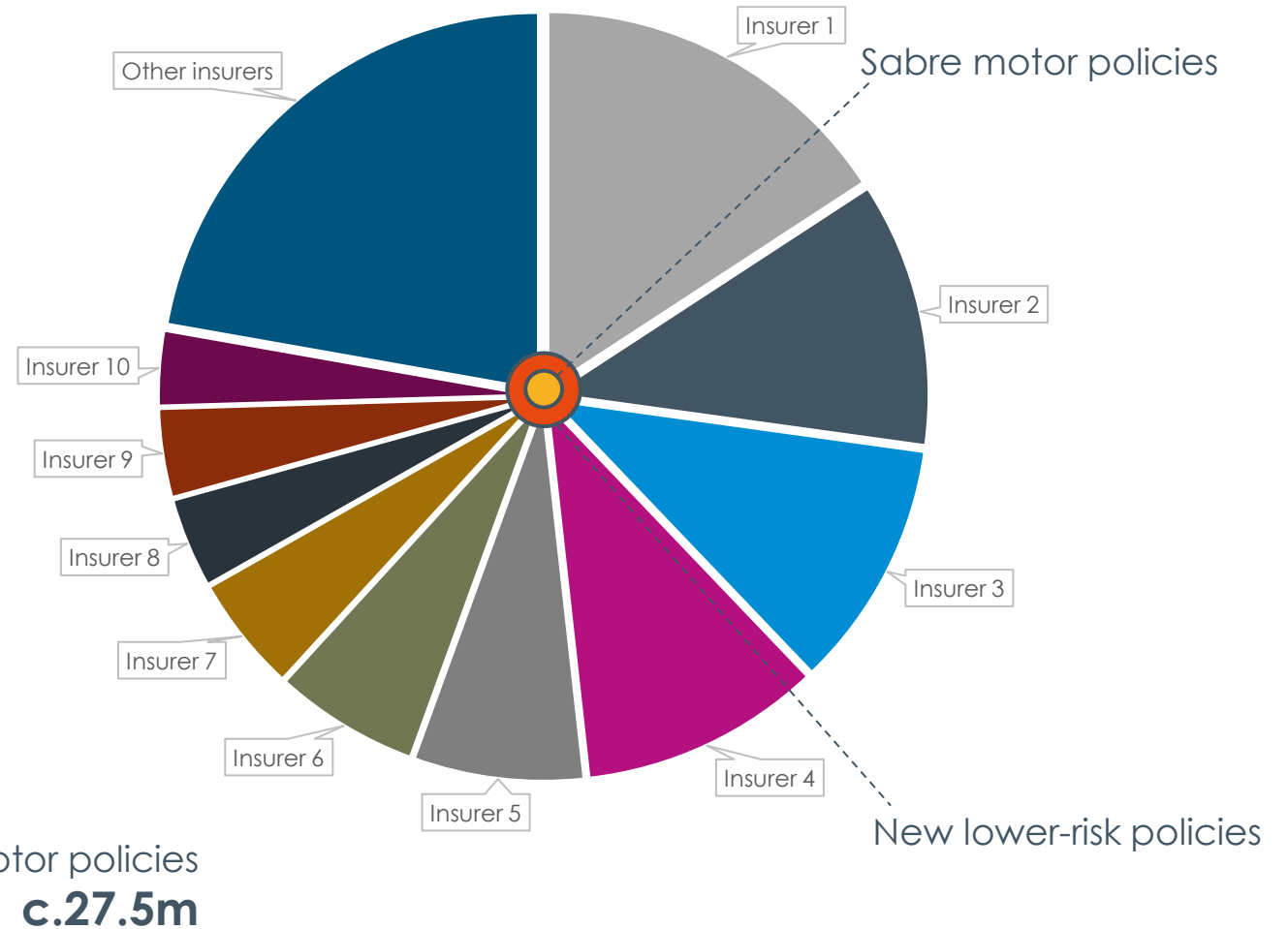
This will allow us to combine our unique, robust and extensive dataset with our market-leading pricing expertise and technology to expand our competitive footprint with confidence

We will leverage this technology to increase our competitiveness at slightly higher loss ratios, whilst 'locking in' our traditional market at current margins

Where is the growth coming from?



Insurer market share by premium



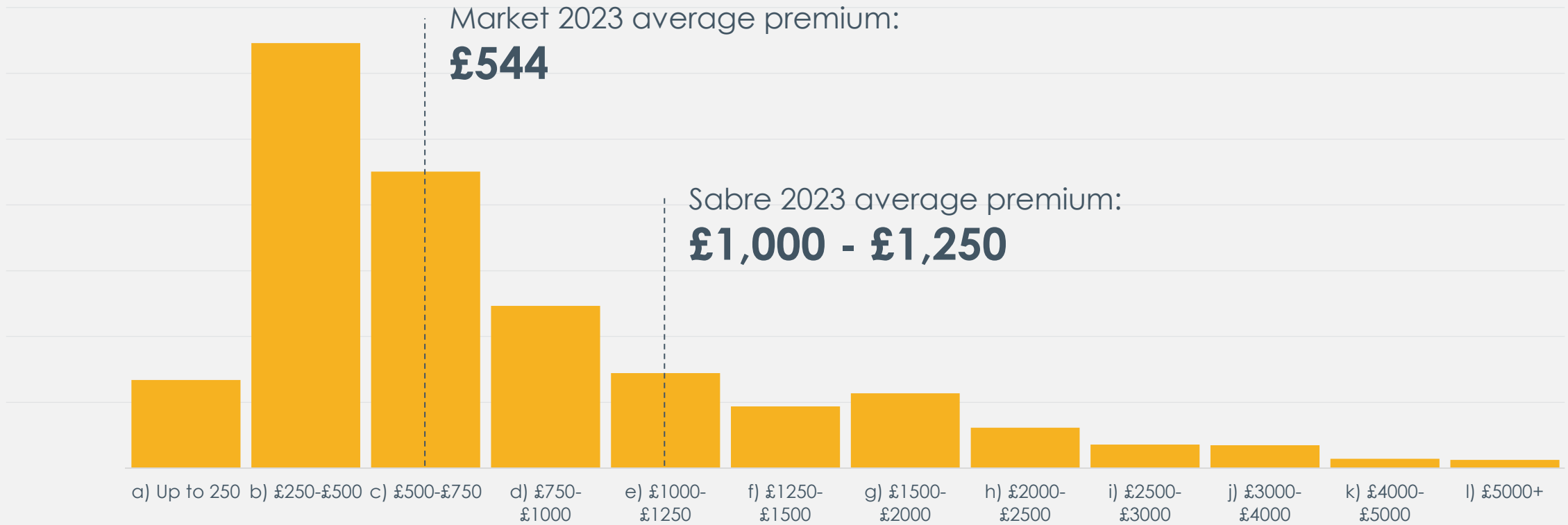
✓ We are **not targeting any specific** competitor footprint

✓ We expect to **win new business** from across the market

Sabre's average premium is well above the market



% Policies sold by price



Sabre's estimate of the % of new business sold at various pricing levels Jan 2024-Jun 2024, vertical axis redacted.

What does this mean in practice?

We will continue to deliver our current target margin on our existing competitive footprint

To drive additional growth, we will target a slightly higher loss ratio on lower risk business to allow us to pick up incremental business – moving down the ‘risk curve’

Overall loss ratio will increase as a result, but net insurance margin will be less impacted as expenses are diluted

We will utilise sophisticated pricing models - facilitated by the new pricing infrastructure

Pricing will be cautiously tested and rolled out during 2025



Key Strategic Objectives




> £80m
profit before tax
in 2030



Core Motor
Increase Profit

Direct Distribution

Expand market position



Motorcycle
Increase Profit

Direct

Broker



Continued controlled expenditure

Our motorcycle business

In Q1 2025, we will start to expand our presence in motorcycle

Sabre currently serves less than 3% of the c.1.4m vehicle motorcycle market (by volume)

Launch of a new direct, on-line only brand in Q1

Operationally efficient, with 100% on-line sales and servicing. Webchat support available, resourced by existing Sabre colleagues

Launch with additional brokers in 2025, alongside continuing to work closely with our existing distributor



Introducing... Sabre **DIRECT**



Existing Customers Portal

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Manage your policy

- View policy details and download your policy
- Make a claim
- Renew your moped/scooter policy
- Update your information

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[REGISTER YOUR ACCOUNT](#)

Make a claim

If you're involved in an event that you need to make a claim, visit our claims page which includes an online claim form.

[MAKE A CLAIM](#)

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[FAQS](#)

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Types of cover

Motorbike insurance is essential for riders, offering financial protection against unforeseen events. Comprehensive coverage includes damages, theft, and fire-related losses, providing extensive security. Third-party, fire and theft insurance strikes a balance, covering third-party claims, fire, and theft. Third-party only insurance fulfills legal requirements, addressing liabilities but excluding damages to the insured bike. The choice depends on individual priorities and budget considerations.

MOPED & SCOOTER

HIGH PERFORMANCE BIKES

TRIKES

CLASSIC BIKES

MODIFIED BIKES

SIDE CARS

Optional extras

Optional extras available for your motorbike insurance policy. Visit [BSA.CO.UK](#)

- Leather & helmet cover
- Breakdown
- Protected no claims
- Legal cover
- Personal accident

GET A QUOTE
RETRIEVE A QUOTE
MOPED & SCOOTER INSURANCE
FAQS
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Elevate your riding experience

Included as standard with our Comprehensive Motorbike Insurance

✓ New bike replacement
✓ Personal accident
✓ Travel abroad
✓ Uninsured driver cover
✓ Medical expenses

SABRE DIRECT MOTORBIKE INSURANCE - GET A QUOTE TODAY!

Types of cover

Motorbike insurance is essential for riders, offering financial protection against unforeseen events. Comprehensive coverage includes damages, theft, and fire-related losses, providing extensive security. Third-party, fire and theft insurance strikes a balance, covering third-party claims, fire, and theft. Third-party only insurance fulfills legal requirements, addressing liabilities but excluding damages to the insured bike. The choice depends on individual priorities and budget considerations.

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HIGH PERFORMANCE BIKES

TRIKES

CLASSIC BIKES

MODIFIED BIKES

SIDE CARS

Optional extras

Optional extras available for your motorbike insurance policy. Visit [BSA.CO.UK](#)

- Leather & helmet cover
- Breakdown
- Protected no claims
- Legal cover
- Personal accident

01

All foundations for these initiatives are **already in place**, having been developed over the past two years

02

2025 will be a year of **testing, transition and staged roll-out**

03

Expect to see an impact on **absolute profit from 2026 onwards**

All initiatives leverage existing Sabre strengths, do not require capital investment and can be rolled out in a controlled manner



Capital Allocation

Premium and profit growth accelerates toward 2030



Capital allocation and distribution priorities



Capital management decision by **140% to 160% solvency coverage target**

Organic Investment

Current strategic objectives require no material capital expenditure

Ordinary dividend

Attractive and consistent payout ratio



Policy to pay out 70% of profit after tax

Interim dividend mechanically one-third of prior year's full dividend

Supplementary shareholder returns

Aligned to meet post-dividend solvency target



Board will consider further distribution should capital position move above target capital range

Method of any supplementary capital return will be decided at the appropriate time

Decision is a function of available capital, outlook and expected returns

Enabling **consistent shareholder returns** and **through-cycle value creation**

Full-year 2024 out-turn



Growing premium and profit

- No change to guidance issued in the Q3 trading update
- Anticipate our highest ever gross written premium in FY 2024
- FY 2024 profit expected to be within market expectation and well ahead of FY 2023



Refreshed key performance indicators (“KPIs”)



Sabre will now report ‘undiscounted’ net insurance margin as its primary key performance indicator

This will show undiscounted claims plus expenses over net earned premium plus instalment income



‘Traditional’ KPIs related to profitability will continue to be reported, including:

- Discounted and undiscounted loss ratio and combined operating ratio
- Expense ratio



Income and profit KPIs will be reported:

- Profit before tax
- Gross written premium



Balance sheet strength and capital efficiency measures will be reported:

- Solvency Capital Ratio
- Return on tangible equity

KPI targets

Net insurance margin more usefully reflects the profitability of the business

We expect to achieve a margin of 18% to 22% throughout the cycle, depending on market conditions

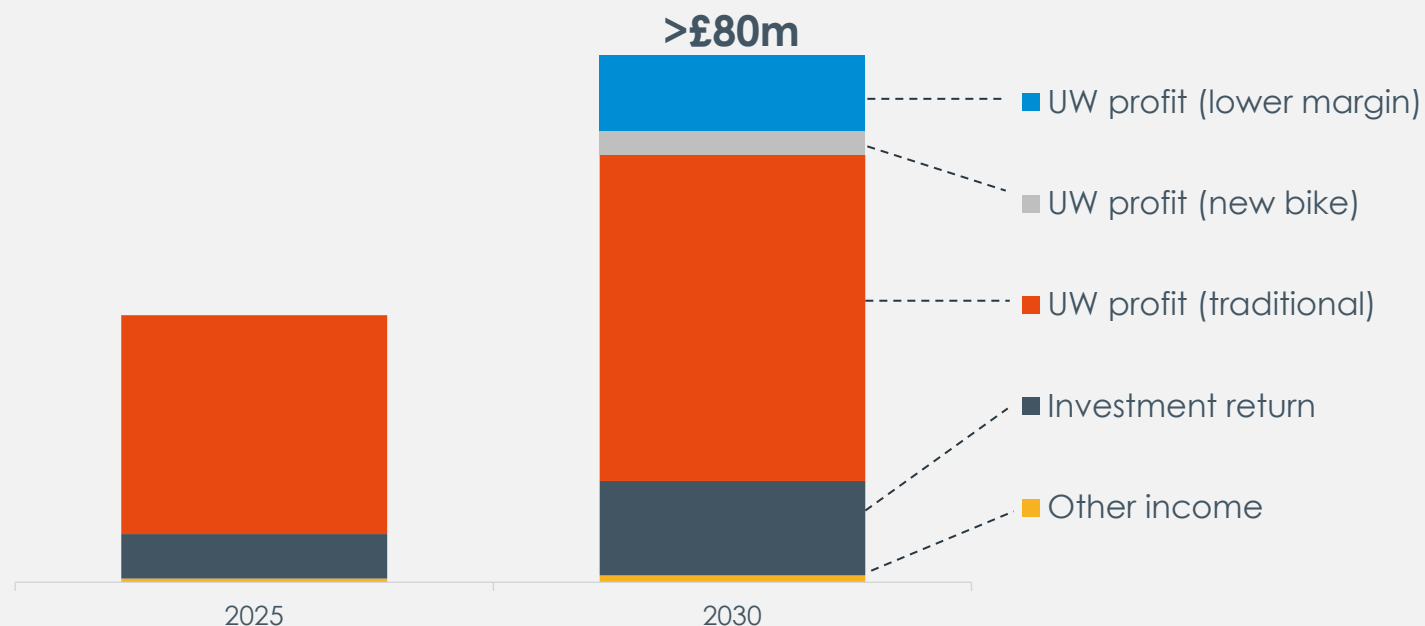
- Critically, Sabre is not fixed to a single-point target margin, and will allow margin to flex modestly to maximise absolute profit
- Sabre will continue to target maximisation of profit through balancing net insurance margin and premium income.

The Solvency Capital ratio target remains 140% to 160%, on a period-end, post-dividend basis



Ambition 2030

At least £80m before tax in 2030



Note: Chart is for illustrative purposes only, not to scale or representative of Sabre's forecast



New sources of profit will be additive and will complement growth in our traditional business

Net insurance margin 18% to 22%

Growth is not expected to be a 'straight line' across the period



Conclusion

Delivering on our plan



Ambition 2030



Sabre plans to increase profit to at least £80m in 2030

We will expand our competitive footprint without compromising our underwriting discipline or margin on existing business

We will grow our presence in the Motorcycle market through our direct brand & further broker relationships

We look forward to reporting progress towards our ambition at future market updates



Q&A
Thank you!





Appendices

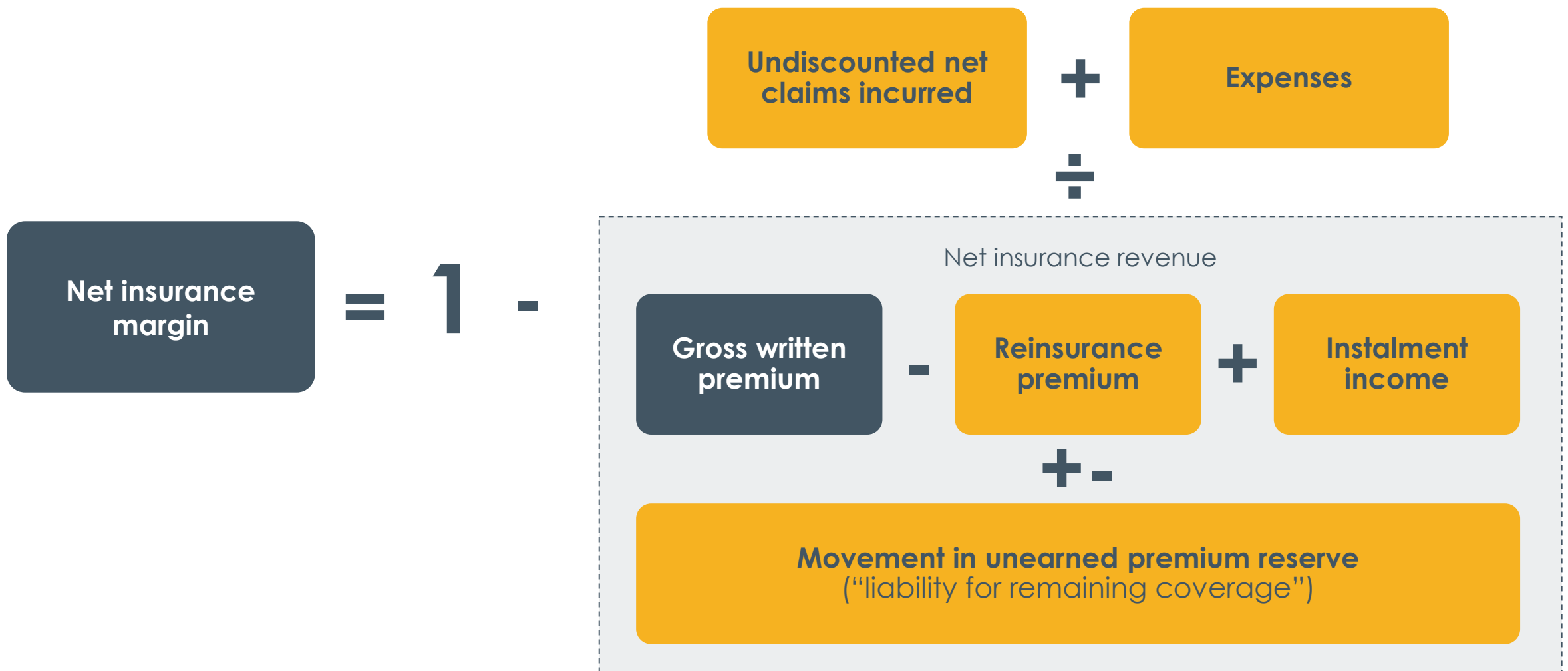


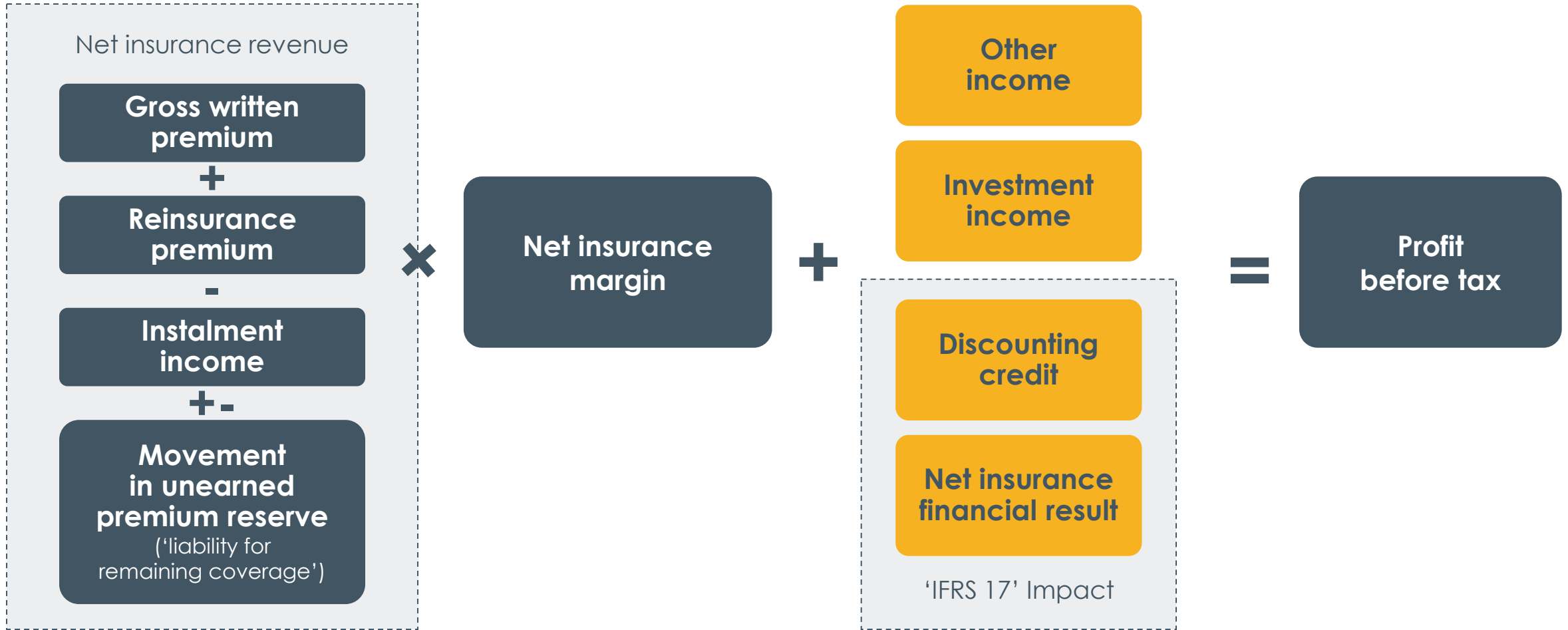


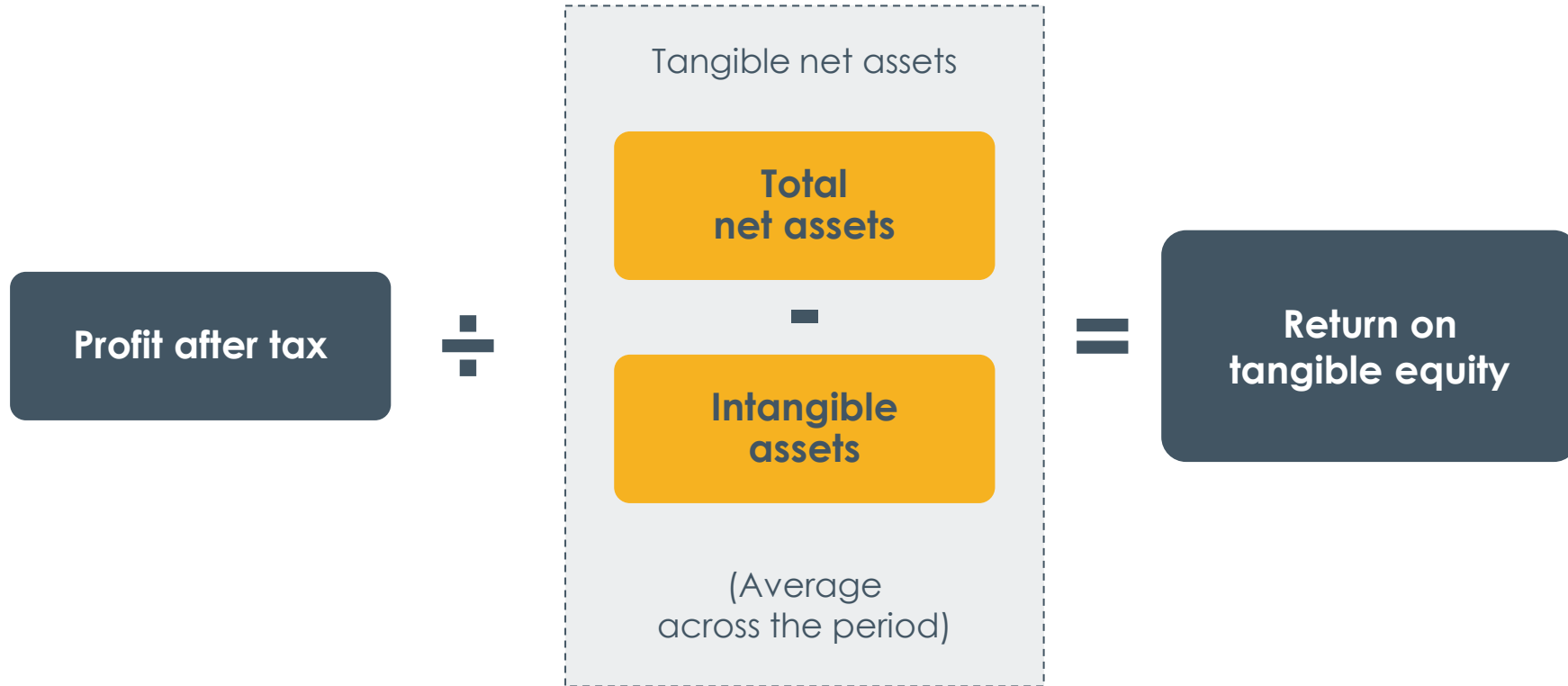
Key performance indicators

Clear and transparent reporting



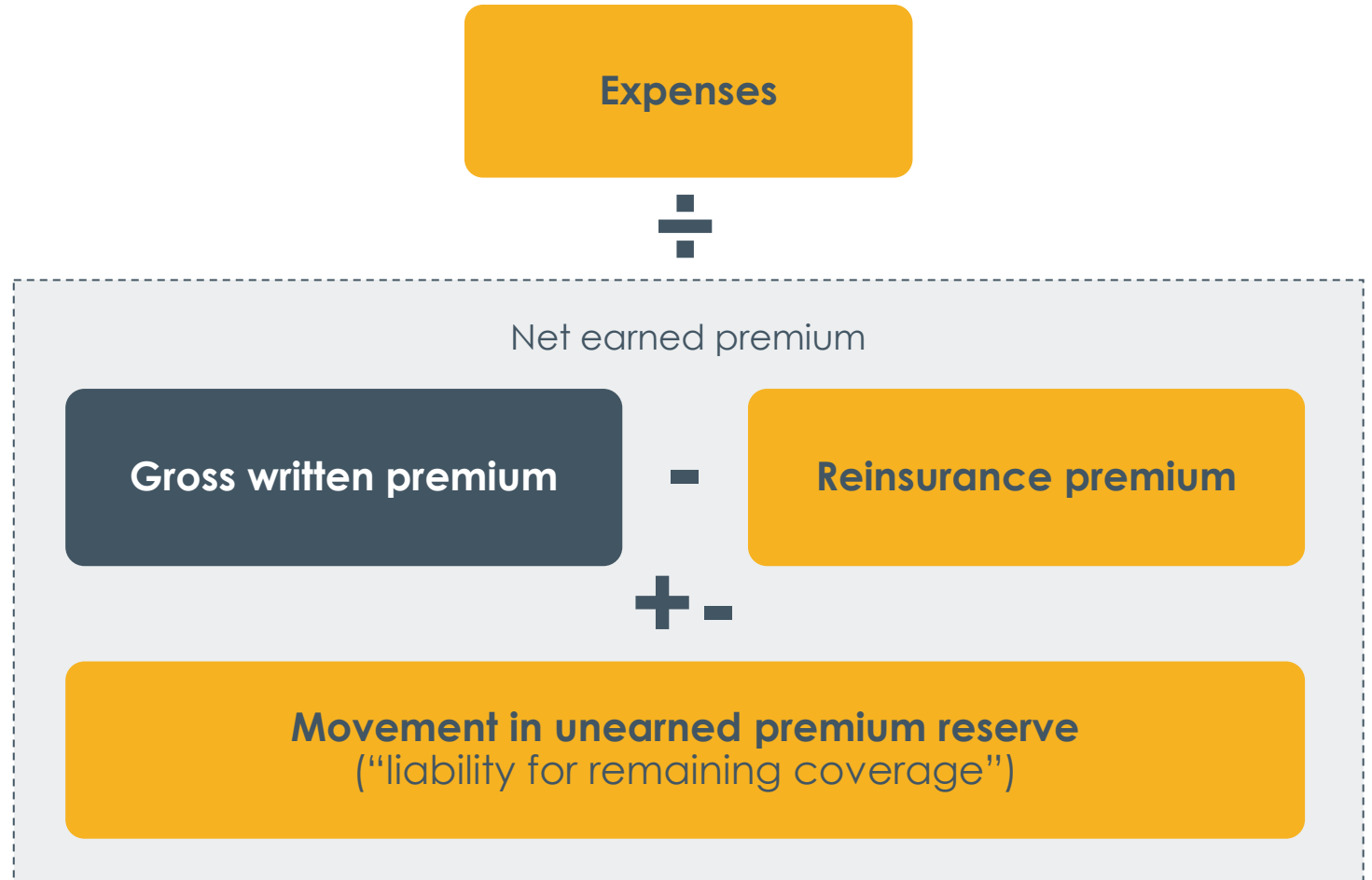






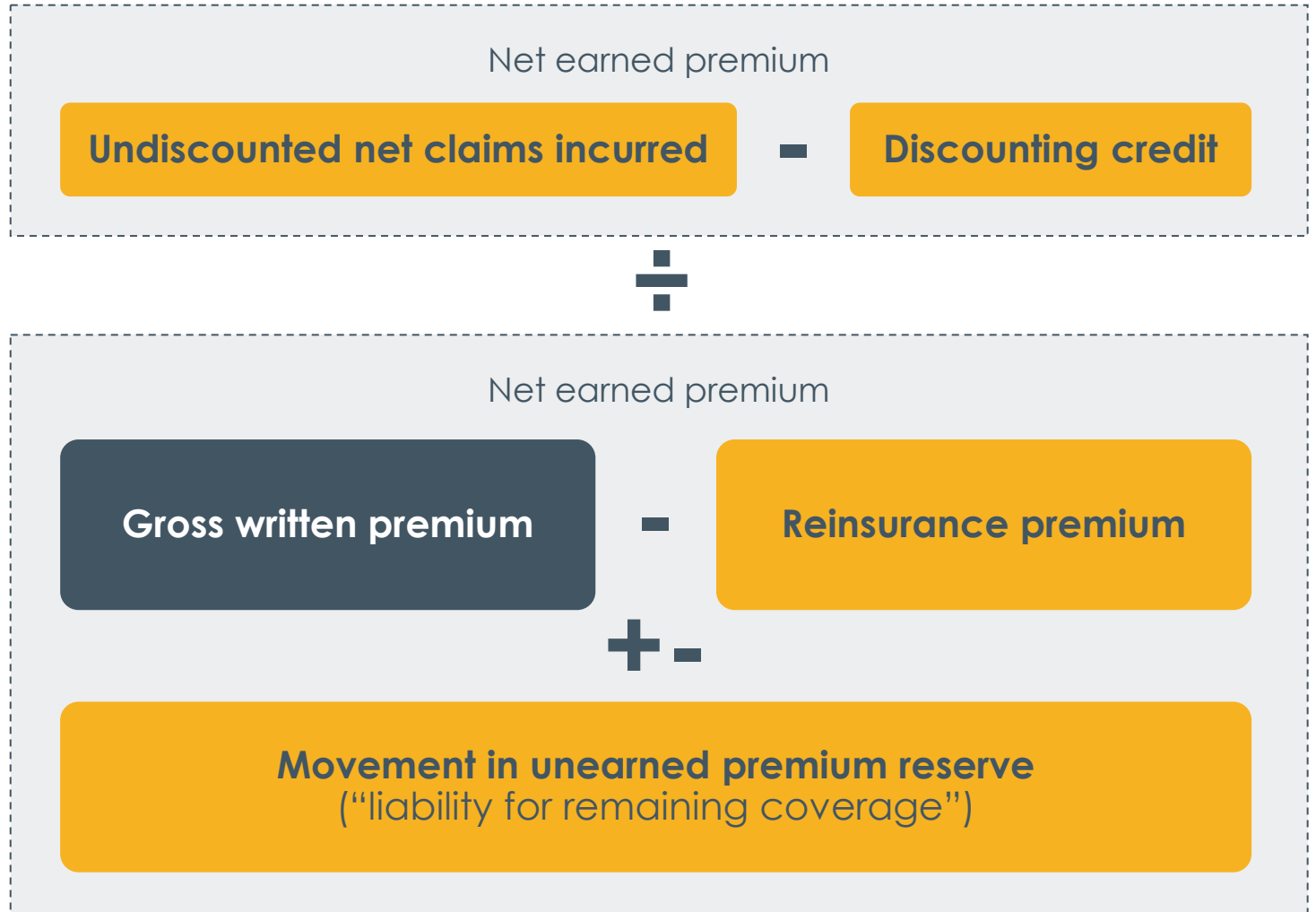
Expense ratio

=



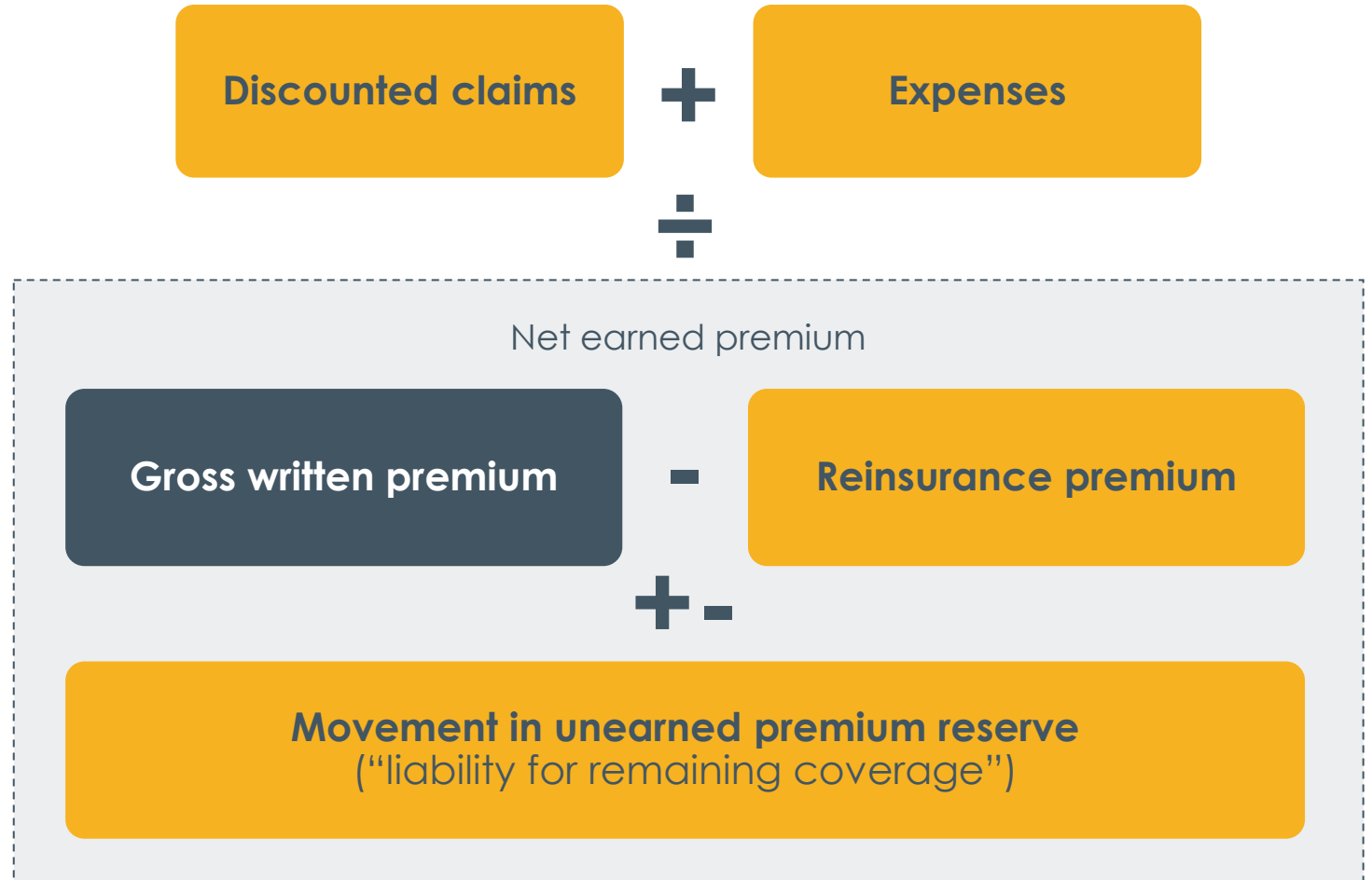
Net loss ratio

=



**Combined
operating ratio**

=



Example – 2023 result



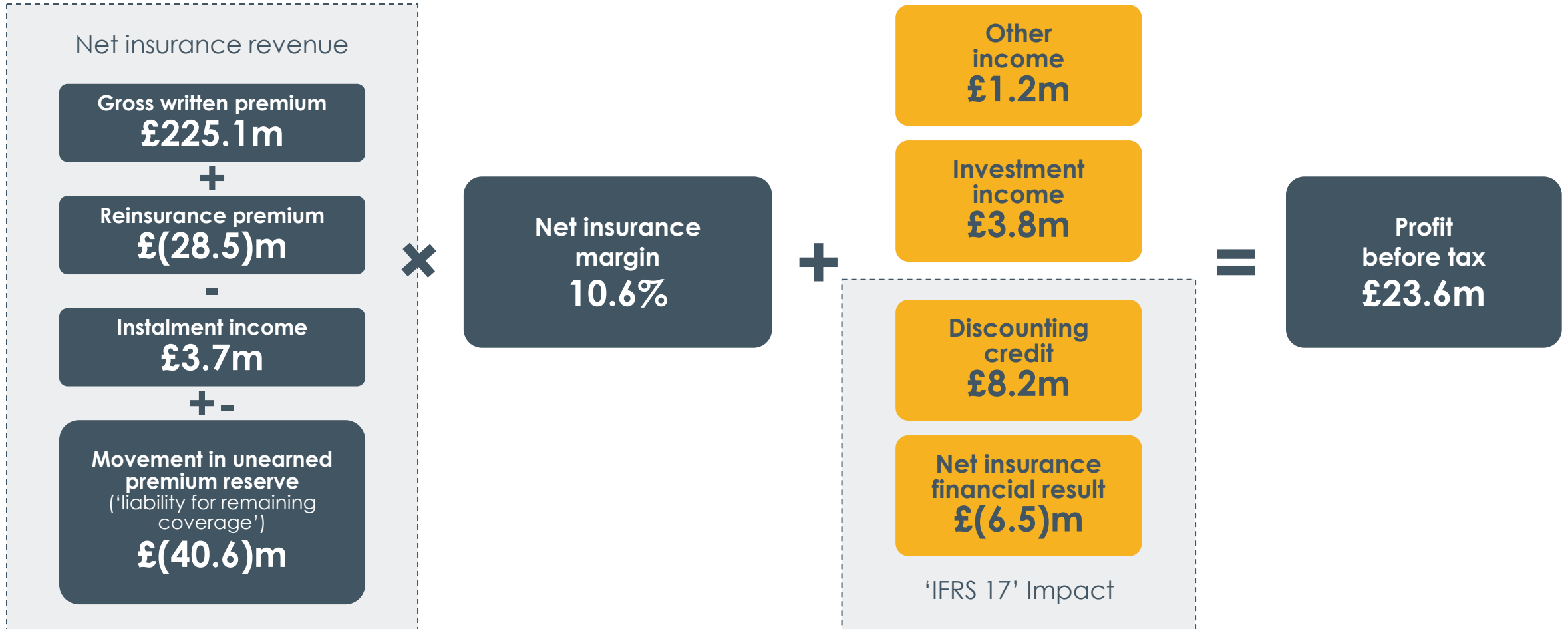
$$\begin{array}{ccc}
 \text{Undiscounted net claims incurred} & + & \text{Operating expenses} \\
 \text{£96.0m} & & \text{£46.8m} \\
 & \div & \\
 & & \text{Net insurance revenue}
 \end{array}$$

Net insurance margin
10.6%

= 1 -

$$\begin{array}{ccc}
 \text{Gross written premium} & - & \text{Reinsurance premium} & + & \text{Instalment income} \\
 \text{£225.1m} & & \text{£(28.5)m} & & \text{£3.8m} \\
 & & & + - & \\
 & & \text{Movement in unearned premium reserve} & & \\
 & & \text{("liability for remaining coverage")} & & \\
 & & \text{£(40.6)m} & &
 \end{array}$$

Example – 2023 result



Example – 2019 result



$$\begin{array}{ccc} \text{Undiscounted net claims incurred} & + & \text{Operating expenses} \\ \text{£94.4m} & & \text{£40.1m} \\ & \div & \end{array}$$

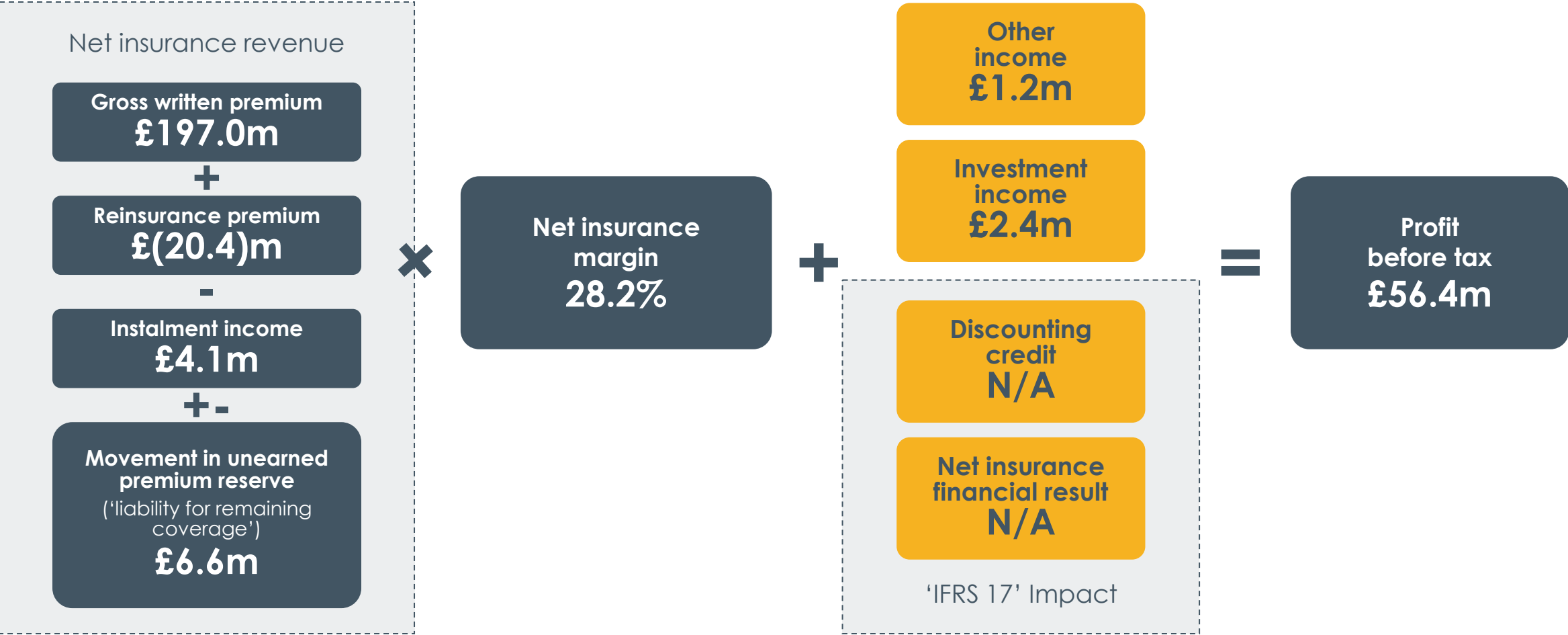
Net insurance margin
28.2%

= 1 -

Net insurance revenue

$$\begin{array}{ccccc} \text{Gross written premium} & - & \text{Reinsurance premium} & + & \text{Instalment income} \\ \text{£197.0m} & & \text{£(20.4)m} & & \text{£4.1m} \\ & & + - & & \\ \text{Movement in unearned premium reserve} & & & & \\ \text{("liability for remaining coverage")} & & & & \\ \text{£6.6m} & & & & \end{array}$$

Example – 2019 result



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