



An introduction to Alexander Forbes

June 2017



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Group Overview



# ALEXANDER FORBES AT A GLANCE



**Focus**

Life insurance, pensions, consulting, healthcare advice & asset management for **1.4 million customers** across **7 countries**



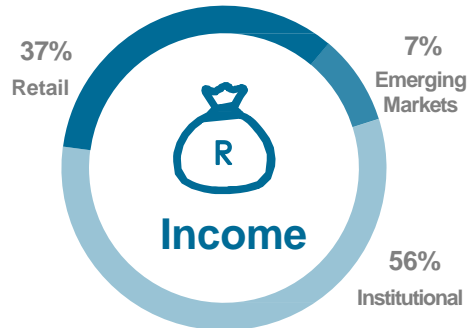
**History**

**Our roots** date back to **1935**  
**Proud and rich legacy**



**Employees**

**3 554 employees**  
(31 March 2017)



**Income**

Operating income for the period  
**R 3 435 million**  
(31 March 2017)



**AuA & AuM**

Avg Assets under Administration  
& Assets under Management  
**R345 billion**  
(31 March 2017)



**Paid**

in gross claims:  
**R1.6 billion**  
(31 March 2017)

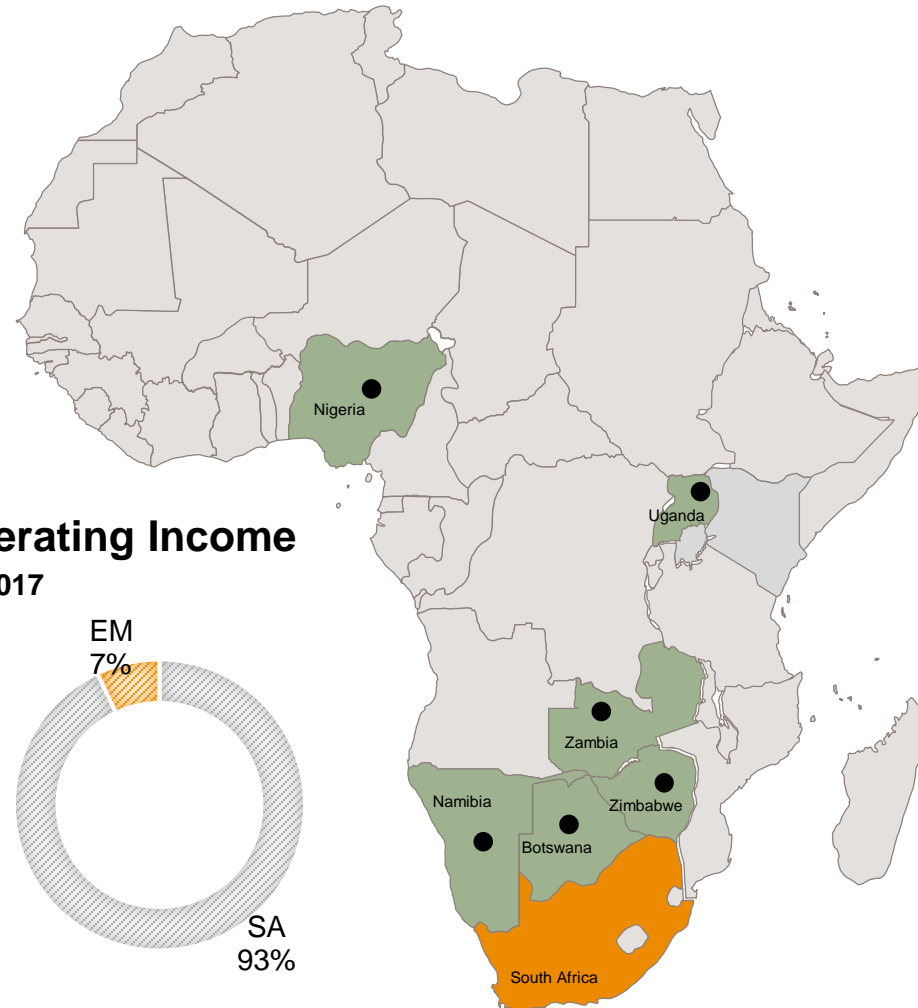
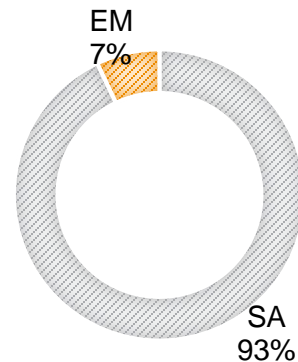


A specialised financial services group focusing on employee benefit solutions for institutional clients and financial well-being of its individual customers

## South Africa

- ✓ Operating since 1935
- ✓ Primary market contributing majority of the Group's operating income (93%) and operating profit (97%)
- ✓ Market leader in institutional employee benefits and multi-manager investments
- ✓ Maintain market leading position and deliver growth across both Institutional and Retail

## Operating Income FY2017



## Rest of Africa

- ✓ Presence in 6 countries – Botswana, Namibia, Zambia, Uganda, Nigeria and Zimbabwe
- ✓ Largest pension provider in Africa
- ✓ Leverage our strong South African financial services platform

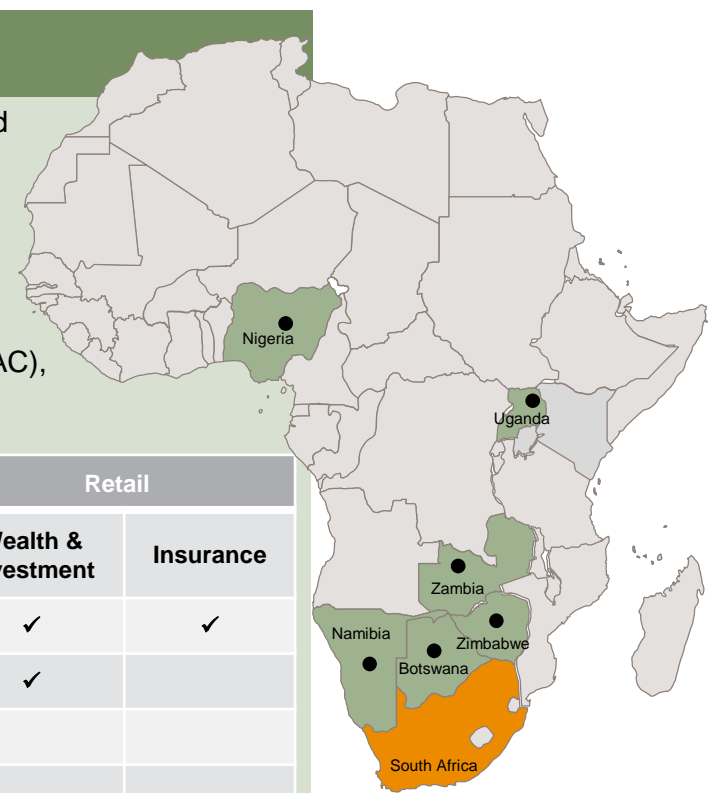
Alexander Forbes structure comprises three core divisions: Institutional Clients, Retail Clients and Emerging Markets

Institutional	Retail
<ul style="list-style-type: none"> <li>✓ Consulting – actuarial consulting, healthcare actuarial and consulting, fund administration and consulting to standalone retirement funds</li> <li>✓ Retirements – fund administration to standalone and umbrella retirement funds, beneficiary trust consulting and administration</li> <li>✓ Investments – investment services including a range of investment portfolios, advice-led solutions and alternative investments</li> <li>✓ Group Risk – group risk and disability insurance through AF Life</li> </ul>	<ul style="list-style-type: none"> <li>✓ Wealth and Investments comprises:                             <ul style="list-style-type: none"> <li>• Financial Planning Consultants;</li> <li>• AF Individual Client Admin;</li> <li>• AF Preservation Fund; and</li> <li>• Retail assets under management in AF Investments</li> </ul> </li> <li>✓ Insurance comprises:                             <ul style="list-style-type: none"> <li>• AF Insurance which is a short-term insurance provider to individuals; and</li> <li>• AF Individual insurance business</li> </ul> </li> </ul>

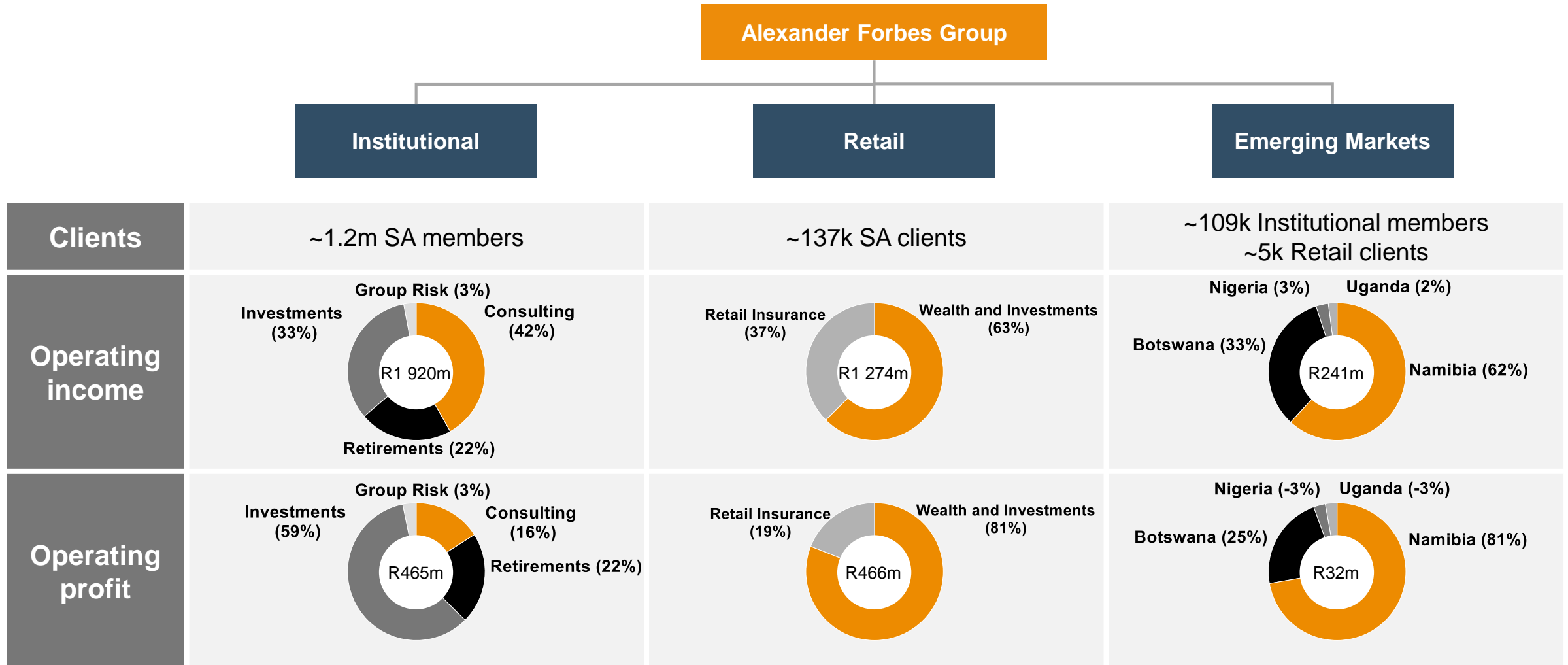
## Emerging Markets

- ✓ Market leading positions in Botswana, Namibia, Uganda and Zimbabwe
- ✓ Providing employee benefits, actuarial and investment consulting and retirement administration services for corporate, institutional and public sector
- ✓ Acquired a 70% interest in African Actuarial Consultants (AAC), an actuarial consulting fi

Country	Institutional			Retail	
	Consulting	Retirements	Investments	Wealth & Investment	Insurance
Namibia 🇳🇦	✓	✓	✓	✓	✓
Botswana 🇸🇩	✓	✓		✓	
Zambia 🇿🇲	✓	✓			
Uganda 🇺🇬	✓	✓			
Nigeria 🇳🇬	✓				
Zimbabwe 🇿🇼	✓				



# FY2017 | Institutional remains a market leader with strong growth from Retail





# Our Strategy





From working life

...through guidance  
and advice...

...into retirement



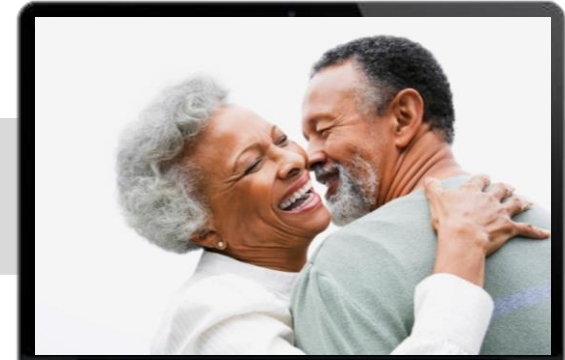
### Protection

We protect what's important to our customers, their families, their health and their homes



### Accumulation

We help our customers save and invest for the future



### At & after retirement

We provide our customers with a stable income in retirement, helping to meet costs of care and securing their families' future

Transformation strategy focused on generating strong cash flow plus growth

## Our Vision

**BUILD a GLOBALLY DISTINCTIVE PAN-AFRICAN financial services LEADER** across five pillars

## Ambition 2022



**GROW INSTITUTIONAL & ASSET MANAGEMENT CAPABILITY**



**GROW RETAIL CAPABILITY, INCLUDING OFFSHORE**



**EXPAND ACROSS SELECT SUB-SAHARAN AFRICA & EMERGING MARKET GEOGRAPHIES**



**STRIVE FOR EXCELLENCE, ACROSS SERVICE, OPERATIONAL & TECHNOLOGY ENABLEMENT**

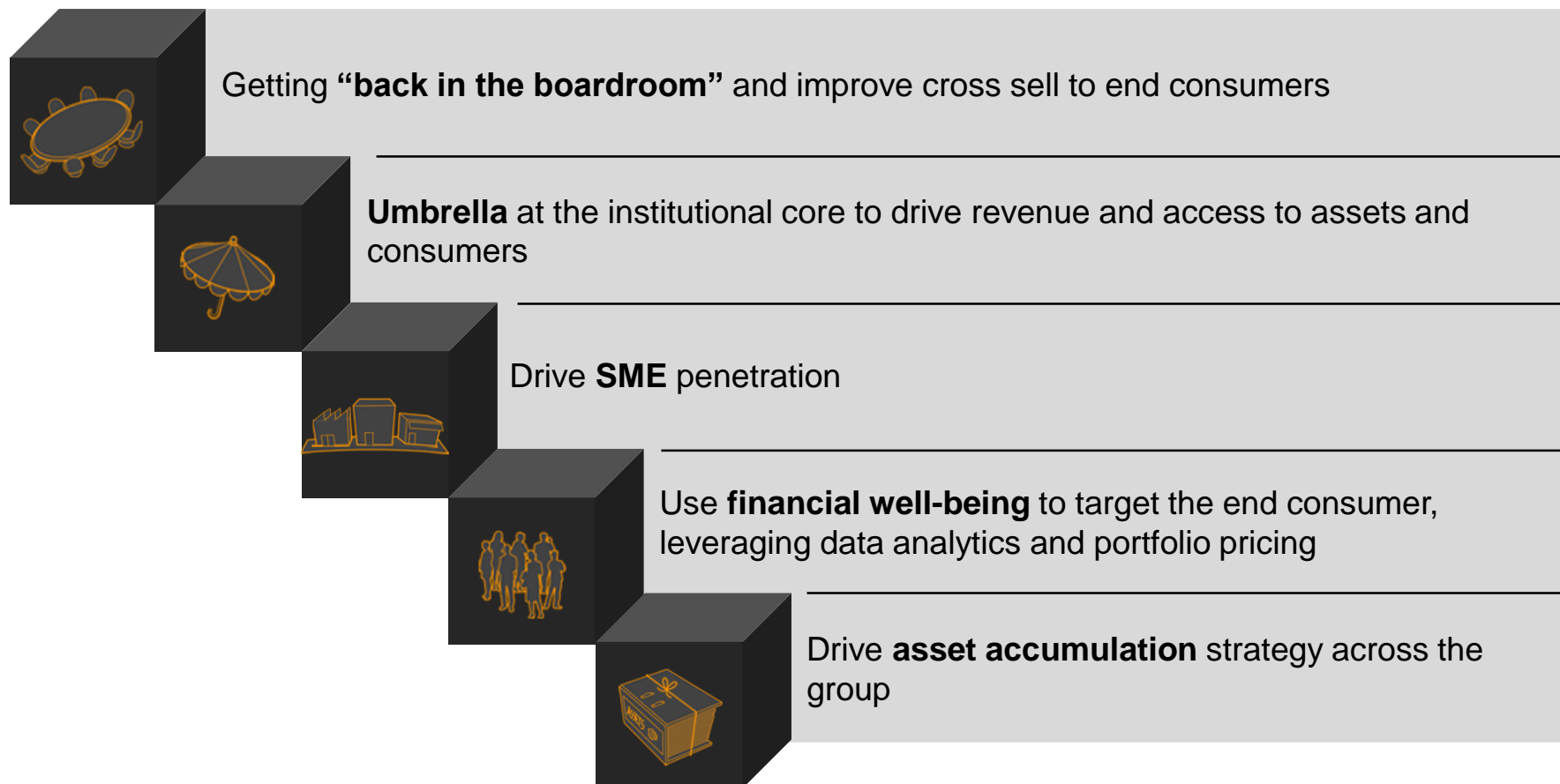


**INNOVATE AND CREATE INTERNAL CAPACITY TO DISRUPT OURSELVES THROUGH INNOVATION**

## Our Value Proposition

**SECURING OUR CLIENTS' FINANCIAL WELL-BEING BY PROVIDING PEACE OF MIND**

5 key focus areas targeted to drive revenue and profit growth across all three divisions

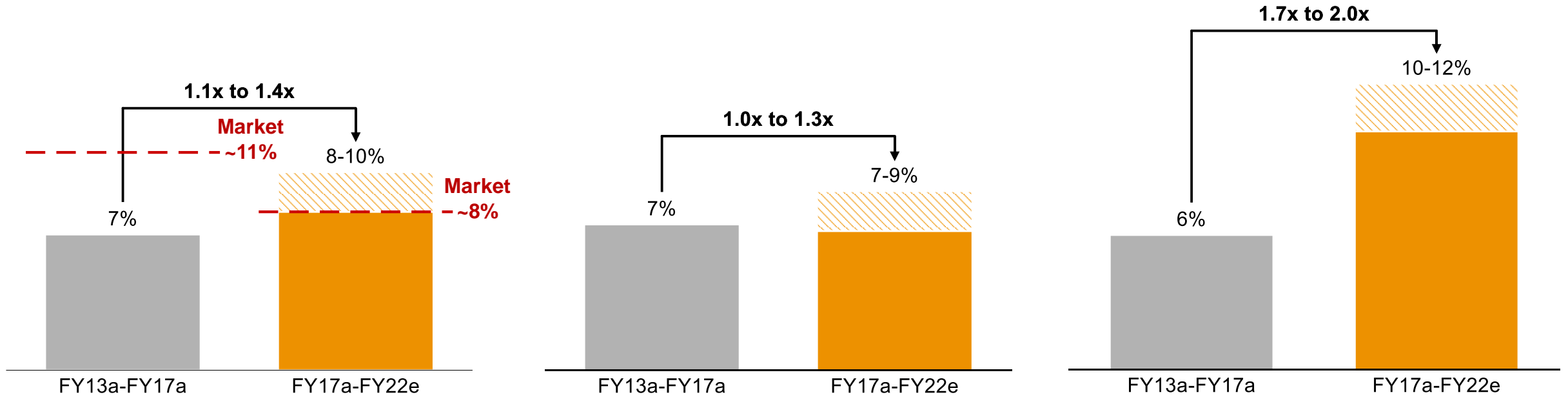


# AMBITION 2022 | Resilient model through the cycle with clear financial targets

Annual Revenue Growth (%)

Annual Cost Growth (%)

Annual Operating Profit Growth (%)



Increase **ROE** from 12% to **>14%**

Maintain **dividend cover** at **1.5x**



Drive top line growth



Improve operating leverage and efficiency












Engaged and empowered colleagues



Optimise portfolio



# AMBITION 2022 | Highly experienced and driven leadership to execute the strategy

								
<b>Group Chief Executive</b>	<b>Acting Group Chief Financial Officer</b>	<b>Group Chief Operating Officer</b>	<b>Chief Executive Officer: Retail Clients</b>	<b>Managing Director: Investments</b>	<b>Chief Executive Officer: Emerging Markets</b>	<b>Group Chief Risk Officer</b>	<b>Group Chief Marketing Officer</b>	<b>Group Chief Human Resource Officer</b>
<i>Andrew Darfoor</i>	<i>Bruce Bydowell</i>	<i>Stephen Price</i>	<i>Sugendhree Reddy</i>	<i>Leon Greyling</i>	<i>Bernhard Schluep</i>	<i>Vishnu Naicker</i>	<i>Lynn Stevens</i>	<i>Thabo Mashaba</i>
Over 22 years of experience <b>New appointment</b>	Over 27 years of experience	Over 22 years of experience	Over 25 years of experience	Over 22 years of experience <b>New appointment</b>	Over 25 years of experience <b>New appointment</b>	Over 27 years of experience	Over 25 years of experience	Over 22 years of experience

## Key additional appointments and positions created across management to drive execution

- Chief Digital Officer
- Chief Data Architect
- Chief Innovation Officer
- Head of Retail Life
- Group Head of Client Solutions



- **Mutually beneficial strategic partnership** with a global leader
- Focus on **investments** and **financial well-being**
- Creating **new** market **opportunities**
- Will also focus business on rest of **Africa**



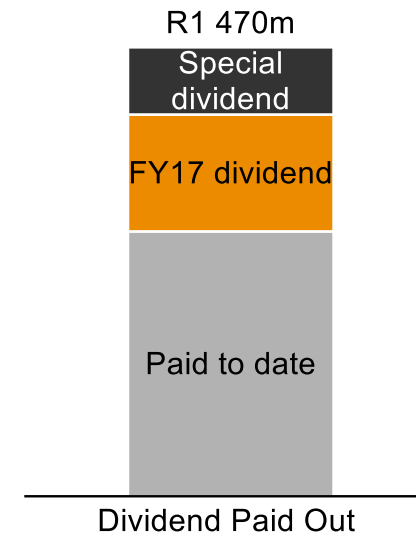
- Strong **strategic relationship** to support **growth in South Africa and rest of Africa**
- Partnership to enable Group to **re-focus in local market** and **gain traction** in key market segments (public sector)

## Dividend Policy



- Operating cash flow pay out ratio of approximately 67%
- Dividend increases based on sustainable earnings growth
- Maintaining dividend cover of 1.5x

## Cumulative Dividends Paid



~15% of market capitalisation paid out in ordinary dividend since IPO in July 2014

Special dividend ~3% of market capitalisation





## Divisional Overview

## Overview

### Institutional Investments account for ~60% of Institutional operating profit

- Contribution from Institutional Investments remains strong and is complemented by solid asset base of R285bn combined AuA and AuM

### Consulting and Retirement account for ~35% of Institutional operating profit

- Significant contribution from Consulting and Retirement within consulting, advice and admin services

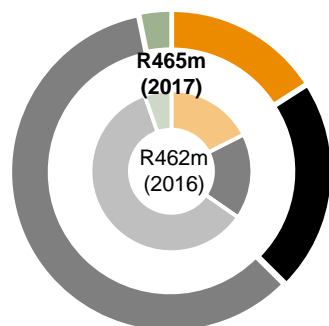
### Strong client and asset base

- Portfolio has ~1.2m active members in South Africa (~109k in Emerging Markets) and umbrella fund AuM has grown by ~5% to ~R68bn

### Growing corporate client membership

- Corporate client base has grown by 5% from FY16 with over 1 300 corporate umbrella clients

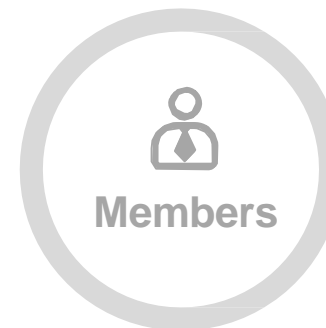
## Operating profit



	FY2017	FY2016
Consulting	16%	18%
Retirements	22%	17%
Investments	59%	60%
Group Risk	3%	5%



Number of Clients: >4 000



Members under administration: >980 000



AuA and AuM: R285 billion

## Overview

### Large Retail client base of ~137k

- Reached ~137k retail clients in FY17 providing products across risk, retirement and savings

### Retail base penetration into Institutional clients

- ~6k retail clients are existing Institutional members with 3% penetration in the >R500k segment and ~43k are preservation clients from Retirement business

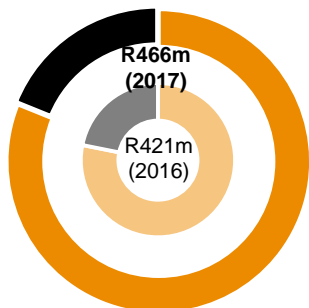
### Wealth and Investments accounts for ~80% of Retail operating profit

- R53bn AuM

### Insurance (short term and life) accounts for ~20% of Retail operating profit

- Insurance business has shown strong growth in clients with 79k short term insurance policyholders (9% growth vs 7% market growth) and 4k life insurance policyholders

## Operating profit



- Wealth & Investments
- Insurance

	FY2017	FY2016
Wealth & Investments	81%	78%
Insurance	19%	22%



Number of Clients: >137,000



Gross written premium for motor, household, healthcare and accident: R1 547 million



AuA and AuM – R59.8 billion

# DIVISIONAL OVERVIEW | Emerging markets at a glance

## Overview

### Operating profit driven by Namibia and Botswana

- Largest umbrella fund by assets in Namibia and Botswana







### Growing institutional retirement member base of ~109k

- Namibia currently has highest member base with ~45% of members, Botswana with ~40%, Uganda with ~10% and Zambia with remaining share

### ~5k retail clients across Emerging Markets

- Namibia represent highest portion of member base followed by Botswana

## Diversified offering across 6 countries in Africa

	Revenue	Institutional			Retail		
	% of FY17 EM revenue	Pension	Ancillary	# Members	Insurance	Wealth and Investments	# Clients
 Namibia	62%	✓	✓	51 526	✓		2 931
 Botswana	33%	✓	✓	39 296		✓	1 832
 Uganda	2%	✓	✓	12 981			-
 Zambia	0%	✓		5 772			-
 Nigeria	3%		✓	n/a			-
 Zimbabwe	n/a		✓	n/a			



Number of retail clients:  
~5,000



99% retention rate with retail lines contributing 18% of operating income



Positive operating leverage of >2% over the past 5 years





Investment Thesis



**Continued growth in operating income and profit** – strong retail growth in FY17 with commitment to continue to grow at or above market across all business lines



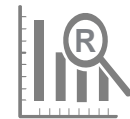
**Predictable and recurring revenue stream** – >85% of income from recurring business across a diversified portfolio



**Trusted brand** – market leader in institutional and winner of the Africa Best Employer Award



**Strong strategic partners** – Mercer and ARC will help accelerate growth



**Cash generative with high dividend yield** – proven track record of cash generation which will maintain dividend cover at 1.5x



**Capital “lite” balance sheet** – group solvency capital requirement of just over R1bn and strong normalised return on average capital employed of 15.7%

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