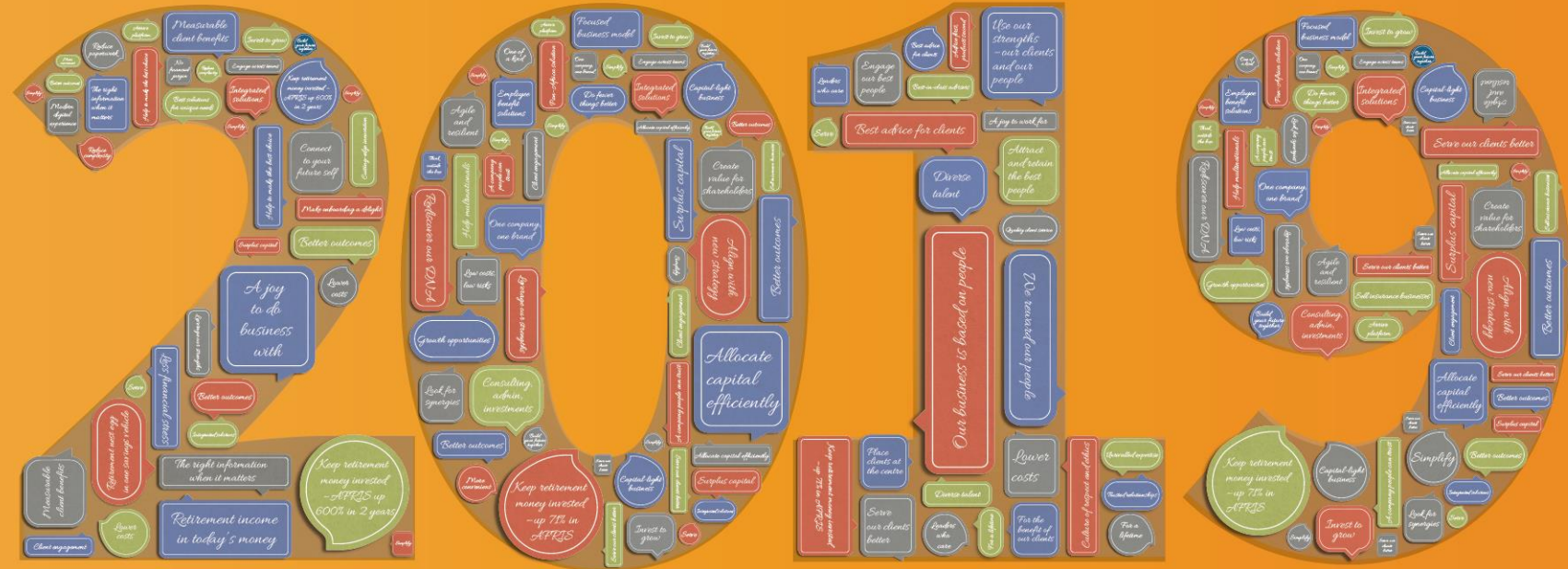


Annual Results FY2019

Additional Information



18 June 2019

Disclaimer

The views expressed here may contain information derived from publicly available sources that have not been independently verified.

The results discussed in this presentation are presented in terms of International Financial Reporting Standards (IFRS).

No representation or warranty is made as to the accuracy, completeness, reasonableness or reliability of this information. Any forward-looking information in this presentation including, without limitation, any tables, charts and/or graphs, has been prepared on the basis of a number of assumptions which may prove to be incorrect. This presentation should not be relied upon as a recommendation or forecast by Alexander Forbes Group Holdings and/or any of its subsidiaries. Past performance of Alexander Forbes Group Holdings and any of its subsidiaries cannot be relied upon as a guide to future performance.

This presentation contains 'forward-looking statements' – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', or 'will'. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial markets, fluctuations in interest and or exchange rates; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of an environmental, climatic, natural, political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements. We caution you that reliance on any forward-looking statement involves risk and uncertainties and that, although we believe that the assumption on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate and, as a result, the forward-looking statement based on those assumptions could be materially incorrect.

This presentation is not intended, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities in Alexander Forbes Group Holdings and any of its subsidiaries or undertakings or any other invitation or inducement to engage in investment activities, nor shall this presentation (or any part of it) nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.

Revenue analysis – by type and by driver

<i>Per by type</i> ¹	Institutional			Retail			Emerging Markets			Total		
	2019	%	2018	2019	%	2018	2019	%	2018	2019	%	2018
Consulting and Advice fees	245	1%	244	336	5%	320	55	6%	52	637	3%	616
Administration fees	720	2%	708	164	0%	164	112	4%	107	996	2%	980
Commission	297	5%	283	8	-2%	8	7	10%	6	311	5%	297
Investment management	795	8%	739	379	5%	360	19	5%	18	1 192	7%	1 117
Continued Operations	2 057	4%	1 974	887	4%	852	192	5%	183	3 136	4%	3 010

<i>Per driver</i> ²	Institutional			Retail			Emerging Markets			Total		
	2019	%	2018	2019	%	2018	2019	%	2018	2019	%	2018
Asset based	882	7%	825	833	3%	808	37	-2%	38	1 752	5%	1 671
Payroll expense	711	2%	699	-	0%	-	116	4%	112	828	2%	811
Members	150	2%	147	46	27%	37	29	16%	25	225	8%	209
Adhoc fees	18	-10%	19		0%		3	25%	2	20	-6%	22
Commission	297	5%	283	8	-2%	8	7	10%	6	311	5%	297
Continued Operations	2 057	4%	1 974	887	4%	852	192	5%	183	3 136	4%	3 010

1. Revenue by type is based on operating income net of direct costs

2. Revenue by driver is based on operating income net of direct costs

Key performance indicators – continuing operations

	2015	2016	2017	2018	2019	CAGR
Corporate & employee benefits						%
Number of umbrella corporate clients	1 141	1 320	1 389	1 505	1 520	7
Umbrella fund assets under management – <i>closing</i> (Rbn)	60.1	65.3	68.4	74.3	81.4	8
Standalone retirement funds assets under administration (Rbn)	315	347	352	353	359	3
Number of active member records ('000)	1 018	1 029	986	996	939	(2)
Investments (institutional)						
Assets under administration – <i>closing</i> (Rbn)	56.3	54.2	50.5	48.2	29.7	(15)
Assets under management – <i>closing</i> (Rbn)	216.7	227.8	234.5	247.3	246.4	3
Assets under administration – <i>average</i> (Rbn)	31.7	50.4	50.8	50.9	41.2	7%
Assets under Management – <i>average</i> (Rbn)	222.1	220.8	230.2	248.0	250.5	3%
Blended net margin – <i>on average</i> assets (bps)	26.5	23.2	22.2	23.5	26.2	-
Retail						
Number of FPC clients* ('000)	30	34	38	46	48	13
Assets under advice FPC – <i>closing</i> (Rbn)	57.9	62.2	64.7	66.8	71.7	2
Assets under administration AFICA (Rbn)	53.9	58.1	59.8	60.7	64.1	4
AF Investments assets under management – <i>closing</i> (Rbn)	47.0	50.7	53.0	56.4	60.6	7%
Preservation rate (on exit and retirement) (%)	46	46	45	55	55	5
Retention rate (on exit and retirement) (%)	33	33	35	41	43	7
Emerging markets						
Members under administration	247 637	254 899	109 575	127 450	131 227	(15)
Assets under management – <i>closing</i> (Rbn)	3.3	3.5	3.6	3.7	3.6	2

*change in FCP client numbers resulting from data clean-up

Key performance indicators – discontinued operations

	2015	2016	2017	2018	2019	CAGR
Retail insurance (short term)						%
Gross written premium (Rm)	1 341	1 502	1 634	1 696	1 776	7
Loss ratio (%)	67.0	70.9	67.5	64.0	62.2	(2)
Risk retention (%)	79.3	81.7	80.0	80.9	80.3	-
Group risk						
Gross written premium (Rm)	352	373	416	536	638	16
Annualised premium income (Rm)	320	397	439	590	687	21
Emerging markets						
Number of policies AFI Namibia	11 594	15 602	17 189	18 151	17 426	11

Normalised income statement

Rm	Normal. March 2019	%	Normal. March 2018
Operating income net of direct expenses	3 136	4	3 010
Operating expenses	(2 459)	14	(2 163)
Operating profit before corporate charges	677	(20)	847
Corporate charges	4	>100	1
Operating profit before non-trading and capital items	681	(20)	848
Non-trading and capital items	(200)	>100	(54)
Operating profit	481	(39)	794
Net investment income	103	>100	123
Share of profits of associates	(4)	-	-
Profit before taxation	580	(37)	917
Income tax expense	(248)	(18)	(304)
Profit from continuing operations	332	(46)	613
Profit from discontinued operations	72	-	121
Profit for the year	404	(45)	734

Adjustments between the IFRS summary consolidated income statement and the normalised results:

- Accounting for property lease
- Professional indemnity insurance cell result
- Capitalisation of intangible assets and the related amortisation (and impairment of goodwill)
- Accounting for Alexander Forbes shares held in policyholder investment portfolios
- Investment income and taxation payable on behalf of policyholders

Balance sheet reconciliation adjusting for policyholder and insurance-related balances

Rm	March 2019 IFRS	Adj. linked investment policyholders	Adj. insurance related balances	March 2019 Corporate
Assets under management	299 852	(299 852)	-	-
Property, equipment and computer software	290	-	-	290
Goodwill & intangible assets	2 860	-	-	2 860
Financial assets and associates	132	-	-	132
Deferred tax asset	200	-	-	200
Trade and other receivables	419	-	-	419
Cash & cash equivalents	5 041	-	(1 689)	3 352
Assets classified as held for sale	3 500	-	-	3 500
Total assets	312 294	(299 852)	(1 689)	10 753
Liabilities under management	(299 885)	299 885	-	-
Borrowings	(719)	-	-	(719)
Employee benefits	(154)	-	-	(154)
Deferred tax liabilities	(113)	22	-	(91)
Finance & operating lease liabilities	(199)	-	-	(199)
Provisions and deferred income	(369)	-	-	(369)
Insurance payables	(1 689)	-	1 689	-
Trade and other payables	(631)	188	-	(443)
Liabilities associated with assets held for sale	(2 485)	-	-	(2 485)
Total liabilities	(306 244)	300 095	1 689	(4 460)
Total equity	6 050	243	-	6 293

Operating expenses – continuing operations

Rm	2019	%	2018
Employee costs	1 442	6	1 361
Share scheme costs	-	-	-
Premises (excluding IFRS adjustment)	256	2	251
IT costs - maintenance and support	188	47	128
IT costs - depreciation and amortisation	83	(6)	88
Professional fees	183	40	131
Insurance costs	58	2	57
Marketing and communications	93	15	81
Termination of IT contract	50	-	-
Other costs*	105	31	80
Total operating expenses	2 458	13	2 177

* Other costs include claims and bad debts

EBITDA (IFRS and normalised)

	Actual	Normalised	%	Normalised
Rm	2019	2019		2018
Profit before tax from continuing operations	575	580	(36.8)	917
Add back depreciation and amortisation*	161	94		99
Add interest cost of long-term borrowing	59	60		60
EBITDA (including interest received on capital)	795	734	(31.8)	1 076

**Actual depreciation and amortisation includes the amortisation of intangible assets arising from business combination*

Return on equity (normalised)

Rm	12 months to March 2019 Normalised	12 months to March 2018 Normalised
Average equity (excluding policyholder treasury shares and shares purchased in terms of share schemes)*	5 999	6 675
Average tangible net asset value (excluding intangible assets and the related deferred tax)	2 969	3 172
Profit for the period from operations	404	734
Less attributable to non-controlling interest	(54)	(77)
Profit from continuing operations attributable to ordinary shareholders	350	657
LTM return on equity	5.8%	9.8%
LTM return on tangible net asset value	11.8%	20.7%

*The average equity is before deduction of policyholder treasury shares that are held for benefits of policyholders and the purchase of shares in terms of share schemes (the voting rights attached to these treasury shares are not AFGH rights).

Cash position

Continue to maintain a strong cash position underpinned by cash generation from the underlying operations

Rm	March 2019	March 2019	March 2019	March 2018
	Continuing operations	Discontinued operations	Total operations	Total operations
Cash and cash equivalents – per IFRS balance sheet	5 041	938	5 979	5 794
Cash held on behalf of policyholders	(1 689)	(307)	(1 996)	(2 233)
Cash and cash equivalents - excluding policyholders	3 352	631	3 983	3 561
Cash held for regulatory capital, liquidity and solvency requirements	(1 402)	(433)	(1 835)	(1 557)
Cash held in cell captive insurance facilities	(401)	-	(401)	(373)
Cash held in restricted entities	(353)	12	(341)	(95)
Available cash	1 196	210	1 406	1 536
Net current liabilities	(173)	(119)	(292)	(379)
Available cash resources	1 023	91	1 114	1 157

Regulatory capital

Regulatory surplus of R1.1 billion aligned with available cash

Rm	SAM Standard Formulae (March 2019)			SAM Standard Formulae (March 2018)			% Change in Regulatory Surplus
	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	
Group Corporate (incl. revolving credit)	817	358	459	683	183	500	(8.2)
Shared Services	(31)	-	(31)	180	79	101	(>100)
Institutional	1 600	1 146	454	1 419	1 080	339	33.9
Retail	470	264	206	452	250	202	2.0
Emerging Markets	111	71	40	120	51	69	(42.0)
Total Group	2 967	1 839	1 128	2 854	1 643	1 211	(6.9)

- Current cover ratio of 1.6 times above the board approved cover ratio of 1.2 times