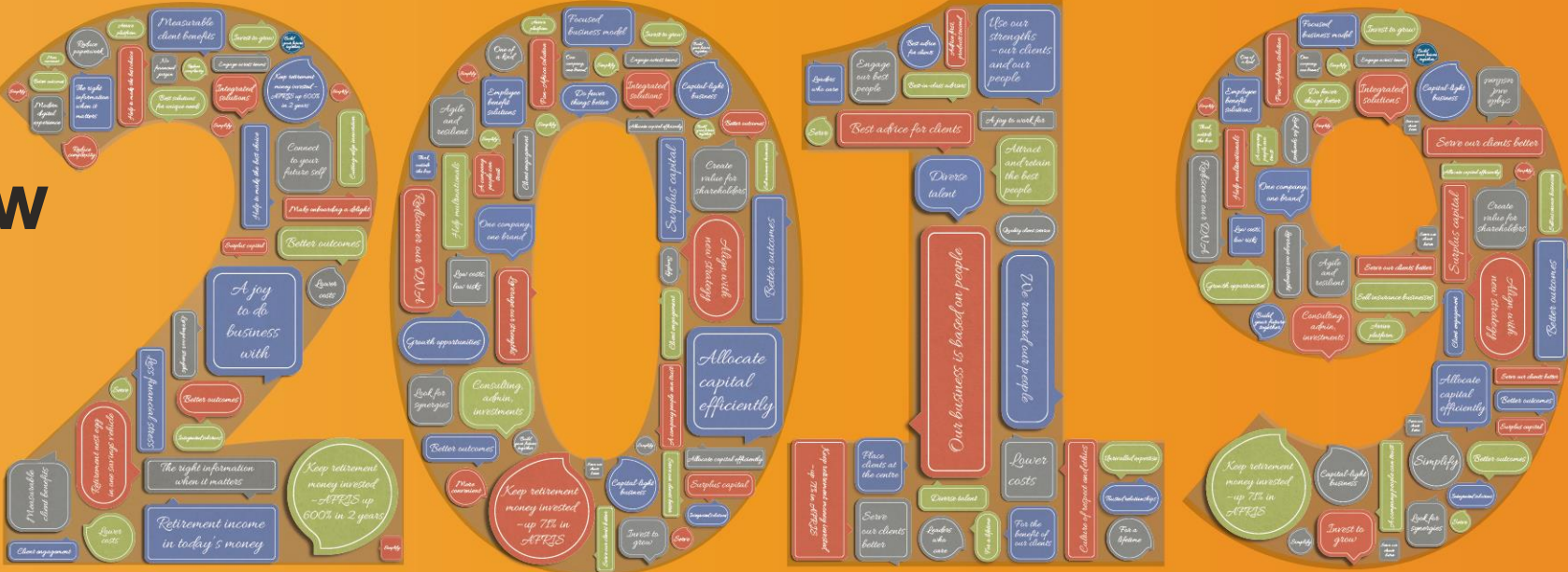


# Alexander Forbes Corporate Overview

## RMB Morgan Stanley Big Five Conference



Dawie de Villiers  
Chief Executive Officer

Bruce Bydowell  
Chief Financial Officer

16 – 17 September 2019

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# FY 2019 in perspective

## A challenging year for the company ....

- Tough operating environment
- Maturing industry and increased competitive pressure for clients and skilled talent
- Increased regulatory requirements
- Leadership changes in the second half of FY2019

## ... but the business demonstrated its resilience

- 6% growth in total operating income
- Client retention through a client-centric culture
- Revised strategy – focused on our core businesses
- Renewed energy and improved employee morale
- Strong cash generation
- Initiated capital reduction journey with special dividend

**Operating income**  
from total operations  
**up 6%**  
to R3 863 million

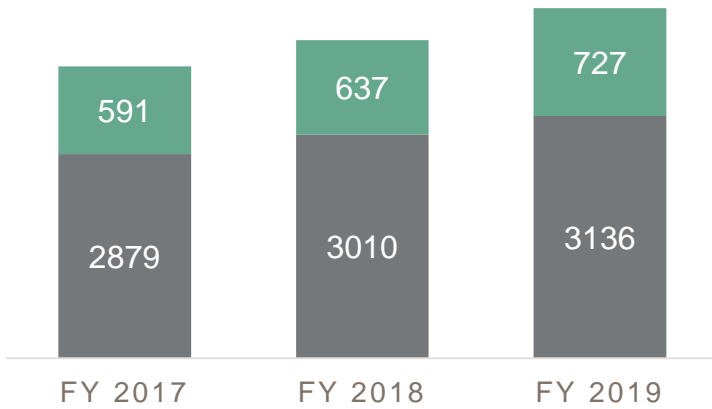
**Profit from operations**  
from total operations  
**down 7%**  
to R915 million

**Cash generated**  
from total operations  
**up 7%**  
to R1 113 million

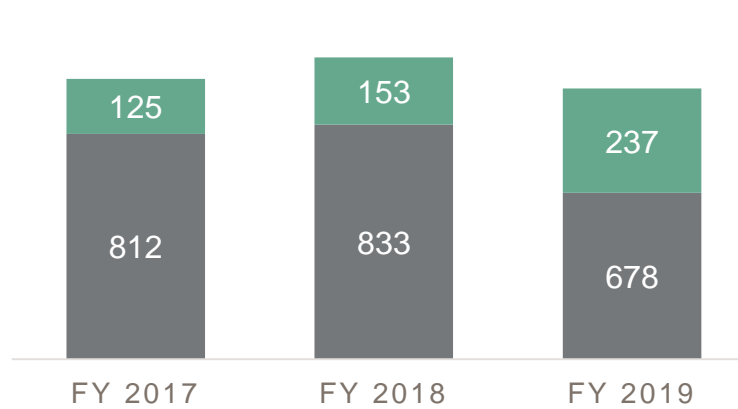
**Total dividend**  
for the year of  
**30 cps**  
**Special dividend 30 cps**

# Company performance

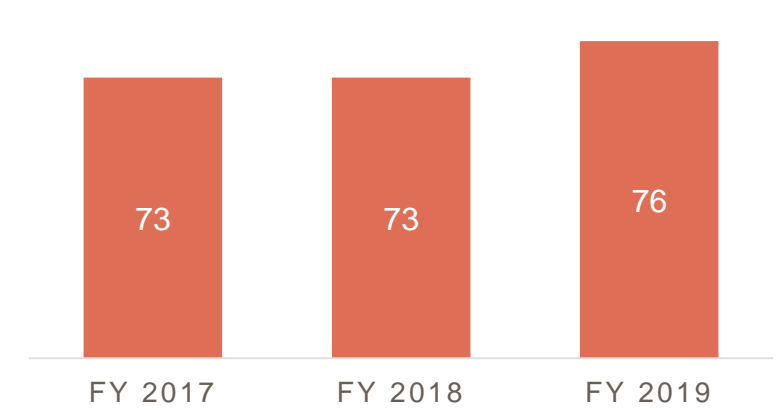
Operating income (Rm)



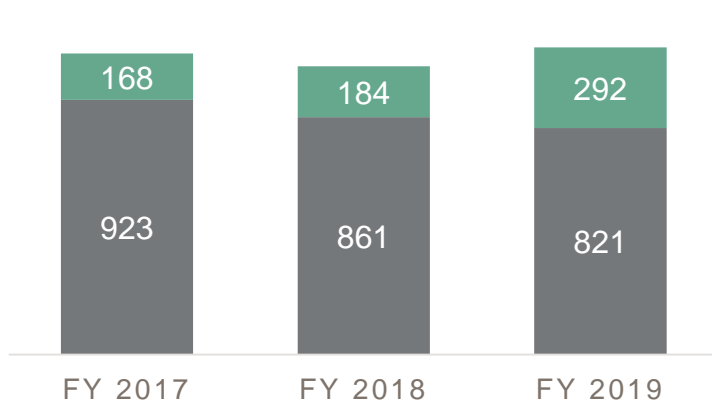
Profit from operations<sup>1</sup> (Rm)



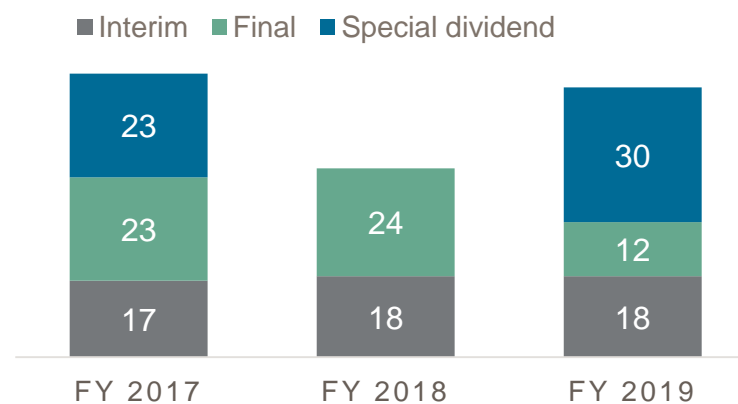
Cost-to-income ratio for total group (%)



Cash flow<sup>2</sup> (Rm)



Dividends (cps)



- Continuing
- Discontinued
- Total operations

1. Operating profit before non-trading and capital items  
 2. Cash generated from continuing operations plus cash flows from operating activities – discontinued operations

# Strategy reset: *'future proofing Alexander Forbes'*



## SA macroeconomic environment

- Maintain Alexander Forbes' resilience within the SA macroeconomic environment
- Create agile operation poised for growth



## Mature industry

- Differentiate through best advice in a maturing industry
- Create client value through a client-centric operating model



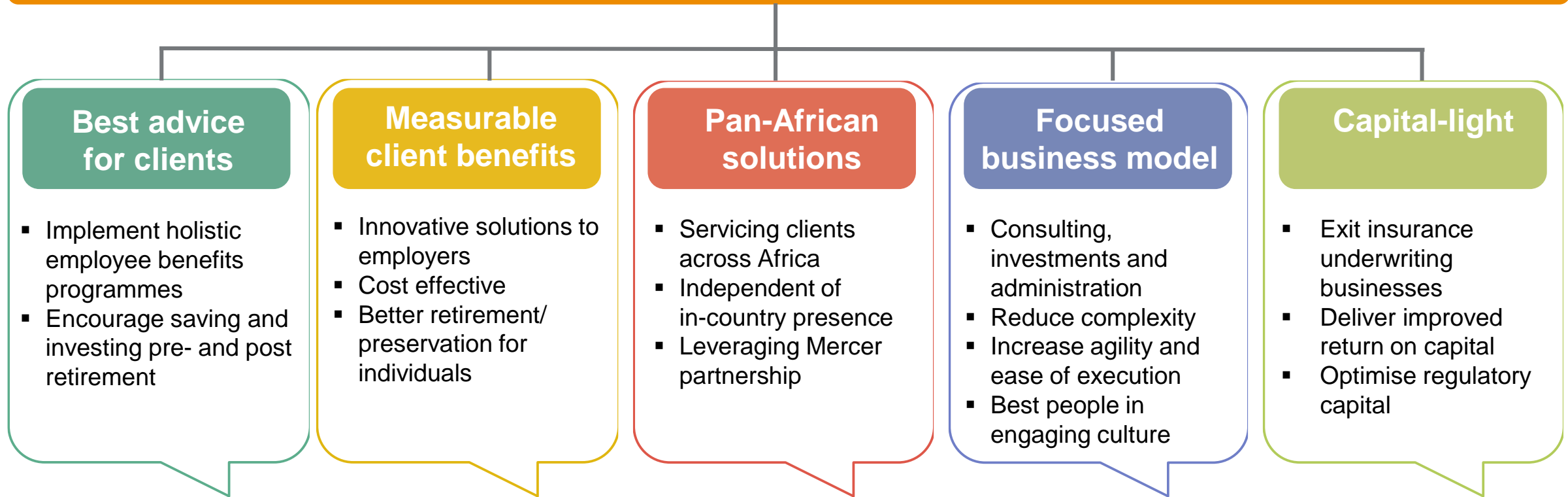
## Internal efficiency

- One client-facing team
- Strengthen talent pool
- Simplify and consolidate to increase efficiency
- Focus on core

**Our value proposition  
providing financial  
well-being and peace of  
mind, underpinned by  
integrated and holistic  
advice throughout your  
life journey**

# Growth vision – five key deliverables

## Opportunity to improve the financial well-being of South Africans



Fundamental change in the way we do business, unlocking growth through an integrated approach that focuses on best advice for our clients

# Strategy reset: progress update

## Strategic Reset 2020

### FOCUS

- Core businesses – consulting, admin and investments
- Exit insurance underwriting business and subscale markets outside SA

### CLIENT-CENTRIC

- Integrated team of experts within the Clients platform.
- Initiatives addressing client experience and focused on holistic advise and solutions

### SIMPLICITY

- New target operating model implementation completed within FY 2020
- Reduced complexity

### CAPITAL LIGHT

- Return surplus capital to shareholders
- Legal entity review - umbrella fund license conversion underway (anticipated completion by year end)

Improve resilience – Increase agility

## Unlocking Alexander Forbes' growth potential

### Measuring our success



#### Operating income

*Improving top-line growth through core business*

**Target:**  
8% – 10%



#### Cost to income

*Operating model to introduce efficiencies and improve productivity*

**Target:**  
<70%



#### Return on equity


*Capital-light model*

**Target:**  
>14%


# Our execution plan: progress update



**Consolidate towards an integrated operating model**

 Build-out of client facing team

 C&EB, investments & retail integration

 Measurable benefits for clients


- Build out of client facing team completed
- Current focus on implementing a sustainable multi-year growth strategy

- Implementation of target operation model underway with Clients platform in place and remaining 2 platforms roll-out underway
- On track for completion by year end

- Flagship AFRIS solution performing well – delivering continued growth with R4.2bn in AuM<sup>1</sup>, improving preservation rates. Highest recorded asset flows from FPC to AFICA (attributed to growth in AFRIS)
- AF Investments: Performer has done well against peers. Long-term track record well ahead of the Large Manager Watch median



**Re-set pan-African Model**

 New Pan-African model

- Pan-Africa solution – ARRIVE launched. We are already seeing success with this initiative
- Exit of Uganda and Zambia in progress



**Refocus on our core business**

 Exit insurance underwriting

- Short-term insurance business in South Africa sold to MMI
- Sale process for group risk and the short term insurance business in Namibia underway

Progress vs Plan FY20



1. Assets under management








# Our execution plan: progress update

Progress vs Plan FY20



**Simplification, Enablement, Efficiency**

 <p>LISP platform</p>	<ul style="list-style-type: none"> <li>Assessing merits of a potential strategic partner on LISP enhancement</li> <li>Cost to serve, client experience and ability to scale considered</li> </ul>	
 <p>Reallocate capacity towards client facing impact</p>	<ul style="list-style-type: none"> <li>In line with TOM, internal capacity being reallocated across the functional platforms. On track for completion by year end</li> <li>Ongoing optimisation with continuous review of capacity management.</li> </ul>	 
 <p>Employee experience</p>	<ul style="list-style-type: none"> <li>Focus on organisation culture and improving employee morale – we are starting to see positive trend in the employee engagement survey</li> <li>Extensive staff engagement sessions and initiatives launched across the company to drive sustainable change management, strengthen the talent pool and build resilient teams</li> </ul>	 
 <p>Consolidate and simplify product offerings</p>	<ul style="list-style-type: none"> <li>Retail product review underway</li> <li>opportunities to consolidate and simplify products identified and projects initiated</li> </ul>	
 <p>Process efficiencies - reduce cost to serve</p>	<ul style="list-style-type: none"> <li>Current efforts are focused on immediate impact to strengthen our client-centric focus</li> <li>Processing engineering and automation initiatives within Ops &amp; Admin underway and ongoing</li> </ul>	 

# Best advice for clients

## Project 'red carpet'



- **Target:** Move current member experience from 'administrative interventions' to building a partnership based on trust
- **Approach:** Reinvent the member journey along pivotal events like onboarding, resignation, retirements
- **Status update:**

2019	# of Clients presented to	# of Clients signed up to Pilot
June	100	10
August	150	15

## Retirement benefit counselling (RBC)

- Regulatory requirement to provide retirement consulting to members has typically been answered in the industry through low-cost inbound solutions
- We have adopted a **client centric approach** by developing an outbound solution, **customised to the needs and priorities** of our **members**
- **RBC enhanced service** offer on-site retirement consulting with members and proactive consulting at pivotal events during the member retirement journey
- **Status update:**

2019	# of Clients presented to	# of Clients signed up
June (Pilot)	232	117
August	372	243

# Measurable client benefits – AFRIS

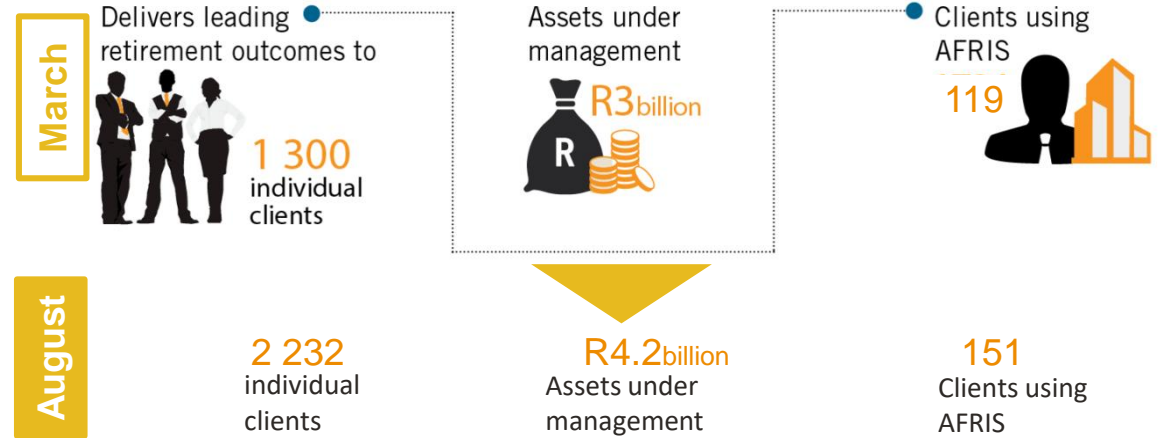
## Why AFRIS ?

- **Unique life and legacy solution** developed to allow pension funds to meet obligations under new regulations
- Provides a **simple** and **cost-effective solution for trustees** to meet complex regulatory requirements
- Single set of portfolios consistently priced (at levels similar to that paid by retirement funds)
- Provides **simplicity to members** in making decisions about their retirement savings and ensures **better retirement outcomes for members**

### Highlights YTD:

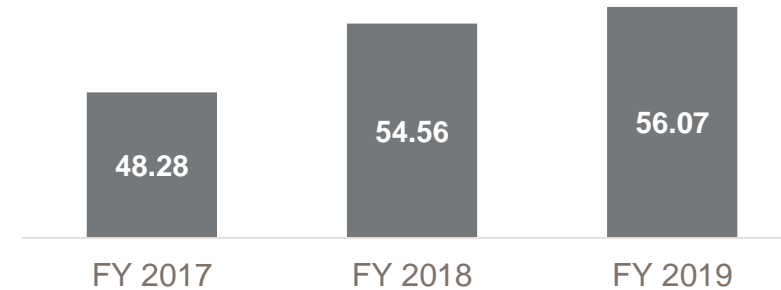
- AFRIS accountable for c.40% of new business flows in retail resulting in –
- Highest reported asset flows from FPC to AFICA

## Continuing to deliver growth



## Improving retirement outcomes

AFRIS preservation rate (%)



Our data has shown that where funds have adopted AFRIS, member outcomes have improved

# Pan-Africa solution - ARRIVE

Moving from a sub-scaled in-country model towards an advice-led solution platform without physical presence

## ARRIVE platform

- Advice-led solution platform in collaboration with Mercer
- The ARRIVE platform delivers a comprehensive in-country employee benefit solution through a single point of contact for the client
- Pan-Africa advice and solutions
- Single point of contact across all pan-African countries
- Pan-African access to experts covering regulation, retirement, health, investments
- In-country insight and knowledge
- Global best in breed

**Opportunity: multinationals with pan-Africa operations (c.300 potential clients identified)**

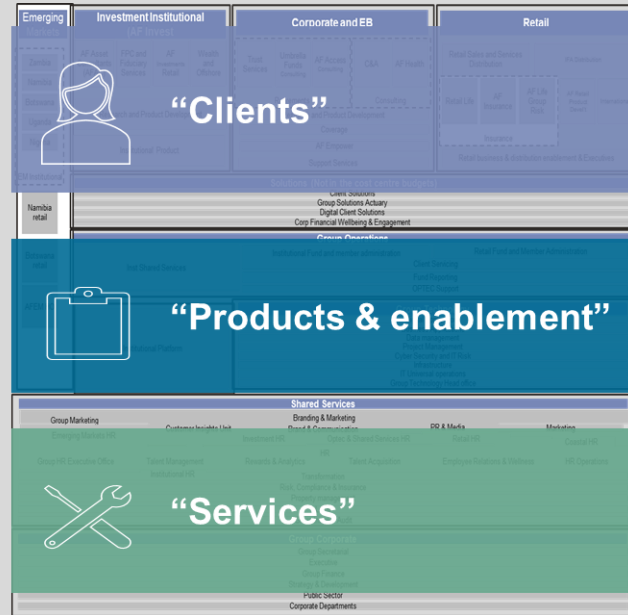
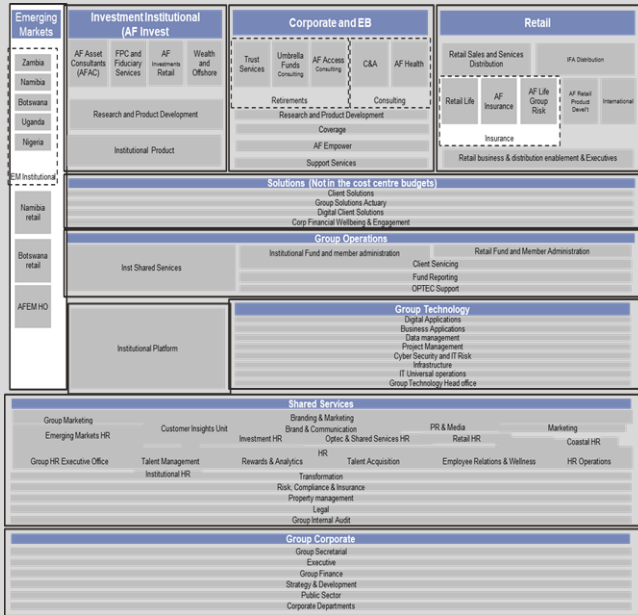


# Focused, integrated business model

## Status at June 2019

- 3 functional platforms defined with the Clients platform in the process of being rolled-out

## Target operating model



**1** One jointly orchestrated client-facing team, with divisional experts

**2** A hub for innovative solutions development and product enablement

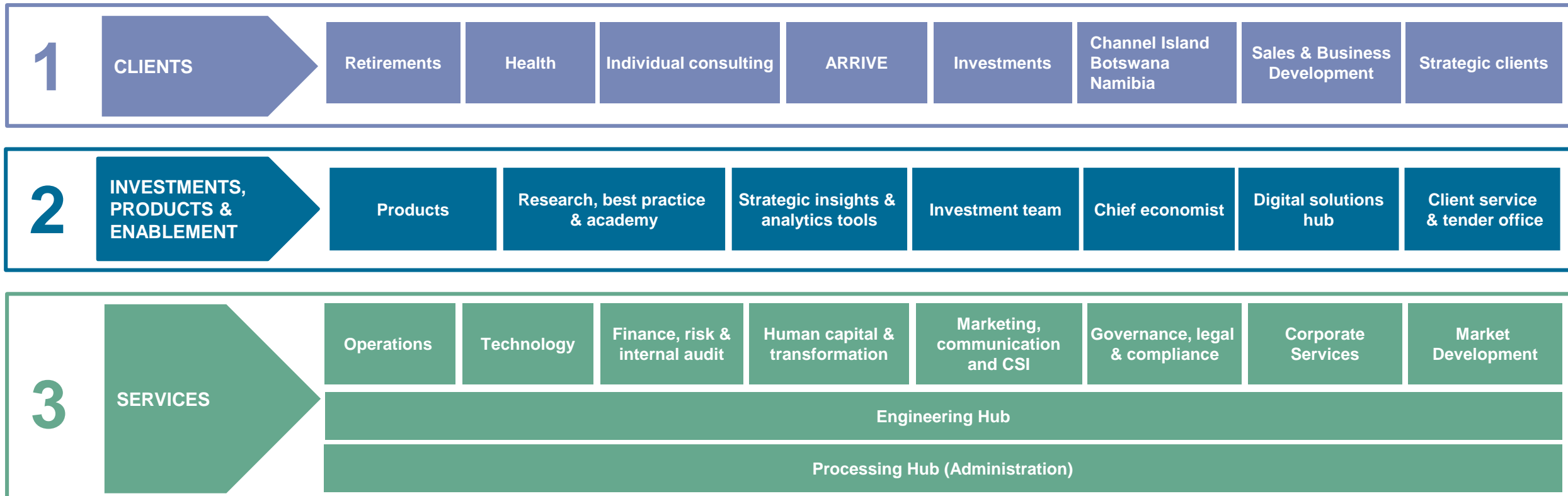
**3** A joint platform for services, including fund administration and supporting centres of excellence

A simplified, integrated way of working

# Focused, integrated business model

## Status at September 2019

- Implementation underway – ongoing refinement to organisational design as rollout progresses
- Ongoing optimisation with continuous review of capacity management
- Ongoing staff engagement



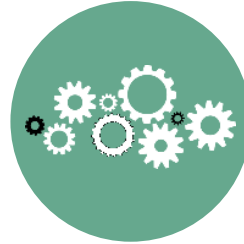
# Measuring our success



## Operating income

*Improving top-line growth through core business*

**Target:**  
**8% – 10%**



## Cost to income

*Operating model to introduce efficiencies and improve productivity*

**Target:**  
**<70%**



## Return on equity

*Capital-light model*

**Target:**  
**>14%**

## Concluding remarks



Provide clients with outstanding service and solutions using our advice-led approach



Expect a stable year where profit growth will be constrained



Correct previous inefficiencies and invest to grow



Continue to address skills gap in certain areas



Poised for growth

## FY2020 focus



Implementation of the integrated operating model



Engaging our best people and improving culture



Disposal of insurance businesses



Client retention and winning new business



Transformation



# Our investment case

- **Access to** an advice-led business that differentiates us from our competitors and benefits our clients
- **Tap** into a unique model for the SA market focused on our core market leading businesses
- **Enjoy** de-risked growth potential across pan Africa through the ARRIVE solution platform model and global strategic partnership
- **Be associated with** a powerful, recognised and trusted brand
- **Benefit** from a capital light business model



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