

# Investor Presentation

RMB Morgan Stanley Big Five Conference

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**ALEXANDERFORBES**  
Securing your financial well-being

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# Growth vision – five key deliverables

Opportunity to improve financial well-being

## Best advice for clients

- Implement holistic employee benefits programmes
- Encourage saving and investing pre- and post retirement

## Measurable client benefits

- Innovative solutions to employers
- Cost effective
- Better retirement/preservation for individuals

## Pan-Africa Solutions

- Servicing clients across Africa
- Independent of in-country presence
- Leveraging Mercer partnership

## Focused business model

- Consulting, investments and administration
- Reduce complexity
- Increase agility and ease of execution
- Best people in engaging culture

## Capital-light

- Exit insurance underwriting businesses
- Deliver improved return on capital
- Optimise regulatory capital

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

# Strategic principles

## Back to basics, establishing a solid foundation for returning to growth

Our strategy is built on the following principles:

- **Integrated value proposition** – ‘advice-led customer-centric’ to develop market opportunities
- **Focused** – on our core competencies – with a renewed focus on delivering best advice and measurable benefits to our clients
- **‘ONE’ Alexander Forbes** – unite our business lines and present a ‘one-company’ view and single point of entry for our clients
- **Simplicity** – removing unnecessary complexity in all aspects of the business providing the ability to improve and be agile
- **No big bang approach** – responsible short-term decisions to ensure business turnaround with the aim of achieving the target cost-to-income ratio that is sustainable in the long term. This approach includes investment in, as well as efficient execution of key enablers (viz. structure and automation)
- **Transparency and integrity** – driving a cultural change to improve client service, internal controls and re-establish trust across all AF relationships
- **Unlocking our talent pool** – focus on retaining and training employees, thus strengthening our talent pool
- **Change management** – towards a competitive, execution focused corporate culture

In addition to these principles we are committed to:

- **Agile execution** – constantly assessing, evaluating, testing and refining our view of the strategic execution
- **New ways of work** – ensuring we do not lose the benefits of lessons learned through Covid-19 disruption

# Growth vision – FY2020 execution review

	Objectives	Progress
Best advice for clients	<p><b>Building a market leading integrated advice-led consulting platform</b></p> <ul style="list-style-type: none"> <li>Client-centric integrated value proposition – being advice-led is a key differentiator</li> <li>Improvement in client service standards and re-established key client relationships</li> <li>Client stability and winning new business</li> </ul>	<ul style="list-style-type: none"> <li>Significant improvement in reducing clients at risk</li> <li>Integrated advice framework adding value for clients</li> </ul>
Measurable client benefits	<ul style="list-style-type: none"> <li>Development of the AFRIS default solutions – institutional pricing for retail clients</li> <li>Drive simplicity through rationalising products and portfolios</li> <li>Multi-management solutions adding value to clients</li> </ul>	<ul style="list-style-type: none"> <li>Growth in AFRIS – R5.9bn AuA (as at 31 March 2020)</li> <li>Progress made on product rationalisation</li> <li>Performer – ranks in the top quartile of LMW</li> </ul>
Pan-Africa Solutions	<p><b>Launch ARRIVE</b></p> <ul style="list-style-type: none"> <li>Growth in the Arrive platform is ahead of expectations</li> <li>Continued untapped opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Good traction with clients across Africa</li> <li>Continue to build momentum with increasing mandates won under Arrive</li> </ul>
Focused business model	<p><b>Operational efficiency and cost management</b></p> <ul style="list-style-type: none"> <li>Good expense management, offset by stranded costs</li> <li>Embed operational excellence in administration, data analysis &amp; reporting to better service clients</li> </ul> <p><b>People and culture</b></p> <ul style="list-style-type: none"> <li>Continued improvement in employee morale and trust in leadership, improved employee engagement score</li> </ul>	<ul style="list-style-type: none"> <li>Targeted cost reduction excluding stranded costs</li> <li>R180 million (7%) saving achieved over 5 years when compared to CPI increases over the period.</li> <li>Through the TOM change, we avoided a slowdown in productivity while improving the employee experience</li> </ul>
Capital-light	<p><b>Significantly improved capital position and returning surplus to shareholders</b></p> <ul style="list-style-type: none"> <li>Complete disposal of short-term insurance business in SA and sub-scale businesses</li> <li>Convert underwritten umbrella funds to privately administered</li> <li>Shareholder reorganisation</li> </ul>	<ul style="list-style-type: none"> <li>Disposal of AFI</li> <li>c.R400m release of capital in AFRF</li> <li>Returning surplus to shareholders: special dividend</li> </ul>

# Our Covid-19 response





## Strategic response to the Covid-19 and related macro-economic turbulence: Progress to date

The response to the pandemic requires consideration across numerous timelines including short, medium- and long-term plans

	Driver	Response and strategic consideration	Status	
Reaction	Responding to the lockdown	Ensuring the safety and security of all staff through a WFH policy. Enabling continued client service across all disciplines.	Complete	
	Understanding the risk and financial implication on the group	Initiated an out of cycle ORSA, defining potential scenarios, forecasting and considering risks and response.	Complete	
	Immediate cost management	Level 1 cost management including freezing new hires, stopping short term services, training, entertainment.	Complete	
	External cost optimisation	Review and reset budget on discretionary spend including, travel, professional fees, contractors and temporary staff. Consider supply chain disruption. Review property portfolio and space planning including long term structural change.	Complete	
Recession	Remuneration and incentives	Consider and review remuneration structure, increases, incentives and long-term schemes	Complete	
	Revenue stabilisation	Secure today's revenue stream through a consistent, highly efficient and forward-looking retention management.	Ongoing	
	Capital management	Review the 'capital light' strategy and ensure sufficient reserves for the long-term effects of the recession. Adjustments made to cash flow forecasts and dividend distribution.	Complete	
	Prioritise and redeploy available human capital capacity	Ensure AF is allocating capacity where it delivers best value for our clients	Being implemented	

# Our Covid-19 response

Strategic response to the Covid-19 and related macro-economic turbulence: Progress to date

	Driver	Response and strategic consideration	Status
Rebound & Reimagine	Strengthening the core – enhancement to business model	Review AF's activities vs. current/future core. Realign strategic initiatives and reduce unnecessary projects.	Done 
	Consider inorganic business opportunities	Identify and invest in opportunities that arise from the crisis with a focus increased market share	In progress 
	New ways of work after lockdown	Leverage recent lock-down experience to establish new ways of working	In progress 
	Winning beyond Covid-19	Consider flexible employee benefit structures and tax efficient vehicles for future ways of work. Identify opportunities with immediate P&L impact	In progress 

# Stable and sustainable business

We believe we are well structured for sustainability through the economic recession

## Advantages of Alexander Forbes' client-centric business model

- ✓ Being advice-led is a key differentiator
- ✓ Well-positioned to respond to changing industry and regulatory dynamics

## Simplified portfolio focusing on the core strengths of consulting, investments and administration

- ✓ Evaluate opportunities to build scale whilst retaining an advice-led business model

## Stable business

- ✓ Powerful, recognised and trusted brand
- ✓ Long-standing institutional client relationships

## Strong balance sheet and capital light business model allows Alexander Forbes to manage the cyclicity

- ✓ Underpinned by cash generation (high profit to cash conversion)

## Re-engineering our core processes, together with cost management

- ✓ New ways of work (flexible work environment with reduced real estate footprint over time)
  - ✓ Improve efficiency through automation and process efficiency



# FY2021 progress update

79 new business wins concluded during 1H 2021 through to August 2020

Total number of new business wins  
concluded:

**79**

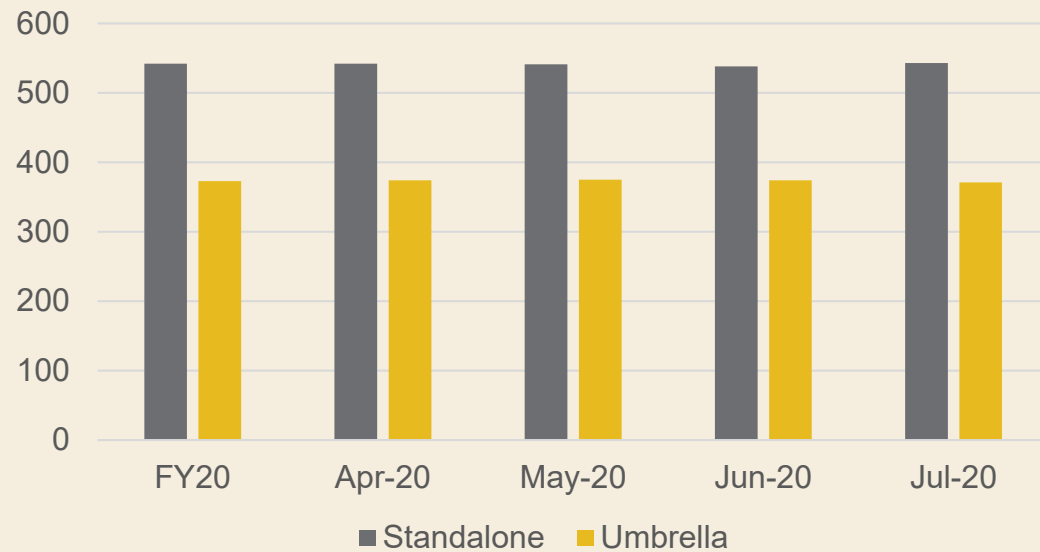
Total estimated annual revenue:

**c. R50 million**

- Good progress in regaining ground on SA blue-chips across key segments
- Success in regaining some clients lost
- Positive client feedback in experiencing our advice-led value proposition
- New market momentum in leveraging 'ONE' Alexander Forbes as integrated value proposition

# Key drivers – FY2021 performance year to July

Number of active member records ('000s)



	FY20	Jul-20	Movement Month	Growth Ytd	Growth Ytd
<b>Membership</b>	<b>914 440</b>	<b>913 571</b>	<b>1 089</b>	<b>(869)</b>	<b>(0.1)%</b>
Standalone	542 646	543 385	5 693	1 739	0.3%
Umbrella	372 794	370 186	(4 604)	(2 608)	(0.7)%

Number of participating employers

**1 690**

across AFRF and AF Access

Active members in umbrella funds

down **0.7%**

**370 186** ▼

Umbrella fund AuM<sup>1</sup>

up **16%** year to Aug

to **R88** billion ▲

Total number of active members<sup>2</sup>  
stable since March 2020 at

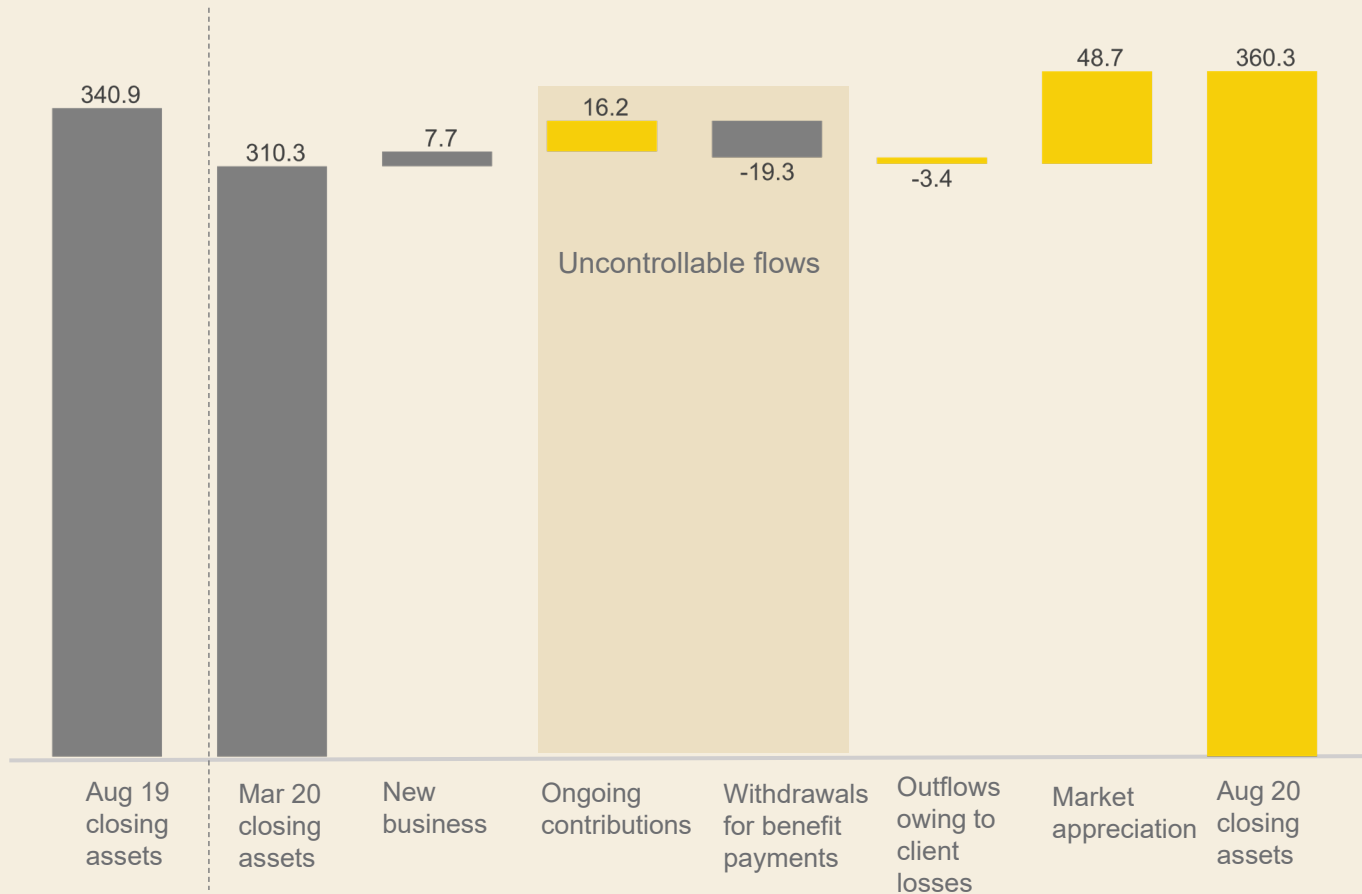
**914 000**

1. Assets under management

2. Total number of active members across standalone and umbrella funds

# Key drivers – AuA and AuM

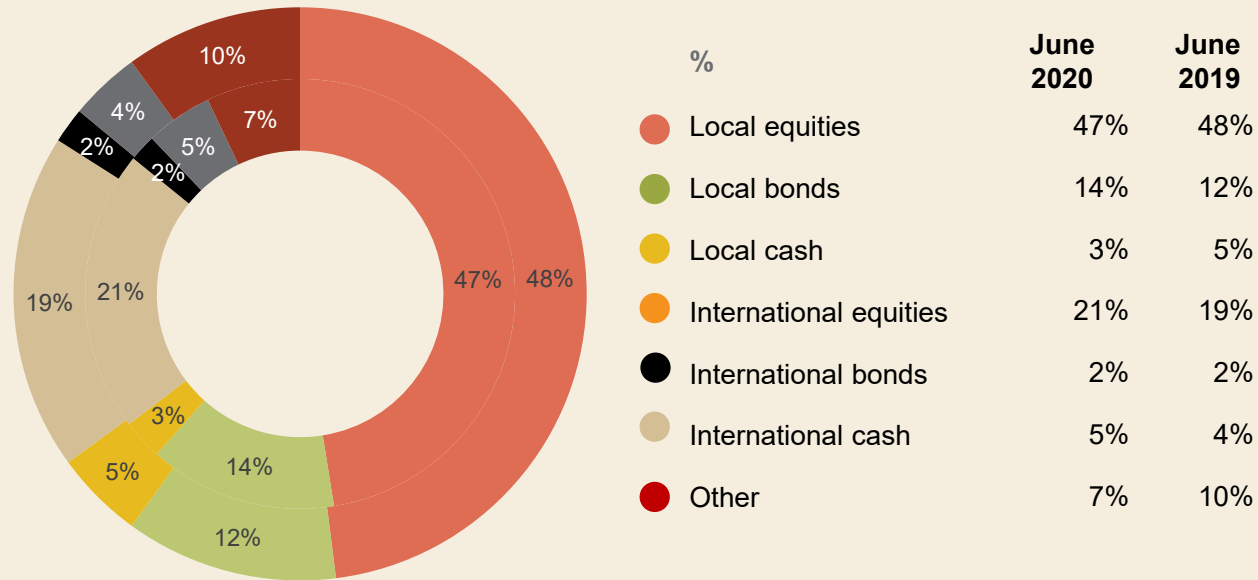
Movement in AuA and AuM (R billion, March 2020 to August 2020)



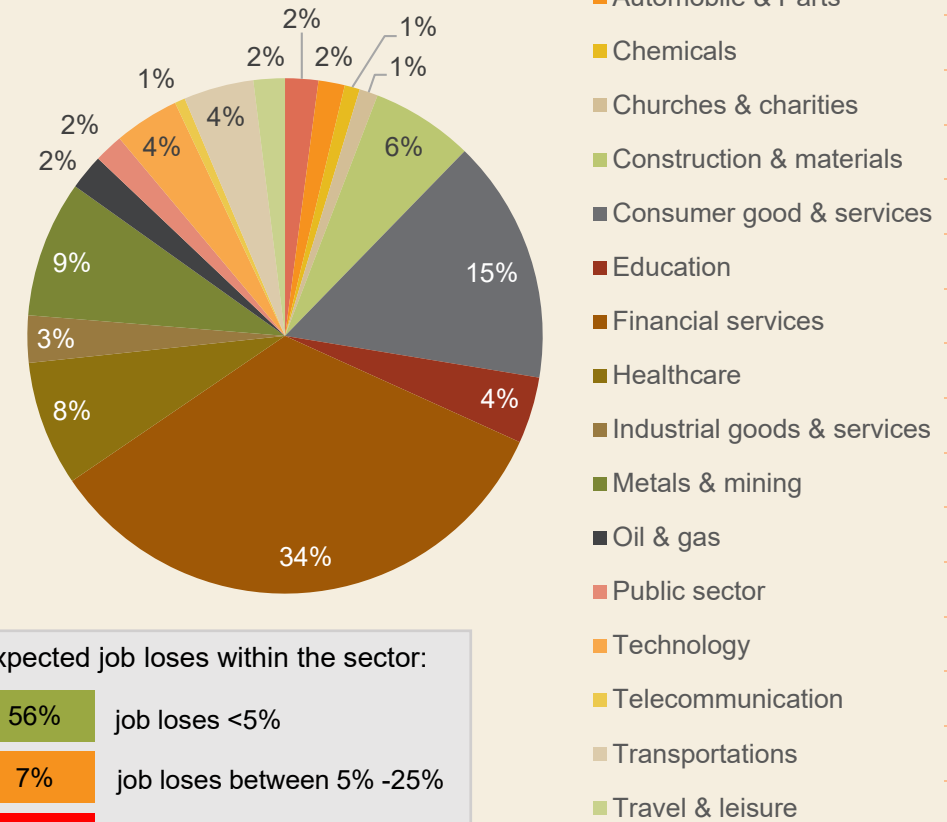
- Satisfactory new business year to date with a new business pipeline of inflow expected in H2 FY2021
- Volatile markets continue
- Average assets unchanged yoy at R344 billion (year to Aug)
- Blended net margin under pressure due to lower fees (re-pricing for clients under Covid market environment) as well as switching across asset classes / portfolio

# Investments – Asset composition and Sector exposure

Asset composition<sup>1</sup> (as at June 2020 and June 2019)



Sector exposure<sup>2</sup> (as at May 2020)



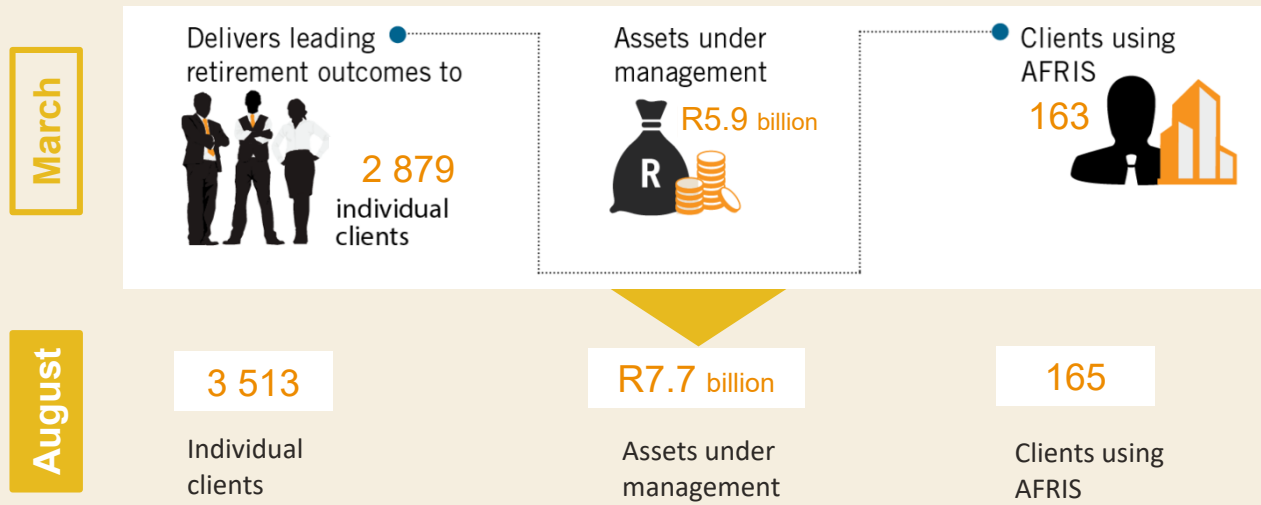
Expected job losses within the sector:

- 56% job losses <5%
- 7% job losses between 5% -25%
- 37% job losses >25%

1. Outside circle: June 2020 and Inside circle: June 2019  
 2. The expected Covid19 impact on AuM is based on the group chief economist's expected impact on job losses across the various sectors.

# Individual consulting

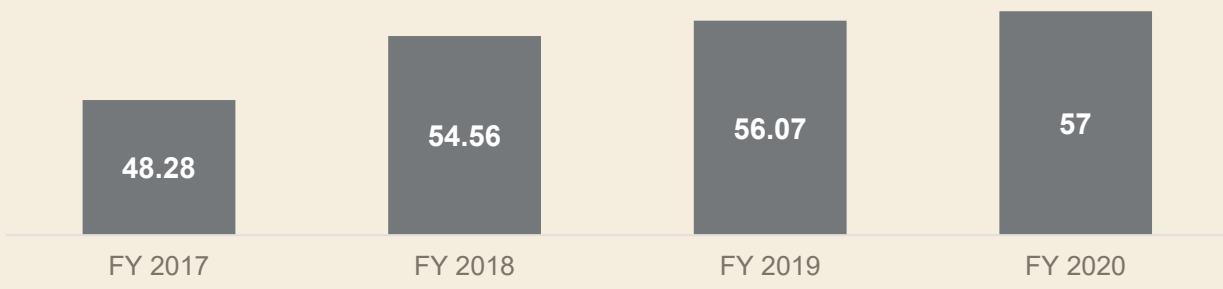
## AFRIS continuing to deliver growth



**Assets under advice**  
 up **11%** year to Aug  
 to **R74 billion**  
 (owing largely to market performance)

**AFRIS AuA**  
 up **30%**  
 to **R7.7 billion**  
 since March 2020

## AFRIS preservation rate (%)



# Arrive

## Providing solutions to 59 clients in 26 countries across 153 product mandates

- We currently provide solutions to 59 clients in 26 countries across 153 product mandates in the continent, while engaging and providing support to companies in a further 10 countries in the continent
- We are adding value to our clients through data and insights, pooling of risk and consistent treatment for all employees across the continent
- De-risked growth potential across pan-Africa through Arrive
  - The ability to scale and provide uninterrupted support, solutions and advice to our clients throughout the continent through a network of service providers has been demonstrated during the challenging period of Covid-19.

### Our Priorities

- Revenue growth and operational execution.
- Operational efficiency has been achieved with the introduction of a digital platform that delivers a pan Africa capacity to communicate and support a multinational company throughout the continent.

## Arrive

We are seeing the benefits of a coordinated consulting and service approach across the continent.

Secured mandates with

**59 pan-Africa companies**

and

**72 broker**

appointments since inception



# Strategy – FY2021 focus

15

## Focusing on the core

### Best advice for clients

#### Building a market leading integrated advice-led consulting platform

- Strengthen client-centric integrated value proposition
- Develop appropriate incentive structure to drive growth
- Develop and implement franchise opportunities

### Measurable client benefits

- Market leading investment proposition – leverage strategic partnership with Mercer
- Member engagement strategy - incorporating all engagement and member initiatives into one programme

### Pan-Africa Solutions

#### Growth through ARRIVE

- Continue to pursue growth opportunities through Arrive

### Focused business model

#### Operational efficiency and cost management

- Re-engineering Ops & Admin – continuous improvement in client experience & service levels
- Identify opportunities that will enable us to win beyond Covid-19
- New Alexander Forbes and new ways of work

#### People and culture

- Initiatives to enhance culture and implement people strategy
- Develop and implement a transformation strategy

### Capital-light

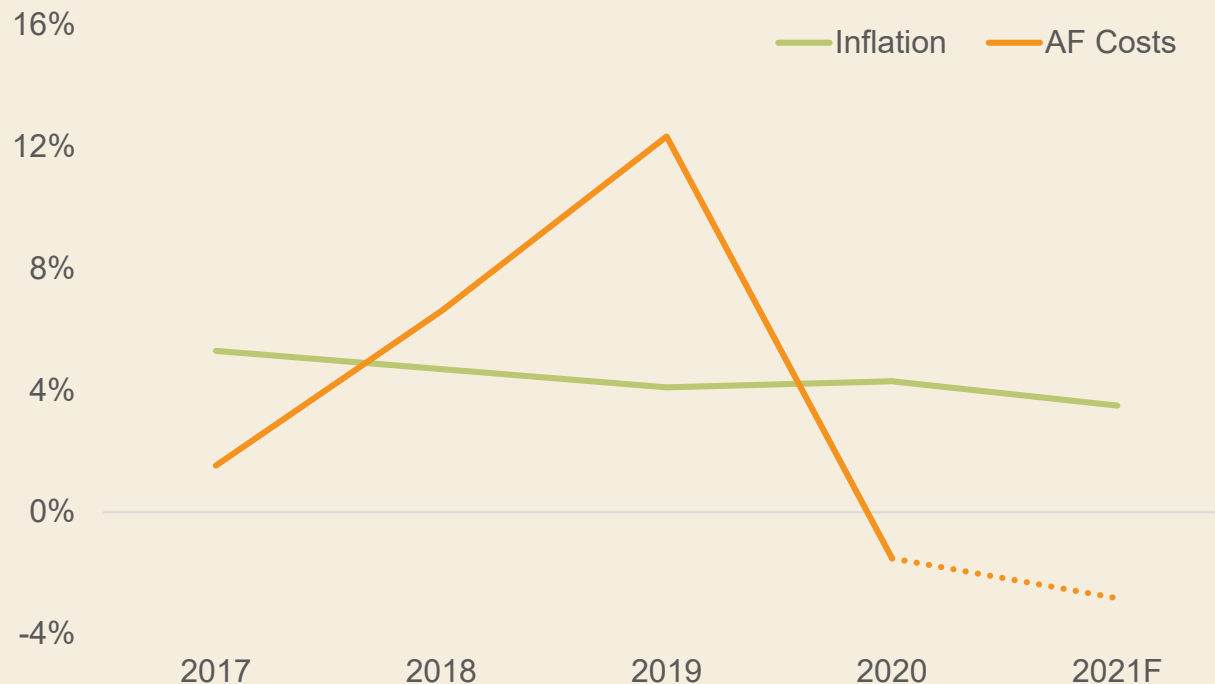
#### Significantly improved capital position and returning surplus to shareholders

- Continued rationalisation of products and portfolios
- Legal entity rationalisation

# Operating expenses<sup>1</sup>

Continued targeted reduction in operating expenses for FY2021 (before stranded costs)

Operating expense<sup>1</sup> growth vs CPI (% change)



- Strategy of targeting cost efficiencies through structural changes and technology enhancements continues.
- Short-term cost measures implemented in response to Covid include hiring freeze, less travel etc.
- Cost pressure (viz. property, and technology) remain based on committed contracts and increased health and safety. Cyber security – increased monitoring and protective measures.
- Stranded costs continue to offset the overall benefits of the efforts made.

1. Operating expenses in FY2019 include penalty costs for termination of IT contract (R50 million)



# Our priorities

Drive Operational Excellence as key principle across the organisation

## 'Stabilise the core'

- Stabilisation of client base
- Retention of talent pool
- Stop IT project
- Focus on expense management

## FY 2020 Disciplined and successful execution

- Strategic re-focus on core business
- Exit insurance manufacturing
- Exit sub-scale emerging markets
- Launch ARRIVE platform
- Implement new operating model
- Execute financial controls programme

## Going forward *'Focusing on Core'*

- Build a market leading investment proposition
- Strengthen market leading integrated consulting offering
- Re-engineering Ops & Admin
  - Improve client experience & service levels
  - Improve efficiencies
- Clear and focused people strategy
- Expense management and absorb stranded costs
- Member engagement strategy
- Identify opportunities that will enable us to win beyond COVID-19
- New Alexander Forbes and new ways of work

FY19  
strategy  
reset

# Thank you



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