

Interim results presentation

Unaudited interim results for the six months ended
30 September 2021

FY2022



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Highlights



HY 2022 in perspective

Accelerating growth off a steady base

Key drivers

- New business wins of R82 million in annual attributable revenue
- Good market performance and higher opening assets
- Declining trend in retrenchments, although still higher than the pre-Covid average levels
- Disciplined expense management
- Covid-19 impact on group risk reserving requirements

Key highlights

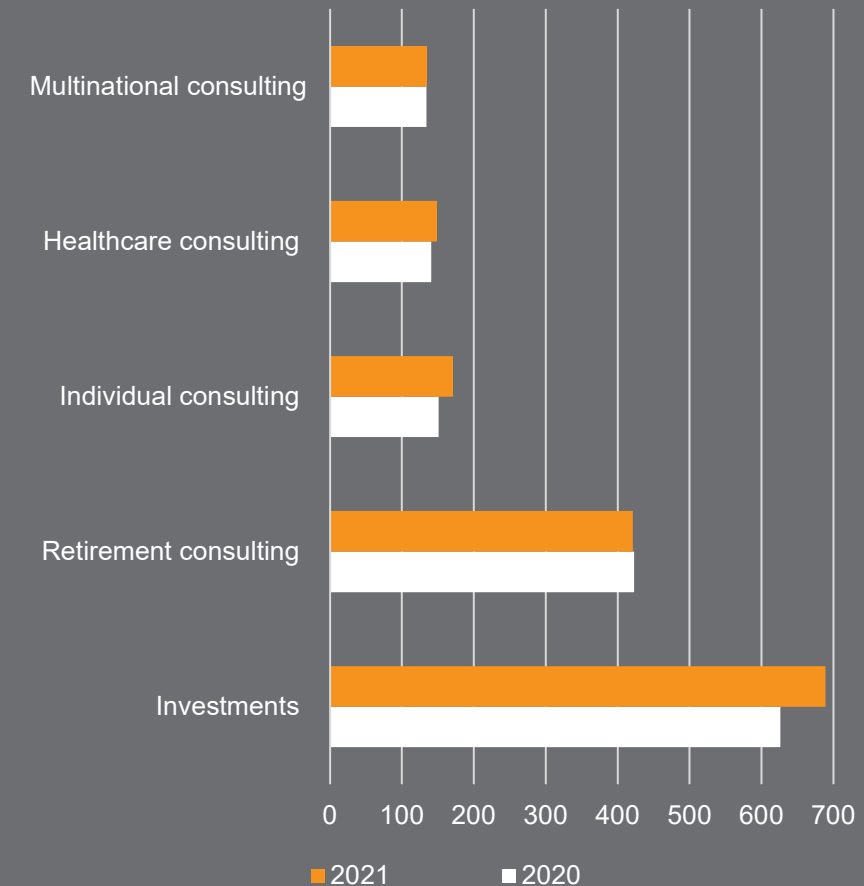
- Remain steadfast in execution of strategic initiatives
- **6% increase** year on year in **operating income from continuing operations** to R1 565 million
- **5% increase** in **profit from continuing operations¹** to R389 million
- **20% increase** year on year **AuA² and AuM³** to R423 billion (up 6% since March 2021)
- Sale and transfer for the group risk and retail life business approved
- In line with our stated **ambition to accelerate growth**, we have **signed 3 corporate transactions**

1. Profit from continuing operations before non-trading and capital items

2. Assets under administration

3. Assets under management

Operating income (Rm)



HY 2022 Highlights

Total estimated annualised revenue

of **R82 million**
from new business wins (235)
during the period

Automation and efficiencies in EB administration

- > 500 standalone funds
- > 1 000 HR users trained

Total number of active members¹

up **2%** since March 2021
to **880 636**
(down 2% year on year)

Healthcare members

up **2%** since March 2021
to **227 773**
(up 6% year on year)

AFRIS AuA

up **55%** year on year
to **R12.1 billion**
(up 19% since March 2021)

Umbrella fund AuM

surpassed R100 billion mark
up **17%** year on year to
R102 billion
(up 6% since March 2021)

Performer is the
second-best
performing balanced
fund in South Africa
over the past eleven
years

measured in the Alexander
Forbes Large Manager Watch
Survey™

New business flows of

R7.9 billion
(including R3.7 billion in
platform assets)

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

Strategic initiatives: HY 2022 achievements

Relentless focus on execution of strategic objectives

Financial



- Growth in new business
- Expense management
- Capital management

Customer



- Increase usage of digital tools
- Increase net retention rate

Internal Business Processes



- Increase automated transaction usage in Ops & Admin
- Data: single view of client
- Continuous improvement in compliance

People



- Improve engagement score
- High performance culture
- Transformation, diversity and inclusion

2

Our financial
performance



HY 2022 Financial highlights

Operating income¹

up **6%** year on year
to **R1 565** million

Operating expenses

of **R1 194** million
up **3%** year on year

Profit from continuing operations²

up **5%** year on year
to **R389** million

Loss from discontinued operations

of **R79** million
(2020: R45 million)

Total equity

down **7%** year on year
to **R4 013** million
owing to cash returned to shareholders of R1.4 billion since 31 March 2020

9% increase in capital required to

R1 568 million
due to Covid-19 related increase in reserves in AF Life

Available cash resources

of **R511** million
The policy cover ratio returned to 1.2 times from 1.5 times

Interim dividend

of **12 cps** (2020: 13 cps)
declared

1. Operating income net of direct expenses, restated for the effect of discontinued operations.

2. Profit from continuing operations before non-trading and capital items.

Operating income

six months ended 30 September	2021	%	2020 ¹
Retirements consulting	421	-	423
Healthcare consulting	149	6	141
Investments	689	10	626
Individual consulting	171	13	151
Multinational consulting	135	1	134
Revenue net of direct expenses	1 565	6	1 475

Drivers of performance

- **Retirements:** Members under administration while up 2% since March, down 2% over the six months, lower level of retrenchments
- Retrenchments within our client base down 58% from comparable period in the prior year
- **Healthcare consulting:** 3% increased in medical aid cap commission increase, new business wins and 6% year on year increase in members
- **Individual consulting:** new business of R5.4 billion achieved in the period and higher AuA (up 14% to R83 billion)
- **Closing assets under management and administration** up 6% to R423 billion since March 2021

Operating expenses

six months ended 30 September

Operating expenses

2021

%

2020¹

(1 194)

3

(1 156)

Expenses prudently managed

- Underlying payroll cost increased 1%, with headcount 0.6% lower than prior year at 2 296
- Information technology costs flat year on year owing to the optimisation programme taking effect
- Property cost increase contained to 4% through implementation of property strategy
- Professional fees down 4% with sustained effort to manage and rationalise consulting fees

Cost pressures remain

- Skills shortage / increased competition for talent driving the need to retain and incentivise top performers
- Property escalation contracted at 8% annual increase
- Insurance premiums – contained at 4% annual increase but likely to increase

Summary IFRS income statement *(items below profit from operations)*

Financial performance impacted by discontinued operations

six months ending 30 September (R million)	2021	%	2020 ¹
Profit from operations before non-trading items and capital items	389	5	371
Non-trading and capital items	(17)	(32)	(25)
Operating profit	372	7	346
Investment income	54	(24)	71
Finance costs	(33)	(13)	(38)
(Loss)/profit from accounting for policyholder investments	(2)	n/a	6
Profit before taxation	391	2	385
Income tax expense	(151)	6	(142)
Profit for the period from continuing operations	240	(1)	243
Total (loss)/profit from discontinued operations (net of tax)	(79)	76	(45)
Profit for the period	161	(19)	198

- Decrease in investment income owing to lower cash balance and reduced interest rates
- Effective tax rate remains above corporate tax rate owing to non-deductible tax losses: strategic initiative to improve this structure underway

Discontinued operations

Includes group risk and retail life business and the recently discontinued AFICA group business

six months ending 30 September (R million)	2021	%	2020
(Loss)/profit from operations before non-trading and capital items	(84)	n/a	28
Non-trading and capital items	(1)	(99)	(78)
Operating loss	(85)	70	(50)
Net investment income	9	(31)	13
Loss before tax	(76)	>100	(37)
Income tax expense	(3)	(63)	(8)
Loss for the period from discontinued operations	(79)	76	(45)

Loss for the period from discontinued operations

six months ending 30 September (R million)	2021	%	2020
Group risk and retail life operations	(85)	n/a	20
AFICA group	6	(25)	8
AF Insurance Namibia	-	n/a	5
Enhanced transfer value	-	n/a	(78)
Loss for the period from discontinued operations	(79)	76	(45)

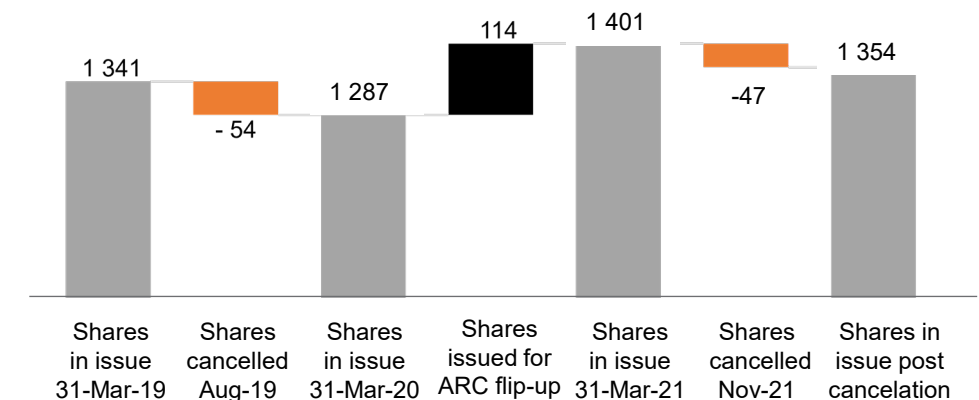
Headline earnings and dividend per share

Headline earnings per share from continuing operations up 4% to 18.9 cents

six months ended 30 September	2021	%	2020
Weighted average number of shares in issue (million)	1 267	(2)	1 297
Headline earnings per share – continuing operations (cents)	18.9	4	18.2
Headline earnings per share – total operations (cents)	12.7	(12)	14.5
Interim dividend per share (cents)	12.0	(8)	13.0

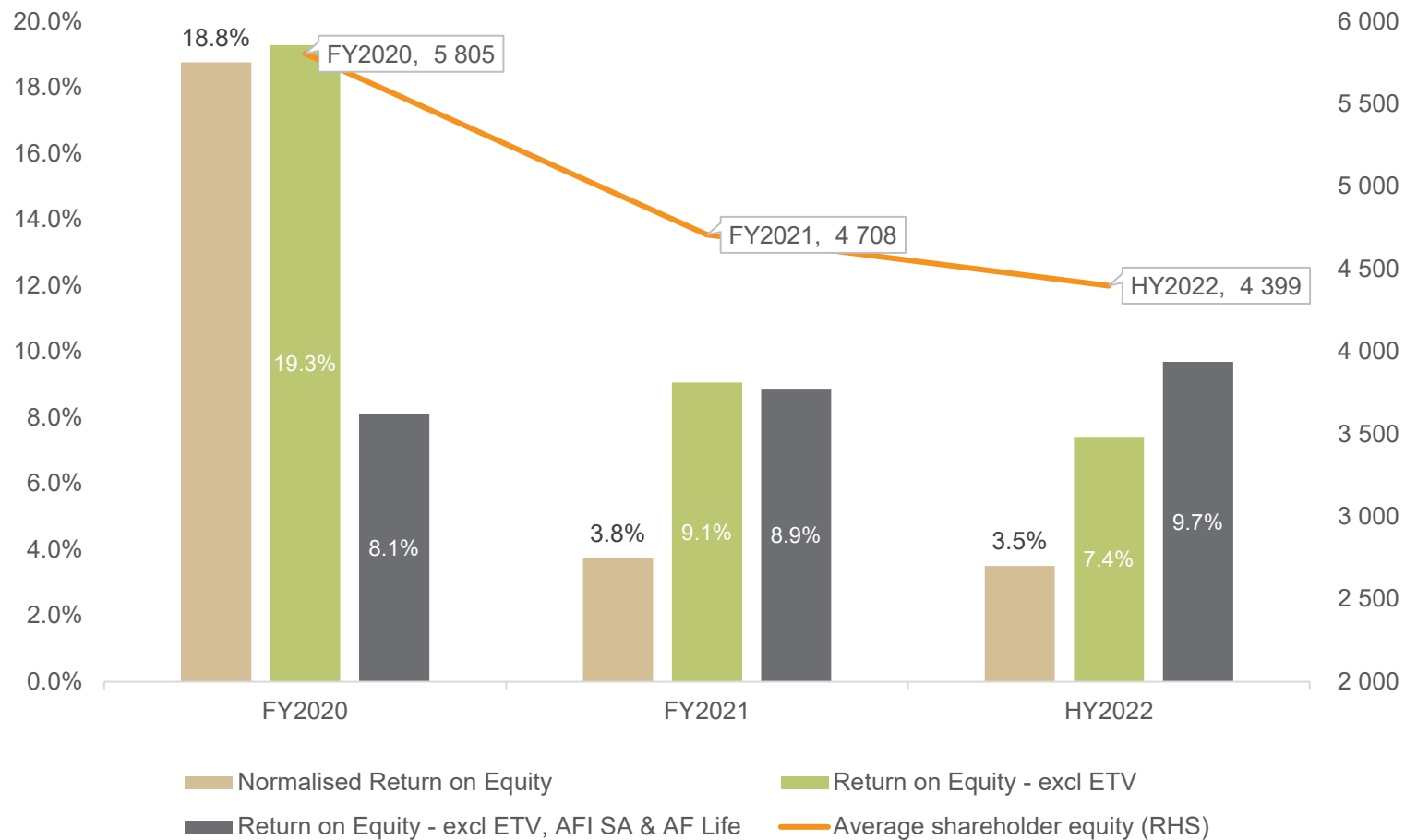
- Decrease in weighted average number of shares as a result of share repurchases
 - 24 million shares in period 1 October 2020 to 31 March 2021
 - 15 million shares in period 1 April 2021 to 30 September 2021
- Management and sale of discontinued operations
- Legacy ETV liability matter still being litigated – management remain resolved to recover the claim
- In determining the dividend for the period, the board has taken into consideration and adjusted for the Covid-19 related impact of reserving in the group risk business

Movement in actual shares in issue (m)

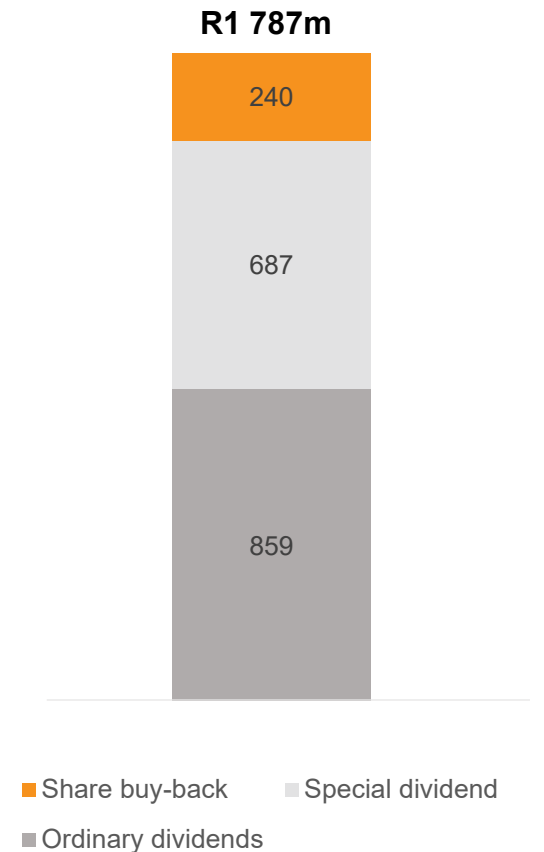


RoE analysis and cash returned to shareholders

RoE and Average shareholders equity (Rm)

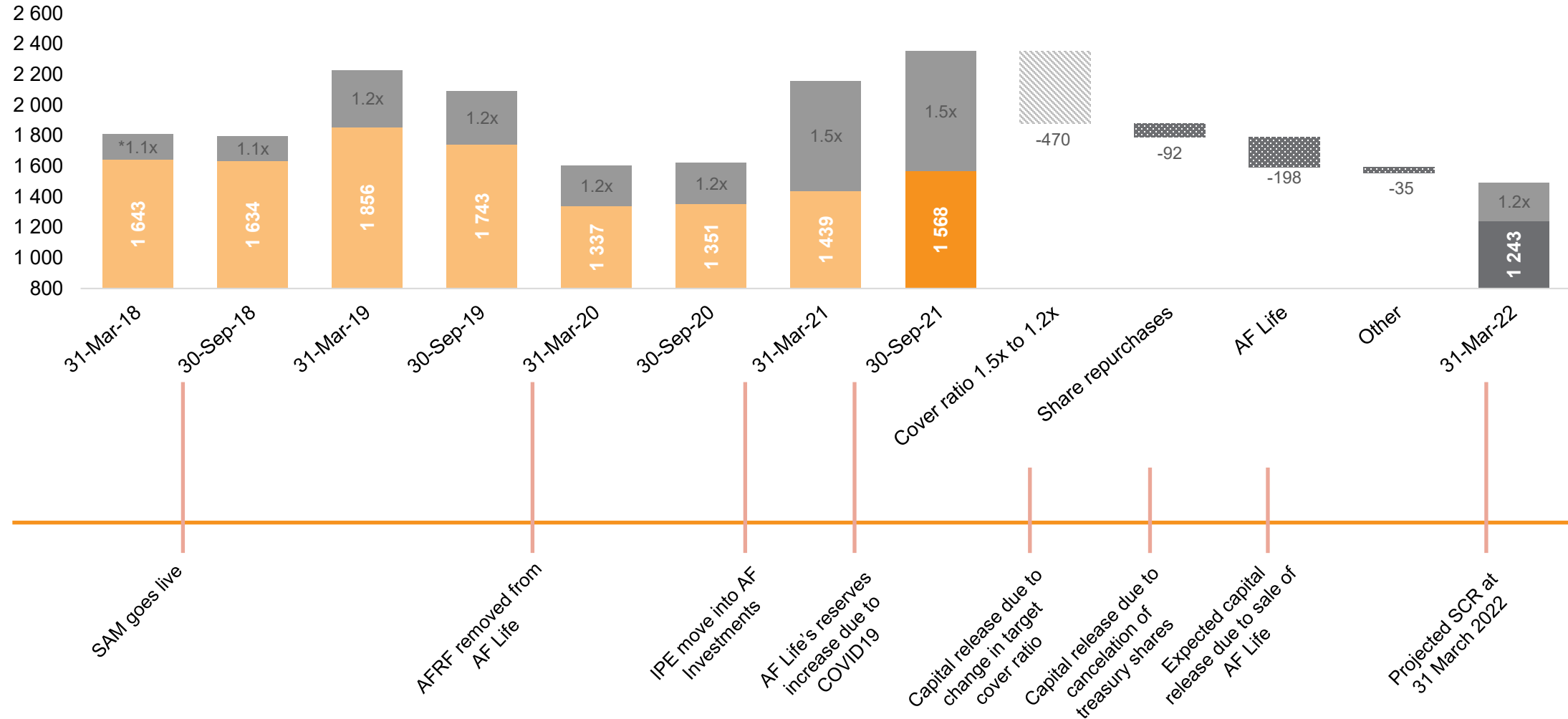


Cash returned to shareholders (Rm)



Capital Journey

Solvency Capital Requirement over time (Rm)



*Board approved target SCR cover ratio

M&A update

Transactions aligned to our strategic intent: capital-light and focusing on our core activities

Sale and transfer of AF Life

Capital-light

- Purchase price R100 million
- Comp Comm approval received
- In principle approval from PA
- Anticipated effective date: February 2022
- Transition: 12 to 18 months

Purchase of EBS International

Diversified revenue lines, synergistic benefits

- Purchase price: R142 million
- Revenue: R86 million
- Will operate independently for a period
- Technology optimisation drives synergistic benefits

Purchase of EB business

Scale benefits and member engagement

- Purchase price: R154 million
- Revenue: R172 million
- 44 funds, 29 clients
- ~343k active members
- Transition: 24 to 36 months

Sale of AFICA business

Improved client experience
Accelerate technology for clients

- Purchase price: R200 million
- Revenue: R154 million
- 12.5% fee to AF through outsourced services
- Transition: 18 to 24 months

3

Acting with
intent



Why do we exist?

We pioneer **insight** to deliver
advice and solutions that **impact**
your life

Emerging strategic trends

Emerging trends

Emerging opportunities

Consolidation

- Covid-19
- Increased scale
- Increasing costs

- Our member engagement strategy
- One Alexander Forbes proposition
- Inorganic growth opportunities

Specialisation

- Increased complexity
- Regulatory responsibilities
- Skills shortages

- Integrated model and best advice
- Specialist fund administration
- Strengthen core

Partnerships

- Ecosystems and platforms
- Specialist skills

- Increase speed
- Enable best advice
- Value proposition

Digitalisation

- Accelerated adoption
- Speed of execution constrained

- Reach our member base
- Modernisation of client experience
- Greater adoption of digital

Member experience

- Differentiator
- Transactional connectivity

- Connect with more members
- Serve broader savings needs

Strengthened our core

Consolidation

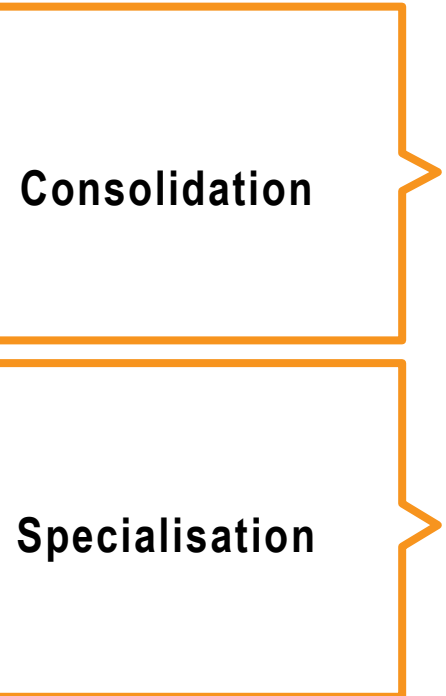
Retirement fund administration

Specialisation

Consulting

Investments

Strengthened our core



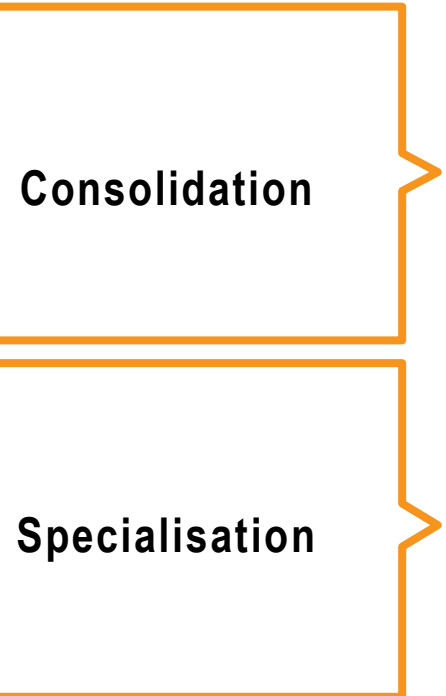
Retirement fund administration

Consulting

Investments

- Customers
- Infrastructure and capabilities
- Compliance and governance
- Data and analytics
- Engagement to connect
- Scale unlock synergies and sustainability
- 25 years of Alexander Forbes Retirement Fund in 2022
- Enabler for advice led model

Strengthened our core



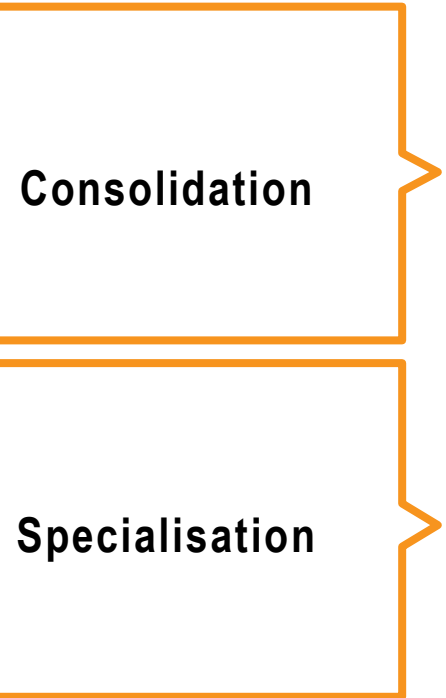
Retirement fund administration

Consulting

Investments

- Customers and clients
- Pioneer insight to deliver advice and solutions that impact people's lives
- Class leading capabilities
- Powered by technical engine
- Focused infrastructure
- Systems amplify impact

Strengthened our core



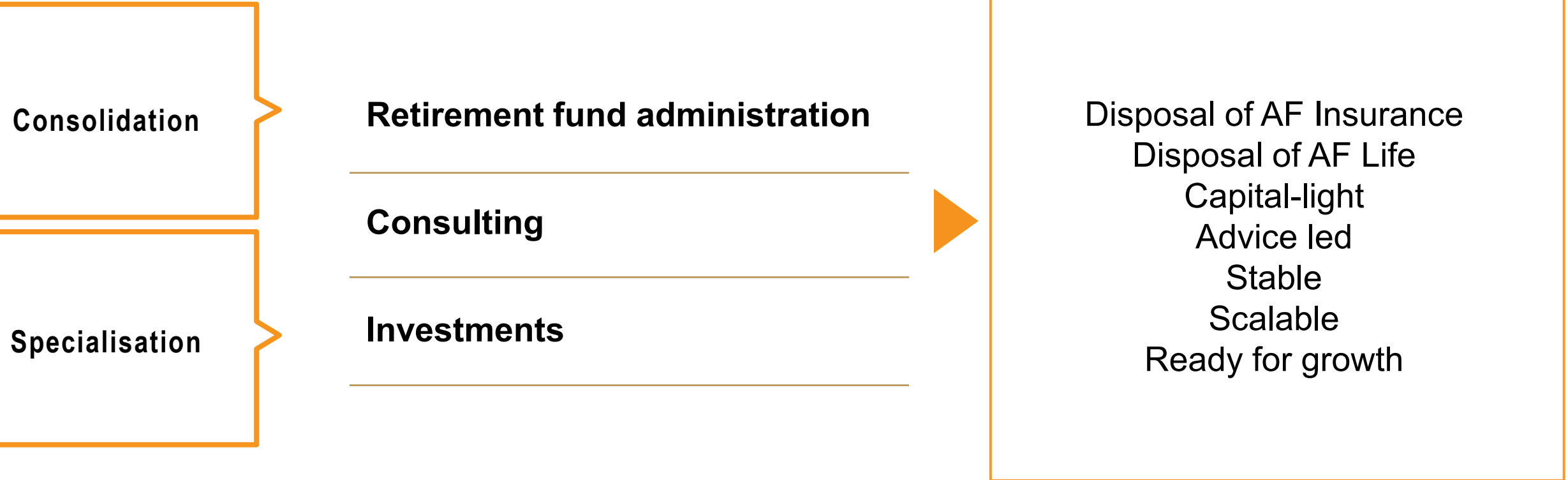
Retirement fund administration

Consulting

Investments

- Customers
- Drives wealth creation
- Independent of asset managers
- Long term performance
- Transformative impact in SA
- 25 years of AF Investments in 2022
- Scale benefits

Strengthened our core



Accelerating growth

Becoming the most impactful provider of financial advice to retirement fund members in South Africa

Consolidation

New business

- Core capabilities
- Advice-led opportunities for individuals

Specialisation

Acquisitions

- Extend member base
- Improve economies of scale
- Efficiencies in digitalisation, cyber-security and regulatory implementation

Partnerships

Digitalisation

Member-oriented financial services provider

- Connect individuals within our base to insight and advice
- Enhance retail asset flows to AF Investments

Member experience

More members to **connect** with

Consolidation

Specialisation

Partnerships

Digitalisation

Member experience

Acquisition of EBS International – **Extend member base**

- Unlock synergies
- Better positioned to implement new technologies, regulation and security measures
- Greater economies of scale in the delivery of member engagement capabilities
- Diversify into adjacent markets in South Africa and select African countries
- Combination of Alexander Forbes' market reach and EBS' capabilities creates new opportunities to serve self-administration needs for very large retirement funds
- Positioned to cover breadth of administration capabilities:
 - Information technology enablement for self-administration
 - Backoffice section 13B Front office 13B administration
 - Full 13B administration
 - Umbrella fund administration
 - Investment unitisation
 - Investment attribution, compliance and risk reporting
 - Analytics

More members to **connect** with

Consolidation

Acquisition of Sanlam's large standalone fund administration

Increase members under administration: adding ~40% to our member base

- Opportunity for Alexander Forbes to connect with South Africa's largest distinct pool of retirement fund members
- Unlock synergies
- Better positioned to implement new technologies, regulation and security measures
- Greater economies of scale in the delivery of member engagement capabilities
- Increased base for consulting and investment appointments
- Increased base for financial advice opportunities

Specialisation

Partnerships

Digitalisation

Member experience

Amplify our **capacity to impact on members' lives by delivering insight and advice**

Better capability to **connect** with them

Consolidation

Sale of the AFICA group to Glacier by Sanlam

Rapidly transforming towards a member-oriented financial services provider

- Enables us to better compete in the retail segment for compulsory and discretionary savings

Specialisation

Accelerate the digital modernisation of our customer experience

- User experience
- Transactional capabilities and reporting capabilities
- Propositions

Partnerships

Leverage scale of specialist platform to benefit Alexander Forbes's customers

- Digital
- Regulation
- Proposition development

Digitalisation

Member experience

Amplify our **capability to impact on members' lives by delivering insight and advice**

4

Concluding
remarks



Outlook

Most impactful provider of financial advice to retirement fund members in South Africa

- Amplify our impact by improving individual financial outcomes through our member engagement strategy
- Poised for growth
- Implementation of transactions to unlock value
- Legislative changes supportive for improved outlook for members and benefits for the industry
- One Alexander Forbes model to drive integration of our offerings and enhanced efficiencies
- Our strong balance sheet and cash position, ensure that we are well placed to assess further selective acquisitive growth opportunities that will strengthen our core businesses



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