



# Additional Information

for the year ended 31 March 2022



# Disclaimer and forward-looking statements

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

The discussion and analysis of the results contained in this presentation have been based on the audited Alexander Forbes Group Holdings Limited (the group or Alexforbes) annual financial statements for the year ended 31 March 2022 (results). The group's results include the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity. These results are prepared in accordance with the framework concepts and the measurement and recognition requirements of: International Financial Reporting Standards (IFRS) and also at a minimum contain the information required by IAS 34 Interim Financial Reporting, the JSE Limited (JSE) Listings Requirements, the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act applicable to consolidated financial statements.

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# Key performance indicators



# Operating income<sup>1</sup> – by type and by driver

for the twelve months ended 31 March

	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Group Total	
R million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>By type</b>												
Consulting and advise fees	182	170	56	50	27	25	351	310	133	123	749	678
Administration fees	580	592	3	3	-	-	4	5	119	119	706	719
Commission	87	86	250	240	-	-	-	-	11	12	348	338
Investment management fees	-	-	-	-	1 397	1 257	-	-	21	21	1 418	1 278
<b>Total</b>	<b>849</b>	<b>848</b>	<b>309</b>	<b>293</b>	<b>1 424</b>	<b>1 282</b>	<b>355</b>	<b>315</b>	<b>284</b>	<b>275</b>	<b>3 221</b>	<b>3 013</b>
<b>By driver</b>												
Asset based	-	-	-	-	1 424	1 282	355	315	21	21	1 800	1 618
Payroll expense	580	592							119	119	699	711
Members	162	159	53	47	-	-	-	-	130	121	345	327
Adhoc fees	20	11	6	6					3	2	29	19
Commission	87	86	250	240	-	-	-	-	11	12	348	338
<b>Total</b>	<b>849</b>	<b>848</b>	<b>309</b>	<b>293</b>	<b>1 424</b>	<b>1 282</b>	<b>355</b>	<b>315</b>	<b>284</b>	<b>275</b>	<b>3 221</b>	<b>3 013</b>

1. Operating income net of direct expenses

# Key performance indicators

for the twelve months ended 31 March

	Unit	2018	2019	2020	2021	2022	5 year CAGR
<b>Retirement consulting</b>							
Number of umbrella fund corporate clients		1 505	1 520	1 689	1 668	1 714	3%
Number of umbrella fund active members	'000	352	361	373	346	345	0%
Umbrella fund closing assets under management	R bn	74.3	81.4	75.8	96.3	108	10%
Standalone retirement funds assets under administration	R bn	353	359	334	337	376	2%
Total number of active members <sup>1</sup>	'000	996	939	914	864	861	-4%
<b>Healthcare consulting</b>							
Number of healthcare corporate clients		555	531	532	530	538	-1%
Number of healthcare active member records	'000	211	218	217	224	248	4%
<b>Investments (institutional)</b>							
Closing assets under administration and management (AuA and AuM)	R bn	295.5	276.1	248.5	325.7	353.6	5%
Average assets (AuA and AuM)	R bn	298.8	291.7	277.6	292.2	344.3	4%
Blended net margin – <i>on average assets</i>	bps	26.6	29.5	30.6	29.4	27.7	1%
<b>Individual clients</b>							
Number of FPC clients	'000	58	58	57	55	56	-1%
FPC preservation rate	%	55	55	53	49	56	0%
FPC retention rate	%	22.5	24	23	23	27	5%
Closing assets under advice FPC	R bn	66.8	71.7	66.7	79.6	86.5	7%
Closing assets under administration AFICA	R bn	60.7	64.1	59.6	72.5	77.3	6%
AF Investments closing assets (AuM and AuA)	R bn	56.4	60.6	56.7	75.2	81.1	10%
AF Investments average assets (AuM and AuA)	R bn	63.0	63.6	66.6	69.9	79.0	6%
AFRIS number of clients			113	163	177	206	-
AFRIS number of members			1 300	2 879	4 716	6 970	-
AFRIS closing assets under administration	R bn		3.0	5.9	10.2	14.4	-
<b>Multinational consulting (Namibia and Botswana)</b>							
Members under administration	'000	108	109	107	111	116	2%
Closing assets under management (AF Investments Namibia)	R bn	3.7	3.6	3.2	4.3	4.4	4%

1. Total number of active member records in standalone and umbrella funds



# Finance review



# Explanation of adjustments to normalised

The group's segmental results are reflected to include the normalised results which is the basis upon which management manages the group and reflects the economic substance of the group's performance. The adjustments between the IFRS summary consolidated income statement and the normalised results are as follows:

## **Amortisation of intangible assets arising from the 2007 private equity business combination**

Non-trading and capital items include the ongoing accounting amortisation of these intangible assets. The capitalisation of these intangible assets, including goodwill, resulted from the required accounting treatment at the time of the private equity acquisition of the group in 2007. The amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

## **Professional indemnity insurance cell-captive results**

The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance are included in the operating expenses of each segment. The group is required to consolidate the financial results of the cell-captive amounting to a profit of R22 million for the year ended 31 March 2022 (2021: R22 million) which are recorded in the non-trading and capital items.

## **Accounting for property lease**

IFRS 16 requires an on-balance sheet recognition and measurement model for lessees which includes the recognition of right-of-use assets as well as lease liabilities resulting in depreciation and finance costs being recognised in the income statement. These costs replace rental expenses which were recognised on a straight-line basis under the previous leases standard, IAS 17. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R102 million (2021: R90 million) have been applied to profit before non-trading and capital items in addition to finance costs of R55 million (2021: R64 million) resulting in a net adjustment of R47 million (2021: R26 million) to profit before tax.

## **Reported loss arising from accounting for policyholder investment in treasury shares**

In terms of IFRS, as presently constituted, any Alexander Forbes shares acquired by underlying asset managers (under a discretionary mandate) and held by the group's multi-manager investment subsidiary for policyholders (the shares) are required to be accounted for in Alexander Forbes's consolidated financial statements as treasury shares. As a result, any fair value gains or losses made on the shares, which are economically matched to the policyholder liabilities, are recognised in the group's income statement.

## **Investment income and taxation payable on behalf of policyholders**

The group's tax expense includes both deferred and income taxation payable on behalf of policyholders within the AF investments insurance licensed entity. The recognition of the recovery of this tax expense is included in the group's investment income. The normalised results exclude the policyholder tax expense and the related investment income which directly off-set this tax expense.

# Normalised income statement

for the twelve months ended 31 March

R million	Normalised 2022	%	Normalised 2021 <sup>1</sup>
<b>Operating income net of direct expenses</b>	<b>3 221</b>	6.9	3 013
Other income	39	(48.0)	75
Operating expenses	(2 642)	4.9	(2 519)
<b>Operating profit before non-trading and capital items</b>	<b>618</b>	8.6	569
Non-trading and capital items	(29)	61.1	(18)
<b>Operating profit</b>	<b>589</b>	6.9	551
Net investment income (excluding policyholder investment income)	93	(3.3)	90
<b>Profit before taxation</b>	<b>682</b>	6.4	641
Income tax expense	(210)	(9.9)	(233)
<b>Profit from continuing operations</b>	<b>472</b>	15.7	408
Profit/(loss) from discontinued operations	29	<(100.0)	(213)
<b>Profit for the year</b>	<b>501</b>	>100.0	195
Attributable to non-controlling interest	(12)	(33.3)	(18)
<b>Profit attributable to owners of the company</b>	<b>489</b>	>100.0	177
<b>Adjusting items</b>			
Normalised headline adjusting items	(76)	>100.0	(21)
<b>Normalised headline profit attributable to owners of the company</b>	<b>413</b>	>100.0	156
<b>Normalised number of shares</b>			
<b>Weighted average number of shares in issue (net of treasury shares)</b>	<b>1 259</b>	(2.9)	1 297
Weighted average number of shares by policyholders classified as treasury shares	4	(33.3)	6
<b>Normalised number of shares in issue</b>	<b>1 263</b>	(3.1)	1 303
Normalised earnings per share (cents)	38.8	>100.0	13.6
Normalised headline earnings per share (cents)	32.7	>100.0	12.0

1. Restated for the effects of discontinued operations



# Balance sheet reconciliation adjusting for policyholder and insurance-related balances

At 31 March

R million	2022 IFRS	Adj. linked investment policyholders	Adj. Insurance related balances	2022 Corporate	2021 Corporate
Assets under management	363 816	(363 816)	-	-	-
Property, equipment and computer software	637	-	-	637	669
Goodwill & intangible assets	1 521	-	-	1 521	1 584
Financial assets and associates	522	-	-	522	1 042
Deferred tax asset	187	-	-	187	203
Insurance receivables	698	-	(698)	-	-
Trade and other receivables	334	-	-	334	281
Cash & cash equivalents	2 732	-	(145)	2 587	2 235
Assets classified as held for sale	37	-	-	37	907
<b>Total assets</b>	<b>370 484</b>	<b>(363 816)</b>	<b>(843)</b>	<b>5 825</b>	<b>6 921</b>
Liabilities under management	(363 827)	363 827	-	-	-
Borrowings	(26)	-	-	(26)	(29)
Employee benefits	(136)	-	-	(136)	(147)
Deferred tax liabilities	(79)	43	-	(36)	(52)
Lease liabilities	(581)	-	-	(581)	(690)
Provisions and deferred income	(199)	-	-	(199)	(445)
Insurance payables	(843)	-	843	-	-
Trade and other payables	(675)	9	-	(666)	(557)
Liabilities associated with assets held for sale	(12)	-	-	(12)	(907)
<b>Total liabilities</b>	<b>(366 378)</b>	<b>363 879</b>	<b>843</b>	<b>(1 656)</b>	<b>(2 827)</b>
<b>Total equity</b>	<b>4 106</b>	<b>63</b>	<b>-</b>	<b>4 169</b>	<b>4 094</b>

# EBITDA (IFRS and normalised)

for the twelve months ended 31 March

R million	Actual 2022	Normalised 2022	%	Normalised 2021 <sup>1</sup>
Profit before tax from continuing operations	713	682	6%	641
Add back depreciation and amortisation <sup>2</sup>	254	198	1%	196
Add interest cost of long-term borrowing and lease liabilities <sup>3</sup>	57	2	>100%	1
<b>EBITDA (including interest received on capital)</b>	<b>1 024</b>	<b>857</b>	5%	838

1. Restated for the effects of discontinued operations

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

3. Normalised interest cost excludes finance costs on lease liabilities.

# Return on equity (normalised)

At 31 March

R million	Normalised 2022	Normalised 2021
Average equity <sup>1</sup>	4 372	4 711
Average tangible net asset value (excluding intangible assets and the related deferred tax)	2 997	3 185
<b>Profit for the period from operations</b>	<b>501</b>	195
Less attributable to non-controlling interest	(12)	(18)
<b>Profit from continuing operations attributable to ordinary shareholders</b>	<b>489</b>	177
LTM return on equity	11.2%	3.8%
LTM return on equity (excluding ETV) <sup>2</sup>	n/a	9.1%
LTM return on average capital employed	18.4%	10.9%
LTM return on tangible net asset value	16.3%	5.6%

1. The average equity excludes policyholder treasury shares that are held for benefit of policyholders and shares purchased in terms of share schemes (the voting rights attached to these treasury shares are not AFGH rights)

2. ETV was fully expensed in the prior year

# Analysis of cash balances

At 31 March

R million	Mar 22	Mar 22	Total	Sep 2021	Mar 2021
	Cont. Ops	Disc. Ops		Total operations	Total operations
Cash and cash equivalents	2 732	30	2 762	2 404	2 578
Cash held on behalf of policyholders	(145)	(0)	(145)	(295)	(343)
Cash held in cell captive insurance facilities	(240)	-	(240)	(261)	(269)
Restricted cash (EM, AM fees & Tax prov.)	(334)	-	(334)	(345)	(441)
Net current liabilities	(382)	-	(382)	(249)	(276)
Available cash before regulatory capital	1 631	30	1 661	1 254	1 249
Cash held for regulatory capital, liquidity and solvency requirements	(1 057)	(30)	(1 087)	(743)	(1 017)
Alexander Forbes group SCR	(1 499)	(30)	(1 529)	(1 600)	(1 439)
Cover ratio at 20%	(300)	-	(300)	(314)	(720)
Other assets backing regulatory capital	742	-	742	1 139	1 539
Additional surplus cover ratio held in cash	-	-	-	32	(397)
<b>Available cash resources</b>	<b>574</b>	<b>-</b>	<b>574</b>	<b>511</b>	<b>232</b>

# Regulatory capital (SAM Standard Formulae)

At 31 March

R million	2022			2021			% Change in Regulatory Surplus (%)
	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	
Holding company	879	362	517	918	291	627	(17.5)
Regulated insurer	1 519	846	673	1 347	759	588	14.5
FAIS & 13B regulated entity	285	217	68	252	220	32	115.6
Other regulated financial entity	142	84	58	150	97	53	7.5
Unregulated entity	12	20	(8)	125	72	53	(115.1)
<b>Total group</b>	<b>2 837</b>	<b>1 529</b>	<b>1 308</b>	<b>2 792</b>	<b>1 439</b>	<b>1 353</b>	<b>(3.3)</b>



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