



# Interim results presentation

Unaudited interim results for the six months ended 30 September 2022



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# Presenters



**Dawie de Villiers**

Chief executive officer



**Bruce Bydowell**

Chief financial officer



**Ann Leepile**

Chief executive officer:  
Investments



**Viresh Maharaj**

Executive: Strategy &  
Customer Experience

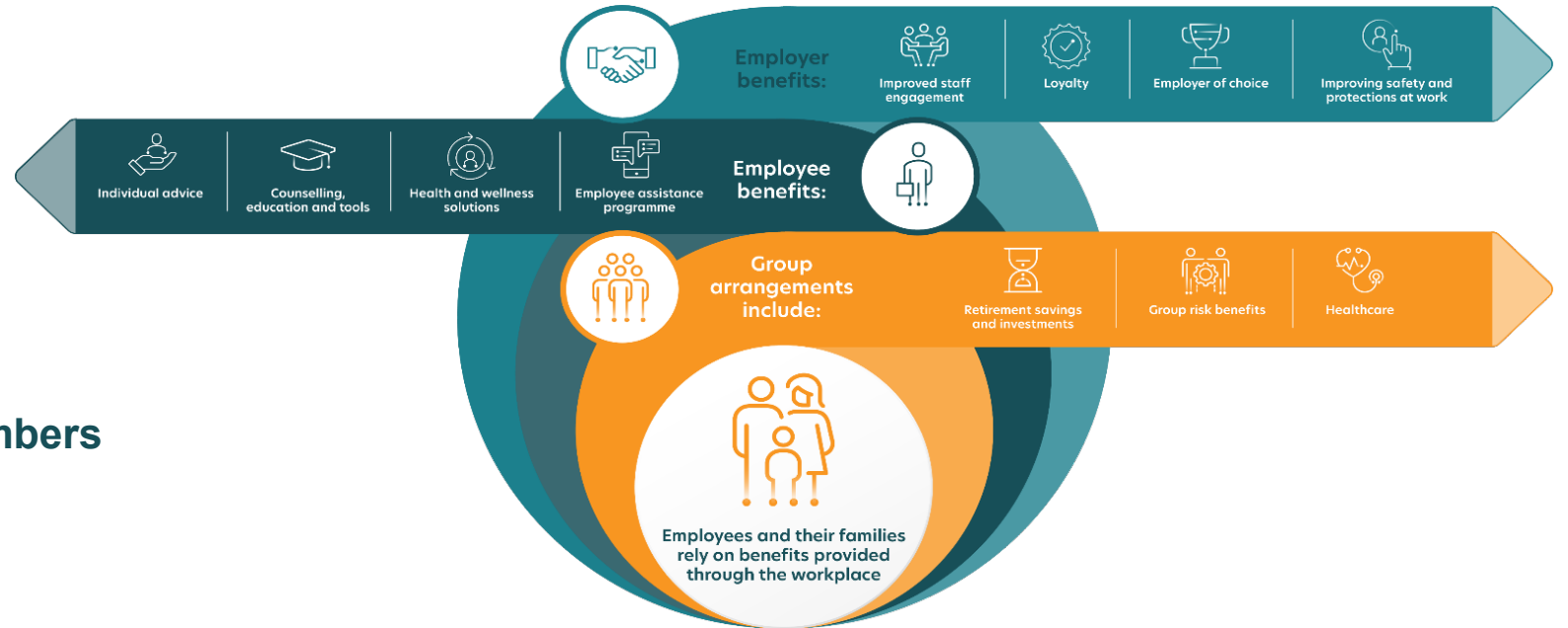
# Our purpose

We pioneer **insight** to deliver  
**advice** and solutions  
that **impact** people's lives

# How we impact people's lives

## Extending leading positions in core capabilities

- Administration
- Consulting
- Investments



## Allows us to help more individual members

- Access to independent best advice
- Wholesale pricing to individuals
- Demonstrable improvement in outcomes



# Highlights



# ● Making an impact

## Celebrating 25 years of making an impact

- AF Investments
- Performer
- AFRF umbrella fund

## Launches

- Rewards
- Brand refresh
- Retirement navigator
- AF Investments transformation policy
- Member impact report
- Evolved AFRF consulting model

## Industry recognition

- BMF transformation innovator award
- AGF best investment survey provider
- ABSIP most transformed investment consultant
- PMR Diamond Arrow Award for best administrator and consultant

## Connecting with possibility

- Alexforbes ArchAngels
- Classic Business
- CoHubs initiative

# Challenging global and local macro-economic conditions



Global geopolitical tension

SA economy remains under pressure

Monetary policy tightening

Inadequate electricity supply

Combatting climate and unemployment risks

Muted economic growth

Volatile and uncertain financial markets





# Operating performance



# H1 2023 highlights

Credible results in challenging environment

**Operating income<sup>1</sup>**  
up **8%** year on year  
to **R1 686 million**

**Profit from continuing operations<sup>1</sup>**  
down **9%** year on year  
to **R354 million**

**Headline EPS for total operations**  
at **14.1 cps**  
up 11% year on year

**Interim dividend**  
up **25%** year on year  
to **15 cps**

**New business**  
of **R86 million**  
in annualised revenue  
across core businesses

**Average assets**  
up **3%** year on year  
to **R425 billion**  
(down 5% since March 2022)

**Total number of active members<sup>1</sup>**  
up **8%** since March 2022  
to **927 976**  
(up 5% year on year)

**Healthcare members**  
down **2%** since March 2022  
to **241 689**  
(up 6% year on year)

# ● H1 2023 operating performance – retirements

Retirements	H1 2023	H1 2022	% change	FY 2022
Total number of active members	927 976	880 636	▲ 5	861 219
<i>Member losses from retrenchments</i>	4 328	6 432	▼ (33)	13 119
Total number of umbrella fund members	355 230	350 794	▲ 1	345 420
Number of participating employers in umbrella funds	1 746	1 704	▲ 3	1 714
Umbrella AuM (R billion)	103	102	▲ 1	108

- Operating income up 11% to R468 million
  - Recurring income up underpinned by the growth in membership and increasing underlying payrolls
  - Fee income from consulting and actuarial services continued to grow in line with inflation
  - EBS revenue included from July 2022
- Successful in securing two significant client mandates (+37 000 members), with the full benefit to flow in FY2024
- Implementation of key efficiency projects showing benefits of lowering the admin cost per member per month

# ● H1 2023 operating performance - healthcare

Healthcare	H1 2023	H1 2022	% change	FY 2022
Total number of healthcare broking members	241 689	227 773	▲ 6	247 701
Total number of healthcare members under advice	766 413	430 477	▲ 78	745 633

- Operating income up 17% to R174 million
- Medical aid broking income, which is recurring, increased 11% owing to:
  - the increase in the medical aid commission cap
  - the full impact of a significant new healthcare broking mandate signed in the second half of the previous financial year
- Health management solutions (HMS) business also reported strong performance owing to:
  - growth from the existing business underpinned by service excellence and greater use of our product offering
  - the year-on-year impact of a significant client mandate signed in the second half of the previous financial year

# ● H1 2023 operating performance - multinational

Multinational	H1 2023	H1 2022	% change	FY 2022
Total number of multinational consulting clients	89	71	▲ 25	79
Total number of active members	111 826	115 740	▼ (3)	116 249

- Operating income up 9% to R147 million
  - Strong growth from Botswana (up 14%) led by new asset consulting client mandates
  - Recurring administration fee income from clients in Botswana and Namibia grew above inflation underpinned by increases in underlying payrolls and number of members
  - Sustained growth reported by the multinational consulting business led by client wins in our health solution offerings
- Forming new partnerships with other global market leaders to align our broking services to multinational companies

# ● H1 2023 operating performance - investments

Investments	H1 2023	H1 2022	% change	FY 2022
Closing total assets (R billion)	412	423	▼ (3)	435
Average total assets (R billion)	425	412	▲ 3	423
Blended market return (%)	(4.1)	5.9	▼ n/a	11.3
JSE All-share index	(13.7)	(3.3)	▼ n/a	13.6
Institutional blended margin (bps)	27.8	27.6	▲ 0.2 bps	27.7

- Operating income up 4% to R716 million
  - in line with a higher average asset balance over the period
  - cash flows from new business and a slight improvement in margin partially offset by volatile market conditions and negative returns
- New institutional business flows of R6.4 billion in assets (additional R2.5 billion pending regulatory approval)
- Institutional blended margin improved slightly due to strategies implemented within the portfolios and product mix

# Well positioned

Multi-management approach providing enhanced returns while protecting downside risk

- Our multi-manager approach is adding value for our clients and served them well in volatile environments
- We have seen a greater role for Alternatives to enhance portfolio returns
- Alternative investments over R20 billion at present
  - Improved the risk / return profile of investments
- Total value of closing assets impacted by negative market movement during the period
  - 85% of the change in assets attributable to market movement
- Underweight offshore allocation relative to the 45% allowance has also been beneficial over the period as local market performance fared better relative to global markets
  - We have recently marginally upweighted offshore allocation

# Investments performance

Performer vs single managers – Alexforbes Manager Watch global rankings at end September 2022

1 Year	3 Years	5 Years	10 Years
Allan Gray	Allan Gray	<b>AF PERFORMER</b>	Coronation
M&G Global Balanced	Coronation	Coronation	<b>AF PERFORMER</b>
<b>AF PERFORMER</b>	<b>AF PERFORMER</b>	M&G Global Balanced	Ninety One Segregated
Foord Asset Management	M&G Global Balanced	Ninety One Segregated	M&G Global Balanced
ABSA Asset Management	Foord Asset Management	Allan Gray	Allan Gray
Ninety One Segregated	Ninety One Segregated	OMIG Macro-solutions	OMIG Macro-solutions
<b>GLMW Median</b>	OMIG Macro-solutions	<b>GLMW Median</b>	<b>GLMW Median</b>
OMIG Macro-solutions	<b>GLMW Median</b>	Foord Asset Management	Foord Asset Management
SIM Global Unique	ABSA Asset Management	ABSA Asset Management	SIM Global Unique
Oasis	Oasis	Stanlib	ABSA Asset Management
Coronation	Stanlib	Oasis	Oasis
Stanlib	SIM Global Unique	SIM Global Unique	Stanlib



# ● Sustainability and transformation

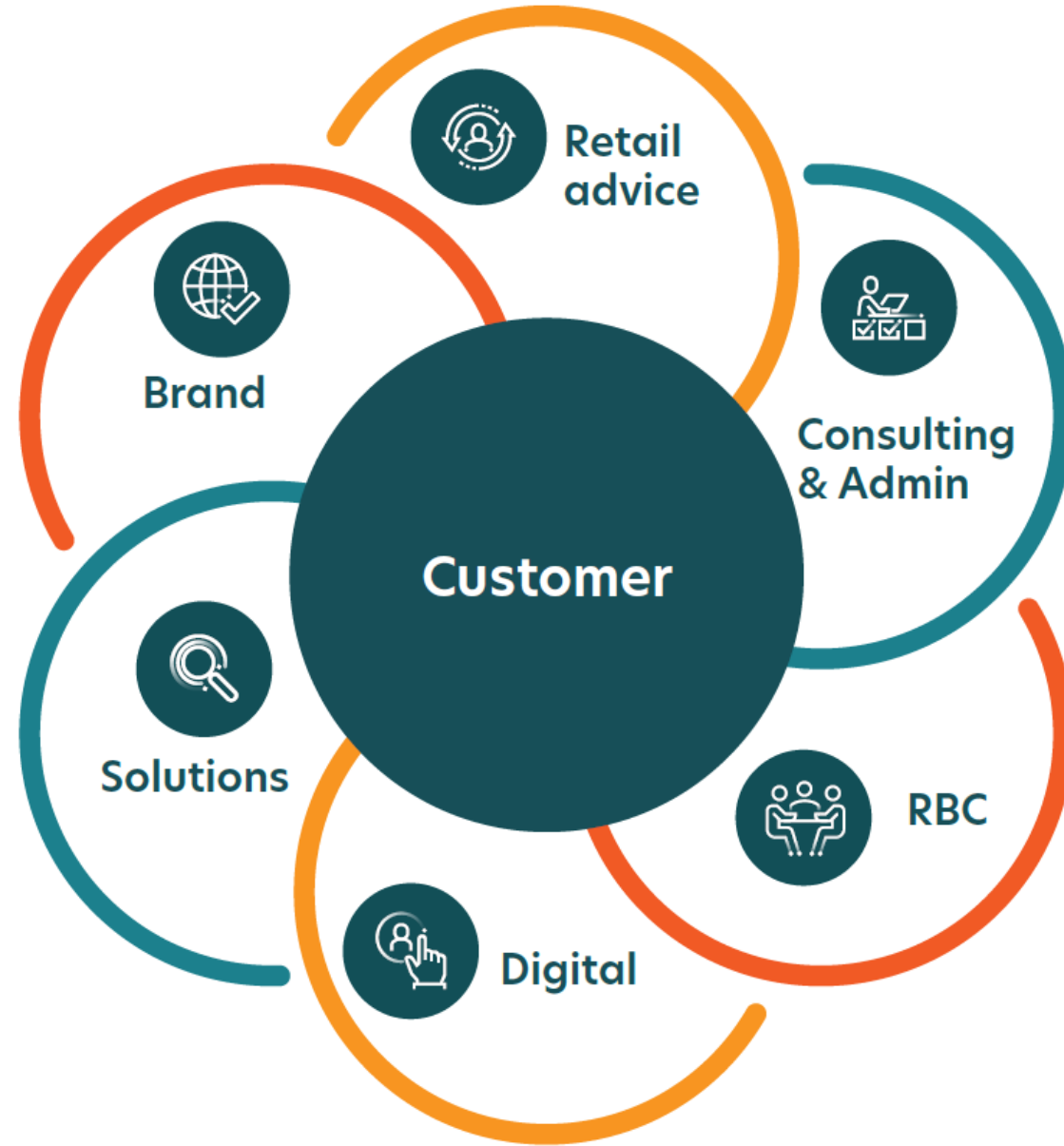
Growing into our leadership role as a force for good

- Need for ESG integration is growing amongst our client base
- Important for us to understand the South African market context relative to the West, what do we prioritise?
- Private markets programme has ability to influence sustainability in the country through Infrastructure investments
- Transformation policy is key to the asset manager landscape in South Africa and for sustainability of the industry
- We will continue to explore opportunities to collaborate more with other industry participants to create a South African sustainability model
- **Substantial focus being paid to enhancing our role as a force for good**

# H1 2023 operating performance – individual

Individual	H1 2023	H1 2022	% change	FY 2022
Closing assets under advice (R billion)	83	83	-	87
New business flows - FPC (R billion)	5.2	6.2	▼ (16)	11.9
AFRIS AuA	15.3	12.1	▲ 26	14.4
AFRIS new business	2.4	2.1	▲ 14	4.7
Retention rate (%)	23.8	24.5	▼ 70 bps	27

- Operating income up 6% to R181 million
  - in line with a higher average assets under advice and improved advisory margin
  - traditional new business asset inflows of R5.2 billion
- FPC advice efforts have led to an increase in the number of advised customers from within our retirement fund base
  - in-fund retail asset flows of R2.6 billion for the period
- Reduction in the retention rate driven by lower preservation during the current period
  - financial constraints on households influencing savings decisions
  - effectiveness of our active engagement initiatives with members remained stable



# Individualisation in action

Transforming into a member-oriented firm



Infrastructure to aggressively scale up financial advisor capability

- Recruitment engine
- Advisor value proposition
- Operational re-engineering
- Targeting retail financial services skills



Digital transformation

- Intelligent leads generation
- Process enhancements create a bigger window to connect



Focused drive to engage gatekeepers (funds and employers)

- Transforming internally to meet retail needs
- Increased appetite for engagement and advice
- New member-oriented AFRF consulting model



Accelerated development of member-oriented solutions

- AF Rewards
- Goals based investments



Enhanced retirement benefits counselling

- Gateway to advice
- Digital & interactive counselling
- Counselling to life insurance beneficiaries



Scale awareness of who we are, how we can help and why to choose Alexforbes

- Focus on digital
- Alexforbes ArchAngel sponsorship
- Classic Business with Michael Avery



# Financial performance



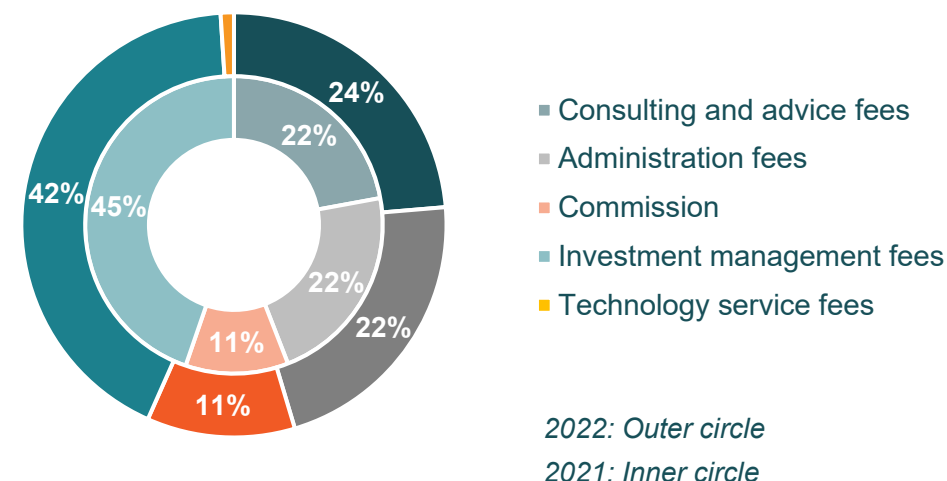
# H1 2023 financial performance

R million	2022	2021	% change
<b>Operating income</b>	<b>1 686</b>	<b>1 565</b>	8
Other income	26	18	44
<b>Operating expenses</b>	<b>(1 358)</b>	<b>(1 194)</b>	14
<b>Operating profit before non-trading and capital items</b>	<b>354</b>	<b>389</b>	(9)
<b>Non-trading and capital items</b>	<b>(75)</b>	<b>(17)</b>	>100
<b>Operating profit</b>	<b>279</b>	<b>372</b>	(25)
Net investment income (and policyholder investment income)	20	19	5
<b>Profit before taxation</b>	<b>299</b>	<b>391</b>	(24)
Income tax expense	(95)	(151)	37
<b>Profit from continuing operations</b>	<b>204</b>	<b>240</b>	(15)
<b>Loss from discontinued operations</b>	<b>(25)</b>	<b>(79)</b>	68
<b>Profit for the period</b>	<b>179</b>	<b>161</b>	11

# Operating income

Operating income up 8% benefiting from new business, client retention and higher average assets and protection of margin

R million	Sept 2022	Sept 2021	% change
Retirement consulting	468	421	11
Healthcare consulting	174	149	17
Investments	716	689	4
Individual consulting	181	171	6
Multinational consulting	147	135	9
<b>Total operating income</b>	<b>1 686</b>	<b>1 565</b>	<b>8</b>

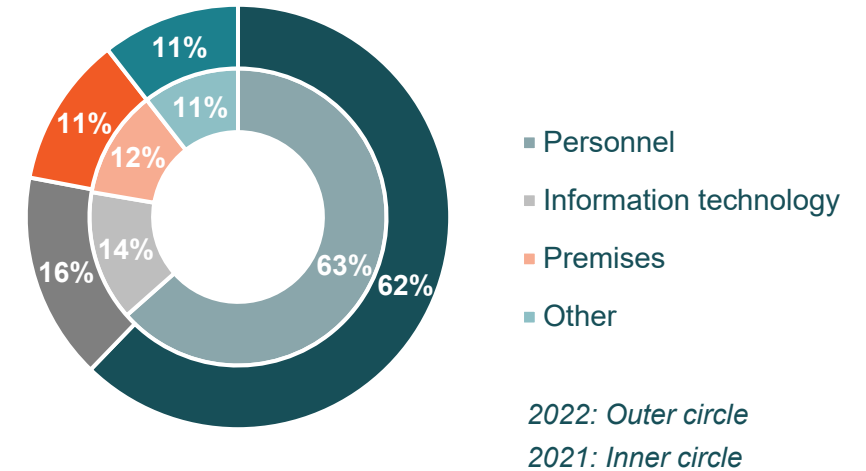


- Pleased with growth initiatives showing traction
- Markets have dampened the expected growth from the investments and individual consulting businesses
- Remain positive on growth in underlying as a result of both organic new business and acquisitions

# Operating expense analysis

Increase in expenses in line with plan for the year and reflects building capacity as well as inflationary pressure prevalent in the current market environment

R million	Sept 2022	Sept 2021	% change
Personnel costs	845	757	12
Information technology	214	170	26
Premises	156	141	11
Other	143	126	13
<b>Total operating expenses</b>	<b>1 358</b>	<b>1 194</b>	<b>14</b>



- Increase driven by higher:
  - personnel costs
  - technology costs
- Growth in operating expenses over the last three years: 7% CAGR including the absorbed stranded costs
  - Excluding the impact of stranded costs, growth in operating expenses: 5% CAGR
- Our target for organic growth in expenses over the medium to long term remains between 6% and 8% p.a.

## Significant progress made on our largest property lease

- ✓ A smaller footprint & lower market-related rental rates is expected to reduce premises costs from the current level by c.R150 million (350bps reduction in CTI ratio)
- ✓ The full effect of this cost reduction will materialise FY2026



# Analysis of non-trading and capital items

Increase owing to the performance of the cell-captive facility and higher professional costs

R million	Sept 2022	Sept 2021	% change
Professional indemnity insurance cell-captive result	(33)	19	n/a
Amortisation of intangible assets arising from business combination	(21)	(28)	(25)
Professional costs for corporate transactions	(21)	(6)	>100
Loss on disposal of property and equipment	-	(2)	n/a
<b>Total non-trading and capital items</b>	<b>(75)</b>	<b>(17)</b>	<b>&gt;100</b>

- Insurance cell-captive facility loss results from increased reserves provided for in the period
- Higher professional fees are directly related to corporate transactions

# Headline earnings and dividend per share

Interim dividend up 25% to 15 cents per share

	Sept 2022	Sept 2021	% change
Shares in issue (million)	1 328	1 402	(5)
Weighted average number of shares in issue <sup>1</sup> (million)	1 230	1 267	(3)
Normalised weighted average number of shares in issue (million)	1 231	1 271	(3)
<b>Headline earnings per share – continuing operations (cents)</b>	<b>16.1</b>	18.9	(15)
Headline earnings per share – total operations (cents)	14.1	12.7	11
Normalised headline earnings per share – total operations (cents)	15.5	12.2	27
Interim dividend per share (cents)	15.0	12.0	25

1. Net of treasury shares

- Decrease in weighted average number of shares as a result of share repurchases
- Interim dividend is within the target range of the group's dividend policy
  - Alexforbes's dividend policy is set at a target range of 1.0 to 1.5 times earnings cover
  - The dividend for H1 2023 is set with reference to normalised headline earnings

# H1 2023 capital, available cash and return on equity

	H1 2022	H1 2021	% change	FY 2022
Average equity <sup>1</sup> (R million)	4 427	4 399	▲ 1	4 372
Average tangible NAV <sup>2</sup> (R million)	2 973	2 976	-	2 997
Own funds (R million)	2 585	2 811	▼ (8)	2 837
Solvency capital requirement (SCR)	1 379	1 568	▼ (12)	1 529
Regulatory surplus (R million)	1 206	1 243	▼ (3)	1 308
Available cash as at 30 September 2022 (R million)	589	511	▲ 15	574
Return on equity <sup>3</sup> (%)	12.0	3.5	▲ >100	11.2
Return on tangible NAV (%)	17.8	5.2	▲ >100	16.3

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. Average tangible net asset value excluding intangible assets and the related deferred tax

3. RoE in the prior year includes the ETV expense – excluding this expense RoE for H1 2021: 7.5%

# M&A status update

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

## **Sale and transfer of group risk and retail life (AF Life)**

- Business in runoff, first payment received at prev financial year-end

## **Purchase of EBS International**

- EBS International consolidated with revenue recognised from 30 June 2022

## **Change in shareholding transaction**

- Successfully closed on 12 August 2022, with New Veld LLC as 33% shareholder
- Resultant change in board – with 2 shareholder representative directors appointed

## **Purchase of Sanlam standalone business**

- Closed on 1 November 2022 with initial payment of R81 million made to Sanlam

## **Sale of AFICA group**

- Progressing well on actions / suspensive conditions required to closing



# Concluding remarks



# ●● Outlook

## Confident in capability, strategy and execution

- We expect an operationally stable year where profit growth may be hampered by market headwinds
- We continue to invest in our capacity for growth
  - Building skills, innovating and ensuring value is delivered requires that we invest in our employees
  - We will balance our need to invest with affordability constraints over time
- Implementation of corporate transactions and exploration of selective opportunities
- Enterprise-wide focus on individualisation with strategic initiatives being implemented in H2 2023
- Improve ease of doing business with Alexforbes as a retail customer or as an institutional client
  - Our programme to drive automation and efficiencies is on track
- Focus on enhancing our role as a force for good



**Make more than waves.  
Make an impact.**

Show your support for the

alexforbes  
**ArchAngel**

<https://cape2rio.live/>



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