

# Forging ahead

## Annual results presentation

Annual results for the twelve months ended 31 March 2023





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# Year in review





# Forging ahead

**Consistent delivery and focus on implementing our strategy yielding solid results**

- **Strong performance** given the tough operating environment
- **New business** and **acquisitions** adding to top-line growth
- **Individualisation strategy** gaining traction
- Continuous **automation improvement** in the fund administration platform
- **Focus on sustainability** and launch of the AF Investments transformation policy
- **Competitive investment performance**
- Implementation of corporate transactions
- We have built a **solid platform** –
  - mature and embedded governance culture, well-entrenched processes
  - culture of diversity, integrity, collaboration and leadership
- **Basics are in place. We have a solid foundation for sustainable growth into the future**

- Cascading waves of challenges affect us... and our clients
- 



Global geopolitical tension

SA economy remains under pressure

Inflation & interest rates

Inadequate electricity supply

Combatting climate and unemployment risks

Muted economic growth

**Need for insight, advice and impact has never been greater**



# Making an impact

		Investment performance	AF Investments transformation policy	B-BBEE Level 1	Alexforbes ArchAngel
	Umbrella fund assets > R110bn	Performer assets > R200bn	Platform assets > R100bn	200 000 new members	> 1m members administered
Automation target exceeded	Evolved consulting model	AFICA to Glacier	Retail single view of client	> 96% contact data availability	Digital transformation
Property consolidation	UN PRI 5-star rating for ESG integration				



# FY2023 highlights

Strong performance in a challenging environment

Operating income<sup>1</sup>  
up **8%** to  
**R3 478 million**

Profit from continuing operations<sup>2</sup>  
up **9%** to  
**R786 million**

Headline EPS for total operations  
up **44%** to  
**47.7 cps**

Annual dividend  
up **31%** to  
**42 cps**  
(Final dividend: 27 cps)

New business<sup>3</sup>  
> **R115 million**  
in annualised revenue across core businesses

Retail new business flows  
up **9%** to  
**R16.7 billion**

Total closing assets<sup>4</sup>  
up **4%** year on year to  
**R454 billion**

Total number of active members<sup>5</sup>  
up **26%** to  
**1 088 050**

1. Operating income net of direct expenses  
2. Profit from continuing operations before non-trading and capital items  
3. New business in corporate and institutional in South Africa, Namibia and Botswana (excludes Channel Islands and individual consulting)  
4. Total assets include assets under administration (AuA) and assets under management (AuM)  
5. Total number of active members across standalone and umbrella funds

# Operating performance



# FY2023 operating performance | Retirements

Retirements	2023	2022	% change	2021
Operating income (R million)	978	849	▲ 15	848
Total number of active members	1 088 050	861 219	▲ 26	864 087
Member losses from retrenchments	8 522	13 119	▼ (35)	30 326
Total number of umbrella fund members	397 399	345 420	▲ 15	345 641
Number of participating employers in umbrella funds	1 824	1 714	▲ 6	1 668
Umbrella AuM (R billion)	116	108	▲ 7	96

- Operating income growth underpinned by
  - Growth in membership and increasing underlying payrolls, above inflationary growth in fee income
- Efficiency projects continue to show benefits of lowering the cost per member per month
- Underlying business is evolving



# FY2023 operating performance | Healthcare

Healthcare	2023	2022	% change	2021
Operating income (R million)	356	309	▲ 15	293
Total number of healthcare broking members	241 642	247 701	▼ (2)	223 983
Total number of healthcare members under advice	794 143	739 725	▲ 7	406 666

- Operating income growth supported by
  - Full impact of a significant client mandates signed in the prior year
  - Increase in medical aid broking income

# FY2023 operating performance | Multinational

Multinational	2023	2022	% change	2021
Operating income (R million)	307	284	▲ 8	275
Total number of multinational consulting clients	95	79	▲ 20	64
Total number of active members	115 198	116 249	▼ (1)	110 951

- Growth in operating income attributable to
  - New business wins in Botswana
  - Above inflationary fee admin fee income Botswana and Namibia
  - Sustained growth from the multinational consulting business led by client wins in our health solution offerings

# FY2023 operating performance | Investments

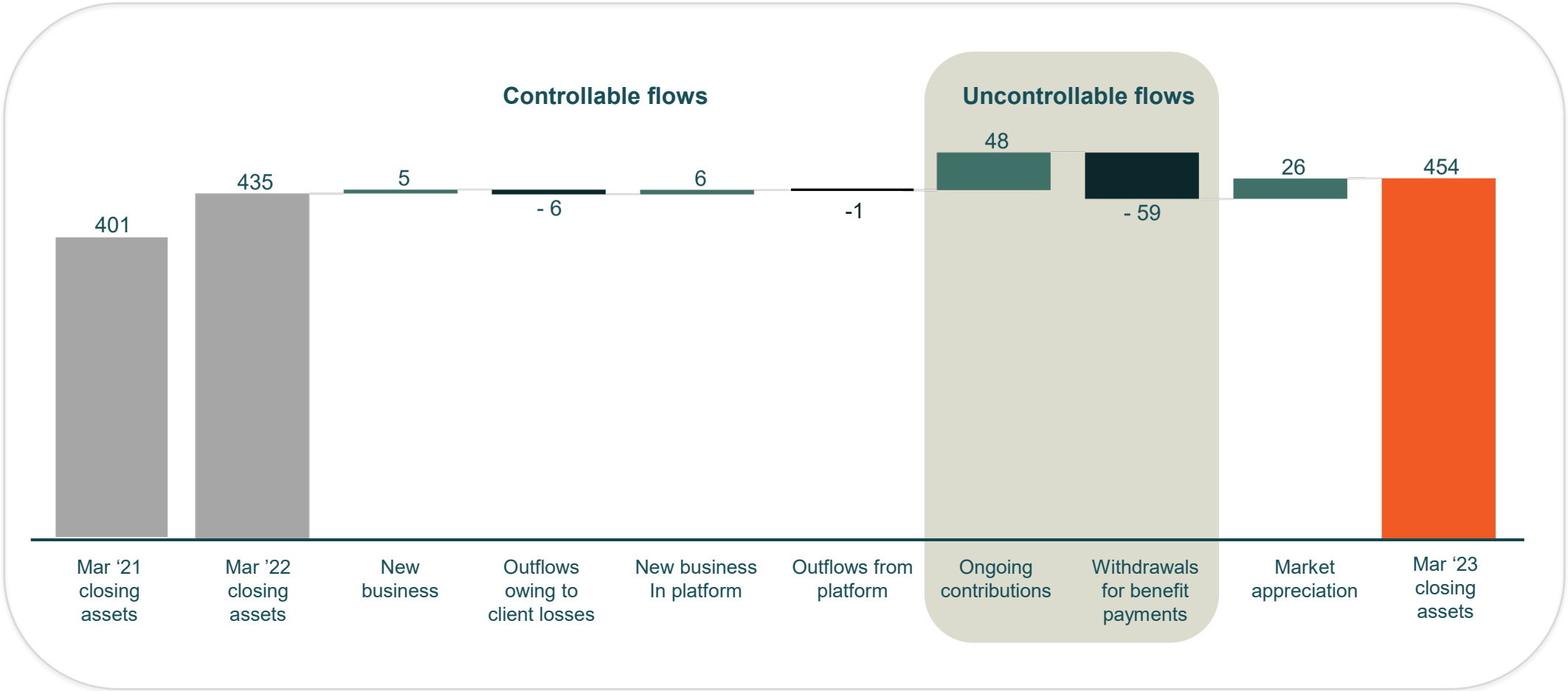
Investments	2023	2022	% change	2021
Operating income (R million)	1 468	1 424	▲ 3	1 282
Closing total assets (R billion)	454	435	▲ 4	401
Average total assets (R billion)	436	423	▲ 3	362
Net controllable institutional flows (R billion)	4.0	0.3	▲ >100	18.8
Net institutional flows (R billion)	(5.5)	(12.5)	▼ (56)	4.2
Blended market return (%)	6.5	11.3	▼ (4.8)	24.9
JSE All-share index (%)	0.8	13.6	▼ (12.8)	53.9
Institutional blended margin (bps)	27.9	27.7	▲ 0.2	29.4

- Operating income growth in line with a higher average assets over the year
- Reduction in net outflows
- Institutional blended margin improved slightly due to strategies implemented within the portfolios and product mix



# Total assets<sup>1</sup> up 4% year-on-year

Movement in total assets (R billion)



1. Total assets include assets under administration (AuA) and assets under management (AuM)

# Investments performance

Performer vs single managers | Global LMW Rankings at end April 2023

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



# FY2023 operating performance | Individual

Individual	2023	2022	% change	2021
Operating income (R million)	369	355	▲ 4	315
Closing assets under advice (R billion)	90	87	▲ 3	80
New business flows (R billion)	16.7	15.3	▲ 9	11.6
AFRIS AuM (R billion)	18.1	14.4	▲ 26	10.2
Preservation rate (%)	52	56	▼ (4)	49
Net retention rate (%)	26	27	▼ (1)	23

- Growth in operating income due to
  - Higher average assets under advisement
  - Sustained new business and asset retention from improved customer engagement
- Individualisation strategy gaining traction
  - 14% increase in advisers to 224
  - In-fund asset flows of R6.4 billion for the year (up 49% for the year)



# Impact | Individualisation in action



- Refreshed brand launched to connect with members
- Growth in adviser force
- Enablement of advisers through best practice and technology
- Implementation of digital suite to connect with more members
- Exit process enhanced to improve asset retention

# Financial performance



# ● ● Solid performance

Growth driven through improved key metrics and capital light structure

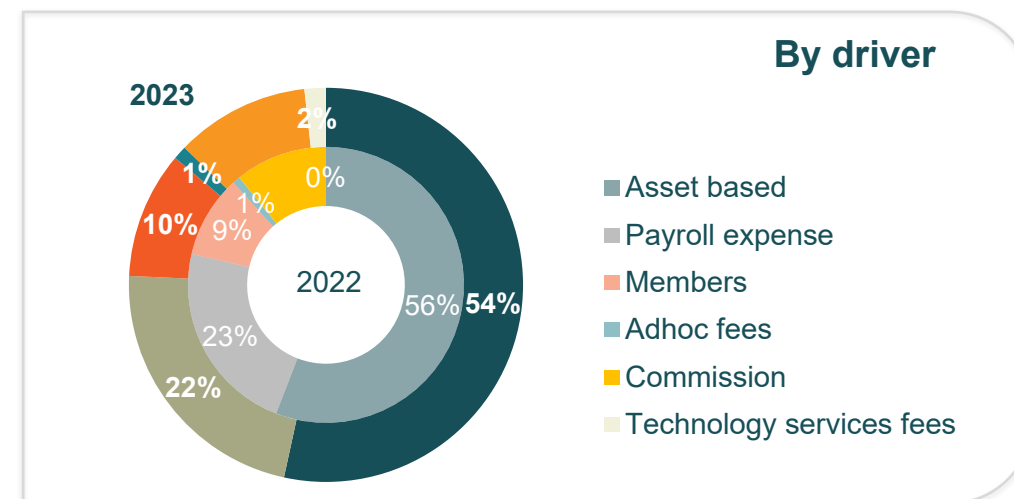
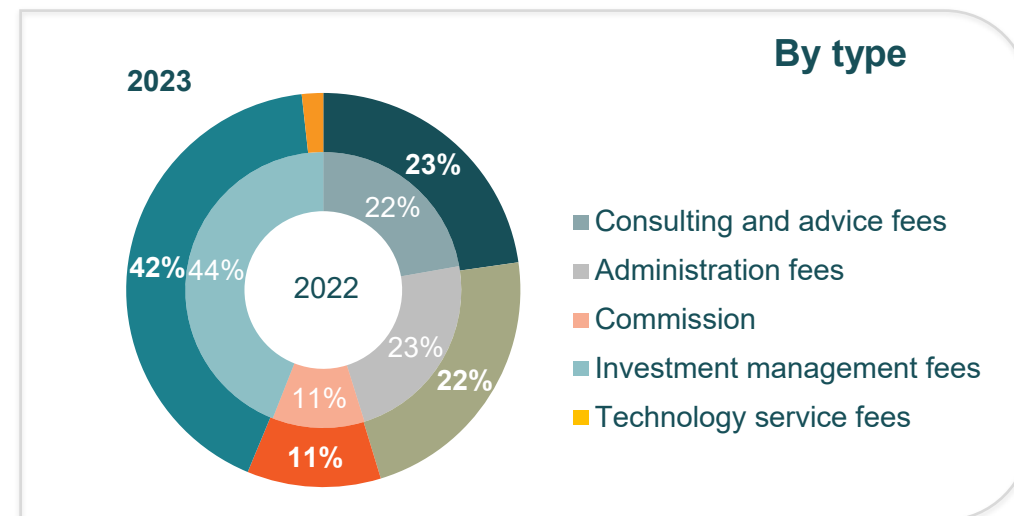
- **Quality** of top-line growth despite muted market impact
- **Acquisitions contribute** 2% to both operating income and operating expenses
- **Property restructure** concluded – benefit reflected in IFRS 16 lease adjustment
- Improved performance from discontinued operations
  - Reduction in prior year losses from disposed life business
  - Profit on sale of AFICA group
- Continued strong cash generation and **capital strength**
- **31% increase in annual dividend** to 42 cps (27 cps final dividend)
- Claim on ETV insurance case remains outstanding

# Analysis of operating income

Strong growth given challenging operating environment

R million	2023 Reviewed	2022 Audited	% change
Retirement consulting	978	849	15
Healthcare consulting	356	309	15
Investments	1 468	1 424	3
Individual consulting	369	355	4
Multinational consulting	307	284	8
<b>Total operating income</b>	<b>3 478</b>	<b>3 221</b>	<b>8</b>

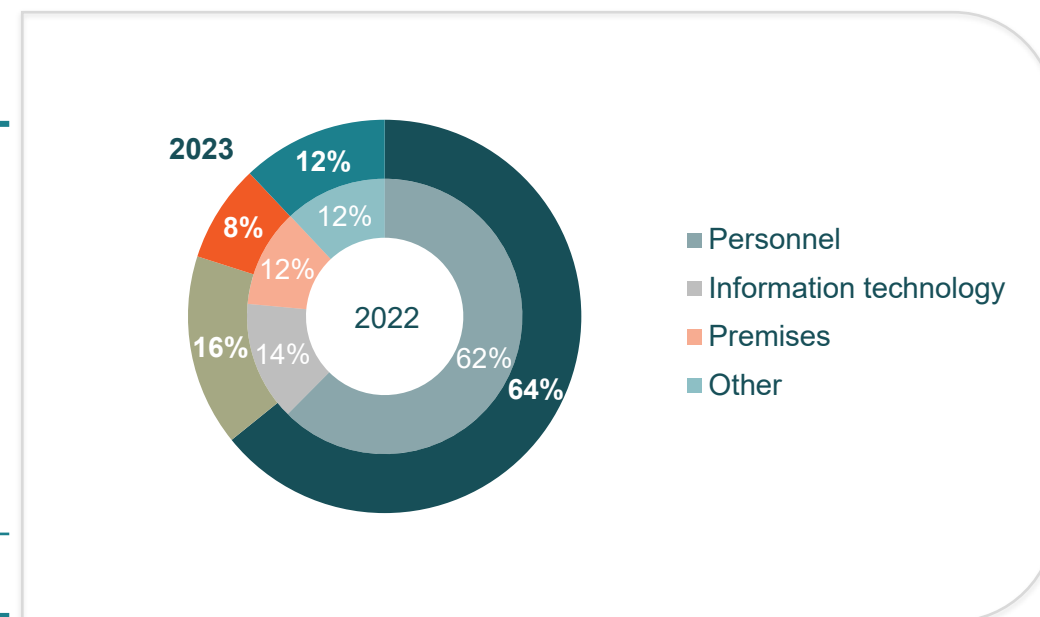
- Acquisitions of EBS, BWEB and the funds acquired from Sanlam Life standalone business reflected in retirement consulting
- Excluding acquisitions:
  - Retirement consulting is up 8%
  - Total operating income is up 6%



# Operating expense analysis

Operating expenses include the impact of acquisitions

R million	2023 Reviewed	2022 Audited	% change
Personnel costs	1 750	1 586	10
Information technology	430	356	21
Premises	305	293	4
<i>Less: gain on lease restructure</i>	80	-	-
Other	347	305	14
<b>Total operating expenses</b>	<b>2 752</b>	<b>2 540</b>	<b>8</b>



- Finalised the restructuring of our largest lease contract for the Sandton head office
- Growth in operating expenses over the last three years: 6% CAGR including the absorbed stranded costs
  - Excluding the impact of stranded costs, growth in operating expenses: 4% CAGR
- Our target for organic growth in expenses over the medium to long term remains between 6% and 8% p.a.

# FY2023 Financial performance

Solid set of financial results under challenging operating conditions

R million	2023 Reviewed	2022 Audited	% change
Operating income	3 478	3 221	8
Other income	60	39	54
Operating expenses	(2 752)	(2 540)	8
Profit from operations before non-trading and capital items	786	720	9
Non-trading and capital items	(99)	(63)	57
<b>Operating profit</b>	<b>687</b>	<b>657</b>	<b>5</b>
Net investment income	104	60	73
Treasury shares	(1)	(4)	(75)
<b>Profit before taxation</b>	<b>790</b>	<b>713</b>	<b>11</b>
Income tax expense	(237)	(235)	1
<b>Profit from continuing operations</b>	<b>553</b>	<b>478</b>	<b>16</b>
Profit from discontinued operations	161	29	>100
<b>Profit for the year</b>	<b>714</b>	<b>507</b>	<b>41</b>

Impacted by cell-captive insurance result

Higher interest income owing to increase in interest rates

Effective tax rate 29%

# Discontinued operations

Profit for the year includes R153 million profit on sale of the AFICA group

R million	2023 Reviewed	2022 Audited	% change
Profit/loss from operations before non-trading and capital items	25	(51)	>100
Non-trading and capital items	3	-	>100
<b>Operating profit/loss</b>	<b>28</b>	(51)	>100
Investment income	14	8	75
<b>Profit/loss before tax</b>	<b>42</b>	(43)	>100
Income tax expense	(15)	(8)	88
<b>Profit/loss for the year from discontinued operations</b>	<b>27</b>	(51)	>100
Profit on disposal of subsidiaries	134	80	68
<b>Total profit from discontinued operations</b>	<b>161</b>	29	>100

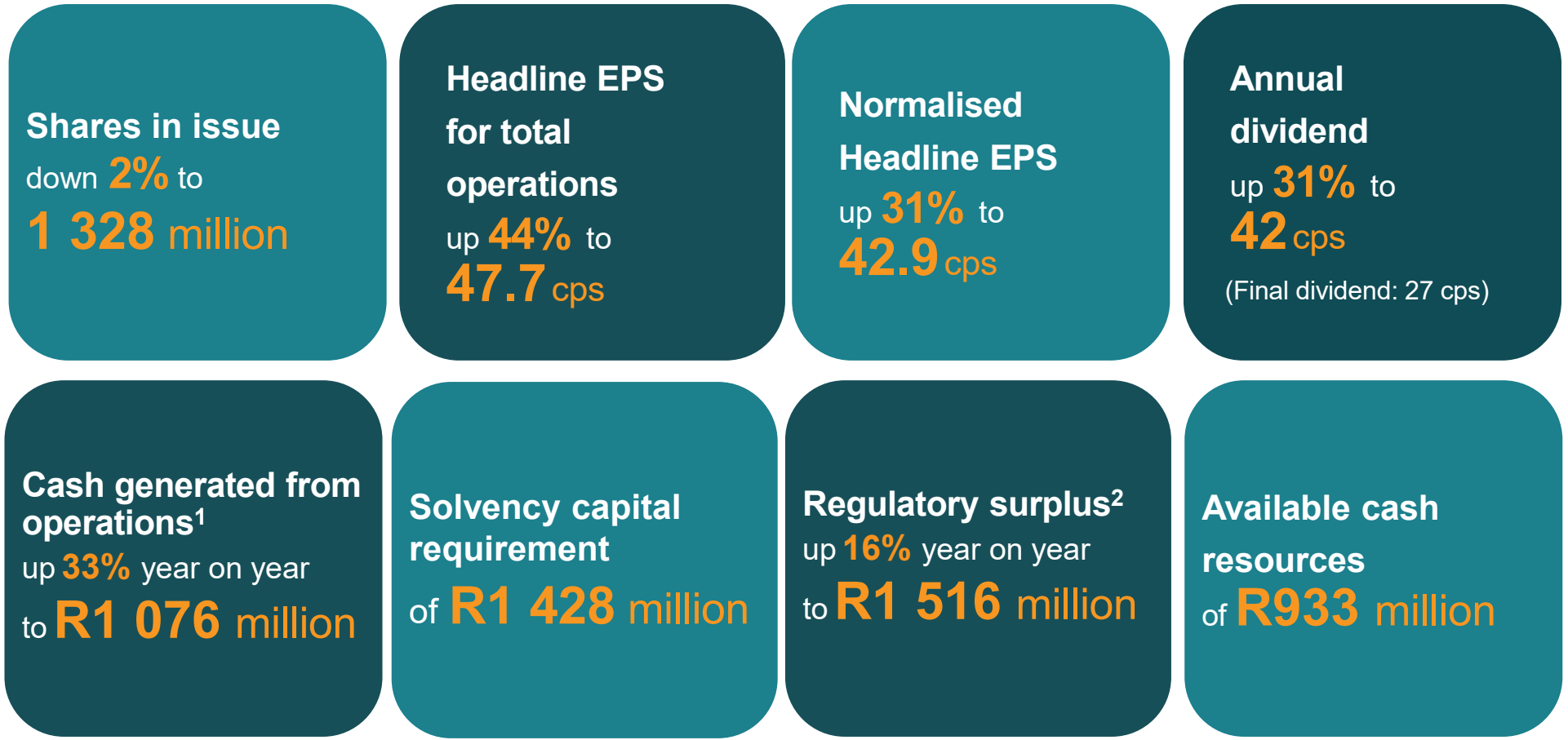
Reduced loss from AF Life

- Current year: profit on sale of AFICA
- Prior year: profit on sale of AF Life



# FY2023 earnings, dividends, capital and available cash

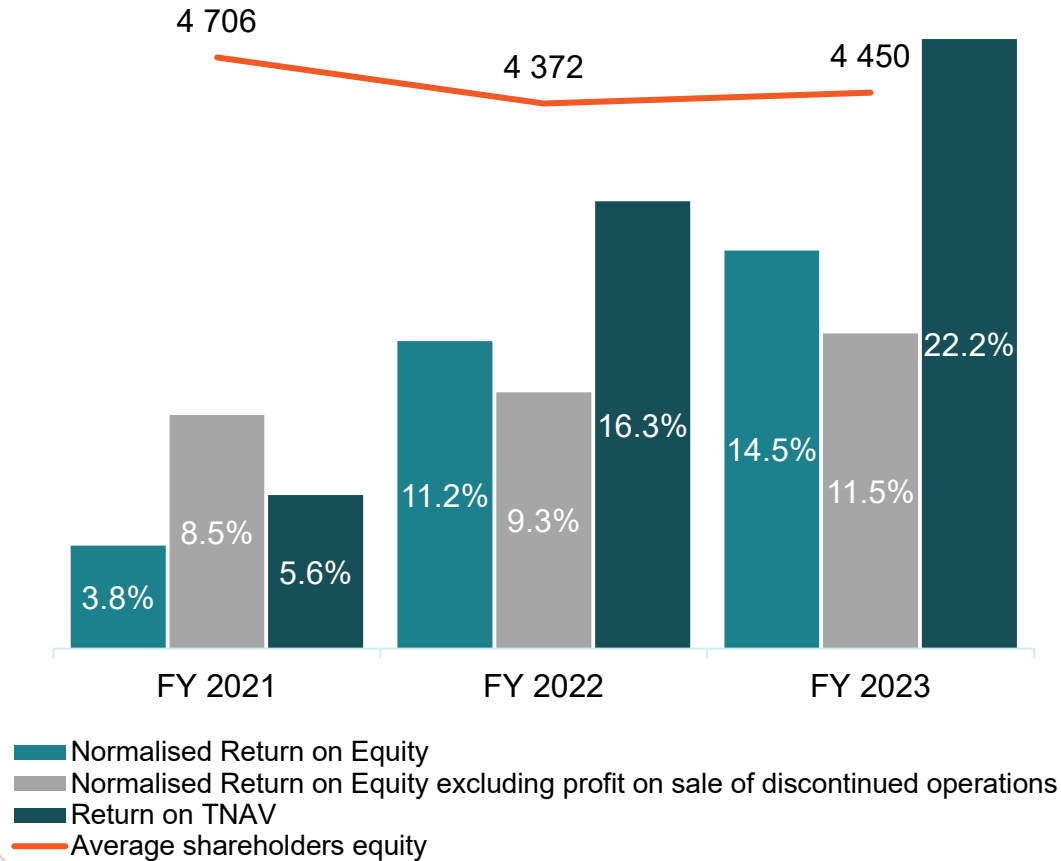
Sound liquidity and solvency position



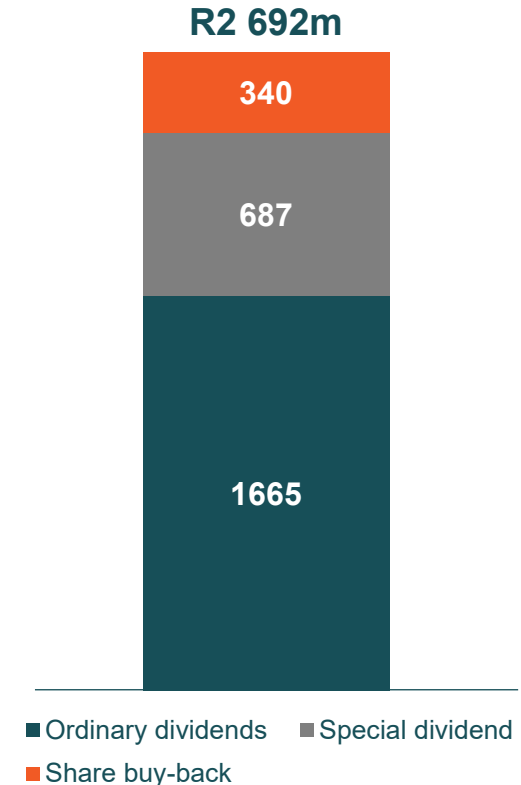
1. Cash flow generated from continuing operations. In the prior the cash flows from operations were impacted by the settlement of the ETV claim.  
2. Cover ratio of 2.1 times

# RoE analysis, TNAV and cash returned to shareholders

RoE, TNAV and average shareholders equity (Rm)



Cash returned to shareholders from FY2020 (Rm)



# M&A status update

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

## Purchase of EBS International (EBS)

- EBS consolidated from 1 July 2022
- Projects to drive system consolidation underway
- Shared services integrated



## Purchase of Sanlam standalone business operations

- Implementation underway
- 24 out of 51 funds
- 16 funds will be migrated by Q2 FY2024
- 28% of membership target reached



## Sale of AFICA group to Sanlam-owned Glacier

- Initial payment of R160 million received
- Project to migrate systems has been initiated
- Transitional services provided to Glacier over the migration period



## Purchase of majority interest in TSA Administration

- Closed 1 June 2023
- Acquired 60% of TSA
- Purchase price of R72 million funded by drawdown of term loan
- Option to acquire the remaining 40%

# Outlook





# Prospects

Individualisation

Strengthening our umbrella fund offering

Strong new business pipeline

Increasing automation

Leading position in institutional investments

Tightening our integrated value chain

Expanding our intermediated offering

Being a force for good

# Q&A



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