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**EXTRACT FROM THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 AND INTERIM CASH DIVIDEND DECLARATION**

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**Overview**

Alexforbes reports strong financial results for the six months ended 30 September 2023 (the period or current period), amid a persistently challenging operating environment, which is a result of the deliberate implementation of our strategy. Operating income increased 13% to R1 911 million, benefiting from acquisitions (acquisitive growth added 4% to the top-line growth), high levels of client retention and higher average asset balances.

Operating expenses of R1 559 million increased 15% and reflect the result of corporate activity within the group over the past 18 months. This increase includes the operating expenses from acquisitions that have been fully consolidated. Organic growth in operating expenses was 8% year on year, excluding the impact of stranded costs and lease adjustments.

Profit for the period from continuing operations improved 66% to R339 million owing to:

- the trading performance of the continuing operations
- the increase in other income earned on interim support services provided to businesses disposed
- lower amortisation of intangible assets
- an improved result from our professional indemnity insurance cell
- an increase in investment income

The increase in profit for the period from total operations is also attributed to the base effects from the comparable period in the prior year, influenced by the performance of discontinued operations. In the prior comparable period the financial performance of the discontinued operations included losses incurred by Alexander Forbes Life due to reserving requirements.

The group balance sheet remains robust, supported by the strong cash flow generated from continuing operations, with a sound capital surplus above the regulatory capital requirement of R1 774 million and available cash of R863 million. Our regulatory capital is now measured in line with our single active linked investment life licence, which is commonly known as the solo-plus methodology.

An interim dividend of 20 cents per share has been declared, up 33% year on year (2022: 15 cents per share).

On 1 June 2023 the group acquired a majority interest in TSA Administration, an independent provider of institutional group risk insurance administration services. The TSA business complements our existing binder business and adds scale, systems and additional experienced people to the business. This acquisition aligns with our strategic intent and will enable the group to expand its service offerings to intermediaries alongside our existing umbrella fund and investments value proposition.

On 8 November 2023 the group entered into a binding agreement with OUTsurance Holdings Limited to purchase 100% of the shares in OUTvest Proprietary Limited. OUTvest is an award-winning digital wealth platform launched in 2017 and was built to enable the distribution of a range of high-quality, simple and low-cost wealth products. The transaction will take effect once all conditions precedent have been fulfilled, including regulatory approvals. We expect completion by March 2024 with integration of the platform and people into our environment following thereafter.

The results for the period reflect the progress made in our stated strategy and growth trajectory.

We will continue to invest in our core strengths of consulting, administration and investments to gain further scale, efficiencies and operating advantages. Doing so creates a uniquely differentiated opportunity to impact the lives of clients and members.

**Chief executive officer, Dawie de Villiers, commented:** 'We have continued to implement our strategy and are experiencing the results of disciplined execution as we focus increasingly on engaging with our members. Alexforbes is attracting new business alongside high retention rates and competitive investment returns affirming the appeal of our value proposition to the market. Our business is quickly adapting to the needs of our clients by embracing technological transformation to improve our client experience and by introducing further efficiencies into our environment. It's an exciting time for us as the business transforms into the future.'

## Financial highlights

- Operating income up 13% to R1 911 million
- Profit from operations (before non-trading and capital items) up 11% to R394 million
- Headline earnings per share from continuing operations up 68% to 27 cents per share
- Headline earnings per share from total operations up 96% to 27.7 cents per share
- Cash generated from continuing operations remains strong at R446 million
- Our capital position remains sound with a regulatory surplus of R1 774 million. The group cover ratio of 2.6 times is comfortably above the target solvency cover ratio of 1.2 times
- Interim cash dividend declared of 20 cents per share, up 33%
- Total closing assets<sup>1</sup> increased 10% year on year to R455 billion
- Average assets<sup>2</sup> up 9% to R464 billion

In millions of South African rands (Rm)	2023/2022 % change	Unaudited six months ended 30 September		
		2023	2022	2021
<b>Continuing operations</b>				
Operating income <sup>A</sup>	13	1 911	1 686	1 565
Profit from operations (before non-trading and capital items)	11	394	354	389
Cost-to-income ratio <sup>B</sup> (percentage)	40 bps	79.4	79.0	75.1
Profit for the period	66	339	204	240
Cash generated from operations	63	446	273	298
Basic earnings per share (cents)	68	27.0	16.1	18.8
Headline earnings per share (cents)	68	27.0	16.1	18.9
<b>Discontinued operations</b>				
Operating income <sup>A</sup>	(86)	6	42	7
(Loss) from operations (before non-trading and capital items)	(78)	(5)	(23)	(84)
<b>Total group</b>				
Basic earnings per share (cents)	96	27.7	14.1	12.6
Headline earnings per share (cents)	96	27.7	14.1	12.7
Normalised headline earnings per share (cents)	70	26.4	15.5	12.2
Interim dividend per share (cents)	33	20.0	15.0	12.0
Total closing assets (in billions of South African rands)	10	455	412	423
Total members under administration and advised ('000) <sup>C</sup>	14	1 526	1 338	1 280

A. Operating income represents revenue net of direct expenses.

B. Cost-to-income ratio is calculated as a percentage of operating expenses (before non-trading and capital items) and adjusted for other income, over operating income.

C. Includes total number of active members across standalone and umbrella funds, medical scheme membership and individual consulting clients.

<sup>1</sup> Total assets include closing assets under administration (AuA) and assets under management (AuM)

<sup>2</sup> Average assets include average AuA and AuM

## Interim cash dividend declaration

Alexforbes's dividend policy is set at a target range of 1.0 to 1.5 times earnings cover. The dividend is set with reference to normalised headline earnings.

An interim dividend declaration has been considered by the board, taking into account the group's current and projected regulatory position, the available cash in the group as well as the group's high cash generation.

The board has declared an interim gross cash dividend of 20 cents per ordinary share (16 cents net of dividend withholding tax) for the six months ended 30 September 2023 (2022: 15 cents per ordinary share). The board believes the surplus cash and capital position, after the payment of the interim dividend, will still provide sufficient liquidity and capital strength.

The interim dividend has been declared from income reserves. A dividend withholding tax of 20% will apply to all shareholders who are not exempt from the dividend withholding tax, or who are entitled to a reduced rate in terms of the applicable double taxation agreement.

The issued number of shares at the date of declaration is 1 327 582 154. The tax reference number of Alexander Forbes Group Holdings Limited is 9404921158.

The directors have satisfied the solvency and liquidity test as required in terms of section 4(1) of the Companies Act 71 of 2008.

### The salient dates for the final dividend will be as follows:

Declaration date	Monday 4 December 2023
Last day of trade to receive a dividend	Tuesday 2 January 2024
Shares commence trading 'ex' dividend	Wednesday 3 January 2024
Record date	Friday 5 January 2024
Payment date	Monday 8 January 2024

Share certificates may not be dematerialised or rematerialised between Wednesday 3 January 2024 and Friday 5 January 2024, both days inclusive.

## Prospects

The core business has been reconfigured and is focused and working well, which is a solid foundation for new business growth and acquisitions. The business is now in a strong position to forge a greater connection with the people who we ultimately serve using our refreshed vision, purpose and overarching customer value proposition.

### Two-pot system preparation and impact

The implementation of the two-component (also known as the two-pot) system is anticipated to have a positive net impact on group revenue over the long term due to compulsory preservation of the retirement pot, increasing the pool of assets within our base. In addition, greater engagement is required to counsel members on their decisions, creating further opportunities to retain assets.

### Integration of OUTvest into our environment

The integration of the OUTvest digital wealth management capability is expected to accelerate significant efficiencies for Alexforbes financial advisers and retail clients. The platform unlocks the ability to provide goals-based advice and servicing journeys at scale across our entire client base.

### **Launch of DFM to diversify revenue streams**

As part of our diversification into the independent financial adviser (IFA) market, we are launching a discretionary fund management (DFM) capability in the latter half of the financial year. Our DFM is built from the group's existing investment management platform. This represents an opportunity to participate in the growth of the DFM market off a stable existing base at marginal additional cost.

### **Automation and technological transformation**

Our engineering team has implemented automation within our core administration processes and our focus is now on client adoption and use to deliver efficiencies. Our robotic process automation has saved the business substantial time and enhanced our competitiveness and client service. We continue to explore further case studies to this end.

### **Benefiting from the strong new business pipeline that we have built**

A number of clients won in the 2023 financial year are only starting to reflect in the current financial year flows due to the lag between acceptance and implementation. Several large umbrella fund quotes and standalone funds are under review. Our recent track record places us in a position of strength to compete aggressively for such appointments. We are confident in our ability to keep on winning market share from our competitors.

### **Consolidation into our umbrella fund**

Consolidation into umbrella fund structures continues to be a trend in the retirements segment. Alexforbes is well positioned to benefit from conversions within our existing standalone administration base and it offers opportunities outside the business.

Our unique position as an advice-led umbrella fund is a differentiator relative to the large insurer-sponsored umbrella funds as we have the mandate to act in members' interests by building quality solutions. Clients seeking objectivity, simplicity and performance are finding the Alexforbes umbrella fund proposition to be compelling.

### **Individualisation within institutional retirement funds**

Significant development has been delivered over the prior period to accelerate digital engagement and modernise our retail advice to serve more retirement fund members across a range of investment needs. 82% of retirement fund stakeholders surveyed indicated that the individualisation of the member's experience of retirement funding is the biggest opportunity to make an impact on people's lives by educating, informing and engaging them to make better financial choices. Alexforbes is geared towards enabling this priority among our clients. The implementation of the two-pot system currently scheduled for 1 March 2024 presents a significant opportunity for us to drive engagement and connection with members as Alexforbes.

### **Being a force for good**

Alexforbes has the responsibility to act as a force for good by harnessing our best advice, access to data, and client reach to consult with retirement funds and employers on sustainability matters. During the period meaningful strides were made to deliver on this promise, including designing the retirement fund of the future™, as well as formalising both a group and investments climate policy.

## About this announcement

### Statement and availability

This results announcement is the responsibility of the directors of the group. Shareholders are advised that this results announcement represents a summary of the information contained in the full unaudited interim condensed consolidated results for the six months ended 30 September 2023 (the interim results) and does not contain full details. The interim results were approved by the board of directors on 4 December 2023 and the information in this announcement has been correctly extracted from the interim results.

The interim results are published and available through the JSE cloudlink:

<https://senspdf.jse.co.za/documents/2023/JSE/ISSE/AFH/AFHDec2023.pdf>

The interim results are also available on the Alexforbes website: <https://investors.alexforbes.com/financial-results>

As this results announcement does not contain full details, any investment decisions by investors and/or shareholders should be based on a consideration of the interim results as a whole and investors and/or shareholders are encouraged to review the interim results, which are available as set out above. Any reference to future financial performance or any forecast financial information included in this announcement has not been separately reviewed, audited or reported on by the group's external auditors.

On behalf of the board of directors

K Dlamini  
Chair

DJ de Villiers  
Chief Executive Officer

4 December 2023  
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Sponsor  
RAND MERCHANT BANK (A division of FirstRand Bank Limited)