

# Additional information

Unaudited interim results for the six months ended 30 September 2023





# 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 unaudited Alexander Forbes Group Holdings Limited (the group or Alexforbes) condensed consolidated interim results for the six months ended 30 September 2023 (interim results). The group's interim results include the condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity. These interim results are prepared in accordance with and containing the information required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

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# Key performance indicators



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

for the six months ended 30 September

|                            | Retirement consulting |            | Healthcare consulting |            | Investments |            | Individual consulting |            | Multinational |            | Group Total  |              |
|----------------------------|-----------------------|------------|-----------------------|------------|-------------|------------|-----------------------|------------|---------------|------------|--------------|--------------|
| R million                  | 2023                  | 2022       | 2023                  | 2022       | 2023        | 2022       | 2023                  | 2022       | 2023          | 2022       | 2023         | 2022         |
| <b>By type</b>             |                       |            |                       |            |             |            |                       |            |               |            |              |              |
| Consulting and advice fees | 105                   | 84         | 39                    | 38         | 12          | 13         | 197                   | 180        | 76            | 67         | 429          | 382          |
| Administration fees        | 371                   | 319        | 2                     | -          | -           | -          | 12                    | 1          | 68            | 63         | 453          | 383          |
| Commission                 | 45                    | 48         | 141                   | 136        | -           | -          | -                     | -          | 7             | 6          | 193          | 190          |
| Investment management fees | -                     | -          | -                     | -          | 788         | 703        | -                     | -          | 13            | 11         | 801          | 714          |
| Technology services fees   | 35                    | 17         | -                     | -          | -           | -          | -                     | -          | -             | -          | 35           | 17           |
| <b>Total</b>               | <b>556</b>            | <b>468</b> | <b>182</b>            | <b>174</b> | <b>800</b>  | <b>716</b> | <b>209</b>            | <b>181</b> | <b>164</b>    | <b>147</b> | <b>1 911</b> | <b>1 686</b> |
| <b>By driver</b>           |                       |            |                       |            |             |            |                       |            |               |            |              |              |
| Asset based                | -                     | -          | -                     | -          | 800         | 716        | 209                   | 181        | 13            | 11         | 1 022        | 908          |
| Payroll expense            | 371                   | 319        | -                     | -          | -           | -          | -                     | -          | 68            | 63         | 439          | 382          |
| Members                    | 88                    | 69         | 39                    | 36         | -           | -          | -                     | -          | 75            | 66         | 202          | 171          |
| Adhoc fees                 | 17                    | 15         | 2                     | 2          | -           | -          | -                     | -          | 1             | 1          | 20           | 18           |
| Commission                 | 45                    | 48         | 141                   | 136        | -           | -          | -                     | -          | 7             | 6          | 193          | 190          |
| Technology services fees   | 35                    | 17         | -                     | -          | -           | -          | -                     | -          | -             | -          | 35           | 17           |
| <b>Total</b>               | <b>556</b>            | <b>468</b> | <b>182</b>            | <b>174</b> | <b>800</b>  | <b>716</b> | <b>209</b>            | <b>181</b> | <b>164</b>    | <b>147</b> | <b>1 911</b> | <b>1 686</b> |

1. Operating income net of direct expenses

# Key performance indicators

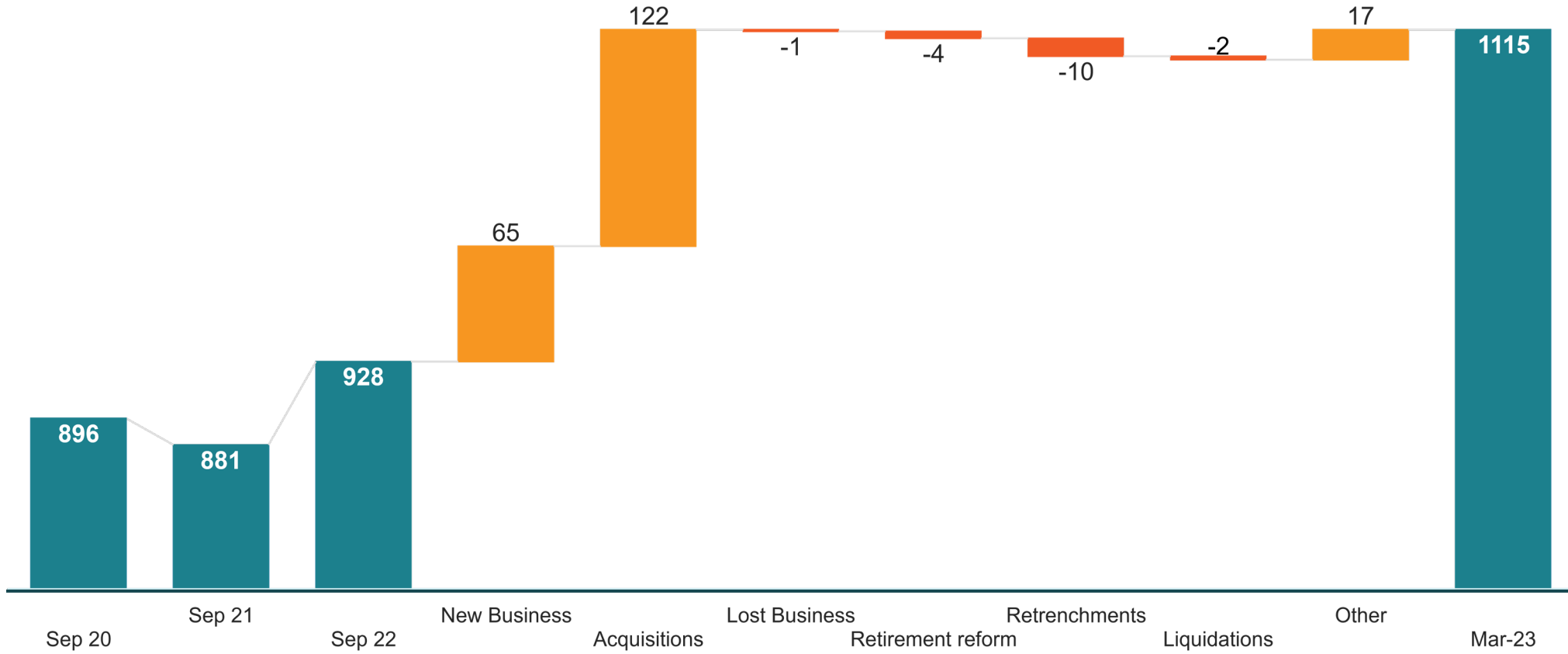
for the six months ended 30 September

|  | Unit | 2019    | 2020    | 2021    | 2022    | 2023      |
|--|------|---------|---------|---------|---------|-----------|
| <b>Retirement consulting</b>                                   |      |         |         |         |         |           |
| Number of umbrella fund corporate clients                      |      | 1 629   | 1 682   | 1 704   | 1 746   | 1 881     |
| Number of umbrella fund active members                         | '000 | 367 570 | 367 406 | 350 794 | 355 230 | 397 609   |
| Umbrella fund closing assets under management                  | R bn | 83.1    | 87.1    | 101.7   | 103.3   | 117.5     |
| Total number of active members (standalone and umbrella funds) |      | 926 677 | 895 995 | 880 636 | 927 976 | 1 114 764 |
| <b>Healthcare consulting</b>                                   |      |         |         |         |         |           |
| Number of healthcare corporate clients                         |      | 537     | 529     | 533     | 533     | 521       |
| Number of healthcare active member records                     |      | 215 432 | 214 143 | 227 773 | 241 689 | 230 395   |
| <b>Investments</b>   |      |         |         |         |         |           |
| Closing total assets   | R bn | 343.6   | 353.4   | 422.9   | 412.4   | 455.4     |
| Institutional closing assets                                   | R bn | 276.8   | 285.0   | 343.9   | 336.1   | 365.8     |
| Retail closing assets  | R bn | 66.8    | 68.4    | 79.0    | 76.3    | 89.5      |
| Average total assets   | R bn | 344.5   | 346.8   | 411.9   | 425.2   | 464.0     |
| Institutional average assets                                   | R bn | 278.3   | 279.0   | 335.0   | 346.8   | 373.7     |
| Retail average assets  | R bn | 66.2    | 67.8    | 76.9    | 78.4    | 90.3      |
| Institutional blended net margin – <i>on average assets</i>    | bps  | 30.6    | 30.1    | 27.6    | 27.8    | 28.9      |
| <b>Individual consulting</b>                                   |      |         |         |         |         |           |
| Number of FPC clients  | '000 | 48      | 47      | 56      | 57      | 59        |
| Number of clients - advised & non-advised                      | '000 | -       | -       | -       | 9       | 12        |
| Closing assets under advisement                                | R bn | 72.2    | 73      | 83      | 82.8    | 91.2      |
| AFRIS number of clients  |      | 155     | 171     | 182     | 224     | 234       |
| AFRIS number of members  |      | 2 084   | 3 637   | 5 591   | 7 644   | 9 793     |
| AFRIS closing total assets                                     | R bn | 4.6     | 7.8     | 12.1    | 15.3    | 20.7      |
| <b>Multinational consulting</b>                                |      |         |         |         |         |           |
| Number of multinational consulting clients                     |      | 31      | 61      | 71      | 89      | 99        |
| Closing assets under management (AF Investments Namibia)       | R bn | 3.5     | 3.4     | 4.4     | 4.3     | 5.1       |
| Members under administration (Namibia and Botswana)            |      | 108 799 | 108 464 | 115 740 | 111 826 | 121 781   |



# Active members | Up 20% year on year

Movement in actual number of active members (000)



# Financial 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 loss of R7 million for the period ended 30 September 2023 (2022: R33 million loss) 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 lease standard, IAS 17. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R47 million (2022: R55 million) inclusive of the gain on lease modification of R14 million have been effected to profit before non-trading and capital items. In addition, finance costs of R10 million (2022: R24 million) have been adjusted resulting in a net adjustment of R37 million (2022: R31 million) to profit before tax.

## **Reported profit or 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 six months ended 30 September

| R million   | IFRS 2023    | IFRS lease adj. | Amortisation of 2007 PE intangibles | Professional indemnity insurance cell-captive | Other*     | Normalised 2023 | % change  | Normalised 2022 |
|---|--------------|-----------------|-------------------------------------|---|------------|-----------------|-----------|-----------------|
| <b>Operating income net of direct expenses</b>  | <b>1 911</b> | -               | -                                   | -   | -          | <b>1 911</b>    | <b>13</b> | <b>1 686</b>    |
| Other income  | 42           | -               | -                                   | -   | -          | 42              | 62        | 26              |
| Operating expenses  | (1 559)      | (47)            | -                                   | -   | -          | (1 606)         | 14        | (1 413)         |
| <b>Operating profit before non-trading and capital items</b>                            | <b>394</b>   | <b>(47)</b>     | -                                   | -   | -          | <b>347</b>      | <b>16</b> | <b>299</b>      |
| Non-trading and capital items   | (13)         | -               | 7                                   | 7   | -          | 1               | >100      | (21)            |
| <b>Operating profit</b>   | <b>381</b>   | <b>(47)</b>     | <b>7</b>                            | <b>7</b>                                      | -          | <b>348</b>      | <b>25</b> | <b>278</b>      |
| Net investment income   | 90           | 10              | -                                   | -   | (8)        | 92              | 67        | 55              |
| Reported profit arising from accounting for policyholder investments as treasury shares | (1)          | -               | -                                   | -   | 1          | -               | -         | -               |
| <b>Profit before taxation</b>   | <b>470</b>   | <b>(37)</b>     | <b>7</b>                            | <b>7</b>                                      | <b>(7)</b> | <b>440</b>      | <b>32</b> | <b>333</b>      |
| Income tax expense  | (131)        | 10              | (2)                                 | (2)   | 8          | (117)           | 5         | (112)           |
| <b>Profit from continuing operations</b>  | <b>339</b>   | <b>(27)</b>     | <b>5</b>                            | <b>5</b>                                      | <b>1</b>   | <b>323</b>      | <b>46</b> | <b>221</b>      |
| Profit from discontinued operations   | 9            | -               | -                                   | -   | -          | 9               | >100      | (25)            |
| <b>Profit for the period</b>  | <b>348</b>   | <b>(27)</b>     | <b>5</b>                            | <b>5</b>                                      | <b>1</b>   | <b>332</b>      | <b>69</b> | <b>196</b>      |
| Attributable to non-controlling interest  | (8)          | -               | -                                   | -   | -          | (8)             | 60        | (5)             |
| <b>Profit attributable to owners of the company</b>                                     | <b>340</b>   | <b>(27)</b>     | <b>5</b>                            | <b>5</b>                                      | <b>1</b>   | <b>324</b>      | <b>70</b> | <b>191</b>      |
| Headline adjusting items  | -            | -               | -                                   | -   | -          | -               | -         | -               |
| <b>Headline profit attributable to owners of the company</b>                            | <b>340</b>   | <b>(27)</b>     | <b>5</b>                            | <b>5</b>                                      | <b>1</b>   | <b>324</b>      | <b>70</b> | <b>191</b>      |
| <b>Number number of shares</b>  |              |                 |                                     |   |            |                 |           |                 |
| <b>Weighted average number of shares in issue (net of treasury shares)</b>              | <b>1 226</b> | -               | -                                   | -   | -          | <b>1 226</b>    | (0.3)     | <b>1 230</b>    |
| Shares held by policyholders classified as treasury shares                              | -            | -               | -                                   | -   | 1          | 1               | -         | 1               |
| <b>Number of shares in issue</b>  | <b>1 226</b> | -               | -                                   | -   | <b>1</b>   | <b>1 227</b>    | (0.3)     | <b>1 231</b>    |
| Earnings per share (cents)  | 27.7         | -               | -                                   | -   | (1.3)      | 26.4            | 70        | 15.5            |
| Headline earnings per share (cents)   | 27.7         | -               | -                                   | -   | (1.3)      | 26.4            | 70        | 15.5            |

1. Investment income and taxation payable on behalf of policyholders

2. Reported profit or loss arising from accounting for policyholder investment in treasury shares

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

At 30 September

| R million  | 2023<br>IFRS     | Adj. linked investment<br>policyholders | Adj. Insurance related<br>balances | 2023<br>Corporate | 2022<br>Corporate |
|--|------------------|---|------------------------------------|-------------------|-------------------|
| Assets under management                          | 383 789          | (383 789)                               |                                    | -                 | -                 |
| Property, equipment and computer software        | 644              |   |                                    | 644               | 629               |
| Goodwill & intangible assets                     | 1 771            |   |                                    | 1 771             | 1 587             |
| Financial assets and associates                  | 575              |   |                                    | 575               | 347               |
| Deferred tax asset                               | 150              |   |                                    | 150               | 169               |
| Insurance receivables                            | 94               |   | (94)                               | -                 | -                 |
| Trade and other receivables                      | 496              |   |                                    | 496               | 530               |
| Cash & cash equivalents                          | 2 662            |   | (40)                               | 2 622             | 2 689             |
| Assets classified as held for sale               | -                |   |                                    | -                 | 31                |
| <b>Total assets</b>                              | <b>390 181</b>   | <b>(383 789)</b>                        | <b>(134)</b>                       | <b>6 258</b>      | <b>5 982</b>      |
| Liabilities under management                     | (383 792)        | 383 792                                 |                                    | -                 | -                 |
| Borrowings                                       | (324)            |   |                                    | (324)             | (133)             |
| Employee benefits                                | (164)            |   |                                    | (164)             | (148)             |
| Deferred tax liabilities                         | (105)            | 49                                      |                                    | (56)              | (43)              |
| Lease liabilities                                | (265)            |   |                                    | (265)             | (498)             |
| Provisions and deferred income                   | (209)            |   |                                    | (209)             | (229)             |
| Insurance payables                               | (135)            |   | 135                                | -                 | -                 |
| Trade and other payables                         | (752)            | 13                                      |                                    | (739)             | (650)             |
| Liabilities associated with assets held for sale | -                |   |                                    | -                 | (12)              |
| <b>Total liabilities</b>                         | <b>(385 746)</b> | <b>383 854</b>                          | <b>135</b>                         | <b>(1 757)</b>    | <b>(1 713)</b>    |
| <b>Total equity</b>                              | <b>(4 435)</b>   | <b>(65)</b>                             | <b>(1)</b>                         | <b>(4 501)</b>    | <b>(4 269)</b>    |

# Analysis of cash balances

At 30 September

| R million   | Sep 2023         | Sep 2022         | Mar 2023         |
|---|------------------|------------------|------------------|
|   | Total operations | Total operations | Total operations |
| Cash and cash equivalents   | 2 662            | 2 719            | 2 819            |
| Cash held on behalf of policyholders                                  | (40)             | (103)            | (76)             |
| Restricted cash <sup>1</sup>  | (669)            | (488)            | (615)            |
| Net current liabilities   | (268)            | (267)            | (349)            |
| Available cash before regulatory capital                              | 1 685            | 1 861            | 1 779            |
| Cash held for regulatory capital, liquidity and solvency requirements | (822)            | (1 272)          | (846)            |
| Alexander Forbes group SCR  | (1 087)          | (1 379)          | (1 428)          |
| Cover ratio at 20%  | (217)            | (269)            | (286)            |
| Other assets backing regulatory capital                               | 484              | 376              | 868              |
| <b>Available cash resources</b>                                       | <b>863</b>       | <b>589</b>       | <b>933</b>       |

1. Restricted cash includes emerging markets, asset manager fees, tax provisions and cell captive insurance facilities.

# Regulatory capital

| R million                        | September 2023 <sup>1</sup> |                                    |                    | March 2023 <sup>2</sup> |                                    |                    | % Change in Regulatory Surplus (%) |
|----------------------------------|-----------------------------|------------------------------------|--------------------|-------------------------|------------------------------------|--------------------|------------------------------------|
|                                  | Own Funds                   | Solvency Capital Requirement (SCR) | Regulatory Surplus | Own Funds               | Solvency Capital Requirement (SCR) | Regulatory Surplus |                                    |
| Holding company                  | 127                         | -                                  | 127                | 360                     | 188                                | 172                | (26)                               |
| Regulated insurer                | 1 404                       | 764                                | 640                | 1 387                   | 836                                | 551                | 16                                 |
| FAIS & 13B regulated entity      | 872                         | 273                                | 599                | 871                     | 235                                | 636                | (6)                                |
| Other regulated financial entity | 138                         | 50                                 | 88                 | 128                     | 72                                 | 56                 | 57                                 |
| Unregulated entity               | 320                         | -                                  | 320                | 198                     | 97                                 | 101                | 217                                |
| <b>Total Group</b>               | <b>2 861</b>                | <b>1 087</b>                       | <b>1 774</b>       | <b>2 944</b>            | <b>1 428</b>                       | <b>1 516</b>       | <b>17</b>                          |

1. Solo-plus Formulae

2. SAM Standard Formulae

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