Alexander Forbes Group Holdings Limited
(Incorporated in the Republic of South Africa)
Registration Number: 2006/025226/06
JSE Share Code: AFH and ISIN: ZAE000191516
(Alexander Forbes or the Company)

TRADING STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Alexander Forbes is in the process of finalising its full year financial results for the year ended 31 March 2020 ("Current Period") which will be released on the Stock Exchange News Service and on the Company's website at www.alexanderforbes.co.za on or about 8 June 2020.

The results for the Current Period include the trading performance for the Current Period, the profit realised on the sale of the Company's short-term insurance business in South Africa ("AFI Disposal") and the impact of the goodwill write-off that reflects the uncertainty of the Company's projected income arising from the COVID-19 pandemic and its related economic effect.

Profit from operations before non-trading and capital items for the Current Period growth is expected to remain in line with the prior year and is expected to be between 4% and -3% (between R731 million and R784 million)when compared to the R754 million reported for the year ended 31 March 2019 ("Prior Period"). This reflects muted operating income growth coupled with good expense management in the Current Period, offset by stranded costs relating to the short-term insurance business, pursuant to the AFI Disposal.

On 31 January 2020, the Company announced the completion of the AFI Disposal to Momentum Metropolitan Holdings, for a total consideration of R2 038 million. As a result of the AFI Disposal, the Company has recognised a profit on sale of R861 million, which is calculated on the basis of the total proceeds, less the net asset value of the business sold. Headline earnings per share for the period excludes profit on the sale of the business but includes the operating profits from discontinued operations for the ten months prior to the AFI Disposal.

As a result of the COVID-19 pandemic and related economic impact, Alexander Forbes conducted an own risk and solvency assessment ("ORSA"). The ORSA process is in line with the prudential standards for insurance groups and considers various scenarios and the projected impact of these scenarios on revenue, profitability, cash flow, liquidity and solvency. The expected scenarios and management actions in relation to those scenarios were discussed and approved by the board of directors ("Board"). The scenarios tested as part of our solvency assessment were used for the purposes of the goodwill impairment testing relating to the individual, retirements and health consulting cash generating units ("CGUs"). Despite the solvency assessment indicating that Alexander Forbes remains sufficiently solvent, the reduced operating income which is theoretically projected under each scenario resulted in lower projected cash flows from each CGU. Across each of the respective CGUs where we have lower margins the impact on the value in use was such that the goodwill balances were not supported and indicated impairment.

The Board decided to write off goodwill amounting to R1 145 million and impair related intangible assets of R47 million in relation to CGUs noted above. The goodwill asset arose from the private equity acquisition of the Company in 2007. The write off and impairment has no impact on cash flows, liquidity or solvency of the Company. The goodwill written-off and related intangible assets impairment are reversed from earnings per share in determining headline earnings per share.

Additional factors that influence the movement in attributable earnings for the current period include the reduced costs reflected in non-trading and capital items, specifically costs relating to strategic consulting projects in the Prior Period, which are non-recurring, and an improvement in the results of our professional indemnity cell captive insurance facility. The results for the Prior Period included the capitalised software development assets write-off (R290 million) and the cost incurred on the termination of the IT contract (R50 million), both of which are non-recurring in the Current Period. The software write-off was recorded in non-trading and capital items and adjusted for in the calculation of headline earnings.

Earnings per share and headline earnings per share are expected to decrease from the results published in the Prior Period. The expected decreases in earnings per share and headline earnings per share for both total operations and continuing operations are disclosed in the table below:

year ended	Restated March 2019 (cents)	Expected March 2020 (cents)	Estimated range change*
Total operations**			
Headline earnings per share	44.2	34.0 to 37.1	-23% to -16%
Earnings / (loss) per share	27.2	-12.8 to -10.9	-147% to -140%
Continuing operations**			
Headline earnings per share	32.9	30.6 to 32.9	-7% to 0%
Earnings /(loss) per share	22.1	-68.2 to -66.6	-408% to -401%

** Percentages calculated based on rounded figures*
*** Prior year numbers restated for the effects of IFRS 16 Leases*

The disciplined execution of strategic initiatives in the Current Period has improved the Company's solvency and liquidity position and provides Alexander Forbes with the solid base to withstand the economic fall-out of COVID-19 and the South African sovereign credit rating investment downgrade. The proceeds from the AFI Disposal, and the restructuring of the Alexander Forbes sponsored umbrella fund to privately administered has increased the Company's surplus capital position. Our unleveraged balance sheet supported by the surplus regulatory capital and available cash places Alexander Forbes in a strong financial position for the uncertainty that lies ahead.

Delivering on our strategic objectives and service-level agreements for our clients has resulted in improved client retention, better member outcomes and internal efficiencies, laying the foundation for future growth. However, the impact of COVID-19 during the final quarter and its expected further consequences on the economy will impede our original growth and cost targets. Whilst our clients are experiencing the benefits of our client-centric and advice-led consulting approach, the top-line benefits will take longer to fully materialise.

This trading statement is issued in accordance with paragraph 3.4(b) of the JSE Limited Listings Requirements. The financial information on which it is based has not been reviewed and reported on by the Company's external auditors.

Carina Wessels
Executive: Governance, Legal and Compliance (Company Secretary)

27 May 2020
Sandton

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