
**EXTRACT FROM THE AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2020
AND FINAL AND SPECIAL CASH DIVIDEND DECLARATION**

Overview

Alexander Forbes is pleased to report the financial results for the full year ended 31 March 2020. This was a critical period for Alexander Forbes as we executed on the strategic objectives set for the year and implemented significant changes to our operating model. The structural reorganisation of the business is intended to allow us to deliver on our core purpose of creating beneficial outcomes for our clients and members through an advice-led framework.

We are pleased to report a sustained increase in our client engagement interventions to ensure that we remain attuned to our clients' needs, by providing outstanding service and solutions, which contributes to a loyal client base. We are making progress in new business, achieving some notable wins in investments, healthcare, and retirements. Our Arrive multinational platform continues to gain traction across Africa.

Disciplined and successful execution of strategic initiatives

- Stability across our client base due to the roll-out of our client-centric strategy, successful implementation of our advice-led consulting framework, and implementing continuous client feedback mechanisms.
- Satisfactory progress in the delivery of default retirement solutions, showing measurable benefits to our clients.
- Successful implementation of our target operating model.
- Delivery on our capital-light strategy has shown a significant improvement to our capital position due to the completion of the disposal of the short-term insurance business in South Africa (AFI disposal) and the conversion of the Alexander Forbes sponsored umbrella fund to being privately administered in the second half of the year.
- Alexander Forbes is in a strong financial position for the uncertainty that lies ahead because of its unleveraged balance sheet, supported by the surplus regulatory capital and available cash.
- Continued to strengthen our employee engagement interventions and improve our culture, demonstrated by a 9% increase in our employee engagement score for the year.
- Our Arrive multinational solution continues to gain momentum with 51 clients across Africa since inception.

Financial highlights

		Audited twelve months ended 31 March		
In millions of South African rands (Rm)	2020/2019% change	2020	2019 ^A	2018 ^A
Continuing operations				
Operating income ^B	1	3 153	3 136	3 010
Profit from operations (before non-trading and capital items)	-	757	754	901
Cost-to-income ratio ^C	-	76.0%	76.0%	70.1%
(Loss)/profit for the period	na	(764)	322	490
Cash generated from operations	(7)	936	1 003	1 020
Basic (loss)/earnings per share (cents) ^D	na	(37.1)	22.1	32.7
Headline earnings per share (cents) ^D	(2)	32.2	32.9	34.0
Closing AuA and AuM (in billions of rands)	(9)	310	342	357
Discontinued operations				
Operating income ^B	(25)	547	727	637
Profit from operations (before non-trading and capital items)	(39)	144	237	153
Total group				
Basic (loss)/earnings per share (cents) ^D	na	(11.8)	27.2	18.2
Headline earnings per share (cents) ^D	(20)	35.4	44.2	43.7
Normalised headline earnings per share (cents) ^D	(14)	38.7	45.0	52.4
Interim dividend (cents per share)	-	18	18	18
Final dividend (cents per share)	-	12	12	24
Annual dividend (cents per share)	-	30	30	42
Special dividend (cents per share)	na	50	30	-

A. Prior-year numbers restated for the effects of discontinued operations and IFRS 16 Leases. Refer to notes 2 and 9 of the summarised consolidated financial statements in the long form announcement

B. Operating income represents revenue net of direct expenses (throughout)

C. Cost-to-income ratio is a percentage of the operating expenses (before non-trading and capital items) over operating income including other income

D. The weighted average number of shares in issue decreased to 1 222 million (2019:1 237 million) due to the cancellation of 53.6 million ordinary shares in August 2019.

Salient features

- Operating income from continuing operations up 1% to R3 153 million.
- Profit from continuing operations (before non-trading and capital items) flat at R757 million, due to muted growth in operating income coupled with good expense management, offset by stranded costs relating to the short-term insurance business.
- Profit on sale from AFI disposal of R861 million.
- The group wrote off R1 145 million in goodwill and a further R47 million in related intangible assets, included as non-trading and capital items, that reflect the uncertainty of projected income arising from the COVID-19 pandemic.
- Headline earnings per share for the total group, of 35.4 cents down 20%.
- Normalised headline earnings per share for the total group, of 38.7 cents down 14%.
- Significant improvement in normalised return on equity to 18.8% from 5.9% in the prior year.
- Cash generated from continuing operations remains strong at R936 million.
- Final dividend of 12 cents per share declared, resulting in a total dividend for the year of 30 cents per share (2019: 30 cents per share).
- Special dividend of 50 cents per share declared, distributing the available cash to shareholders, and reducing a significant portion of the surplus capital position (2019: 30 cents per share).

Chief executive officer, Dawie de Villiers, commented: 'The decision to de-risk our business model, simplify our structure and adopt an advice-led, client-centric strategy is gaining traction. Our focus on our core offering will further enhance shareholder value, while combining our market-leading integrated consulting framework with a capital-light strategy has allowed us to reshape a new Alexander Forbes. After robustly stress-testing various scenarios for our business, driven by COVID-19 and the sovereign downgrade, we are now confident that we will be able to navigate steadily through these turbulent economic times. And we fully intend to take the innovative lead in this market, based on superior solutions and sustainable financial well-being for our clients.'

Prospects

There is no doubt that the COVID-19 pandemic and its impact on the world economy is a tipping point in global history, and that of Alexander Forbes. The speed and complexity of the pandemic has forced companies to reconsider their responses to the impact of the pandemic on their businesses. We are no different, and through our business continuity strategy we have effected, in the financial services industry, a market leading transition into the new era of operating a fully virtual company.

We responded to the lockdown with speed and agility – 98% of our staff were working from home from the date the lockdown was implemented. Throughout the period we have improved and enhanced our process management and ensured minimal disruption to our client service levels and have monitored productivity. Our relative success during this period has enabled a reimagining of the future Alexander Forbes and new ways of working.

Through this period, our focus has been on our advice-led consulting framework which has designed market leading and appropriate solutions relative to what they are experiencing.

Our business has proven its resilience and agility in responding to the challenges of a persistent low-growth economic outlook. Amid this uncertainty we have remained astute in our capital management, continued to focus on cost containment, responded to our clients who are in financial distress, while building on a new business pipeline. While the pandemic has dampened our short-term outlook and impacted our original revenue targets for FY 2021, we believe that we now have a solid foundation for growth over the long term.

- Our strategy remains focused on a value proposition which differentiates us from our competitors by providing market-leading advice that optimises client and member outcomes.
- Our strategic decision to focus on our core business of being advice-led for both corporate and individual clients has enabled us to assist our clients seamlessly and more effectively during the additional financial stress of the pandemic and its economic fallout.

Our clients remain at the centre, and we are committed to providing the most relevant and appropriate employee benefits and investment advice in these uncertain times.

Underpinning our long-term growth will be an on-going focus on operational excellence in execution, a continual reduction in costs, further improvements in our administration capability and a strengthening of our talent pool.

Advice-led is what our clients require and our strategy to accomplish this is already bearing fruit. Our next task is to round this out with further member-engagement, answering every member's query and assisting each individual's financial well-being. This will ensure member loyalty to Alexander Forbes for life.

Final and special dividend declaration

A final and special dividend declaration has been considered by the board which takes into account the group's dividend policy, current and projected regulatory position, the available cash in the group as well as the highly cash-generative nature of the group. The board believes the surplus cash and capital position, after the payment of the final and special dividend, will still provide sufficient liquidity and capital strength. This is expected to provide Alexander Forbes with a solid base to withstand the adverse impact of COVID-19 and the South African sovereign credit rating investment downgrade.

The board has declared a final gross cash dividend of 12 cents per ordinary share (9.6 cents net of dividend withholding tax) for the year ended 31 March 2020, bringing the total dividend declared for the year to 30 cents per share. This maintains the dividend cover within our policy of 1.5 times to 2.0 times cover.

In addition, the board has declared a special gross cash dividend of 50 cents per ordinary share (40 cents net of dividend withholding tax), distributing the available cash to shareholders and reducing a significant portion of the surplus capital position. The group's strong cash performance and its desire to improve capital efficiencies is the basis for the board's decision to declare this special dividend.

The special dividend is subject to approval by the Financial Surveillance Department of the South African Reserve Bank (SARB). A finalisation announcement confirming receipt of SARB approval will be released on SENS by no later than 14 July 2020.

Both dividends have been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

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 issued number of shares at the date of declaration is 1 401 541 409.

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

- Finalisation date for special dividend: by 11:00 am Tuesday, 14 July 2020
- Last day of trade to receive a dividend: Tuesday, 21 July 2020
- Shares commence trading 'ex' dividend: Wednesday, 22 July 2020
- Record date: Friday, 24 July 2020
- Payment date: Monday, 27 July 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 July 2020 and Friday, 24 July 2020, both days inclusive.

For further information

This short form announcement is the responsibility of the directors of the group. Shareholders are advised that this short form announcement represents a summary of the information contained in the full long form announcement and does not contain full details.

The full long form announcement is published and is available at:

<https://senspdf.jse.co.za/documents/2020/JSE/ISSE/AFH/AFHJun2020.pdf>

The full announcement is also available on the Alexander Forbes website:

<https://www.alexanderforbes.co.za/investorrelations/financial-results/annual-results>

Electronic copies of the full announcement may be requested by emailing: InvestorRelations@forbes.com

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

The consolidated and company annual financial statements were audited by PricewaterhouseCoopers Incorporated (PwC) who issued an unmodified audit opinion on these financial statements. Their audit opinion, together with the accompanying financial statements, can be viewed on the Alexander Forbes website: <https://www.alexanderforbes.co.za/investorrelations/financial-results/annual-results> which also provides more details on the key audit matters contained in the independent auditor's report on pages 7 to 13 of the annual financial statements.

On behalf of the board of directors

M Ramplin
Chair

DJ de Villiers
Chief executive officer

8 June 2020
Sandton

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