

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 or the group)

EXTRACT FROM THE AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2021,
FINAL CASH DIVIDEND DECLARATION AND DIRECTORATE CHANGES

Overview

Alexander Forbes has delivered a resilient set of results which reflects the benefit of its strategic clarity and is underpinned by the operational and commercial sustainability of the business and the sharp focus on execution. The underlying business remains stable, solvency is sound, the value proposition has been enhanced, and we have become a more advice-led integrated business well positioned for growth. Over the past year there has been an immense resolve under challenging operating conditions to show progress in executing our strategic objectives. The leadership of Alexander Forbes has created a sustainable business and navigated it successfully through the global impact of the Covid-19 pandemic.

- A clear focus on our advice-led value proposition is yielding results in the form of increased new business and recognition by our clients, prospects and the broader industry.
- During the financial year, Alexander Forbes continued to win awards and accolades for the relevance of our advice, solutions and services.
- We have a clear signal from our clients that the group's response to sustain their businesses and the livelihoods of their employees resulted in a greater partnership. This partnership is premised on our advice-led solutions, our responsive negotiations around temporarily decreasing contributions and guiding the market through the volatile period.
- Significant improvement in independently measured net promoter score which more than doubled year on year.
- Our people are more engaged, reflected in the improvement in our employee engagement scores and this provides us with a strong foundation for higher performance in the future.
- New business wins of R140 million annualised revenue, the highest value in the past five years.

Highlights

- Operating income (from continuing operations) in line with prior year at R3 153 million, which is a pleasing result given the challenging operating environment.
- Operating expenses are well contained at R2 543 million, an increase of 4% year on year. Excluding the impact of stranded costs, the underlying operating expense growth reduces to 1% year on year.
- Headline earnings per share from continuing operations up 4% year on year to 33.4 cents per share.
- Cash generated from continuing operations remains strong at R977 million (2020: R936 million).
- Our capital position remains robust with a regulatory surplus of R1 353 million. The group cover ratio of 1.92 times is well above the target solvency cover ratio cover ratio of 1.5 times.
- Completed the exit of the insurance businesses and delivered on our capital-light strategy.
- Concluded the sale of the Namibian short-term insurance business.
- Signed a sale and transfer agreement for the group risk and retail life business on 11 June 2021. The transaction is subject to regulatory approval.
- Final dividend declared of 9 cents per share (2020: 12 cents per share), taking the annual dividend to 22 cents per share and maintaining the dividend cover at 1.5 times in line with our dividend policy.
- 29% increase in assets under administration (AuA) and assets under management (AuM) surpassing the R400 billion mark.

Financial highlights

In millions of South African rand (Rm)	Audited twelve months ended 31 March			
	2021/2020 % change	2021	2020	2019
Continuing operations				
Operating income (A)	-	3 153	3 153	3 136
Cost-to-income ratio (B)	230 bps	78.3	76.0	76.0
Profit/(loss) for the year	> 100	444	(764)	322
Cash generated from operations	4	977	936	1 003
Basic earnings/(loss) per share (cents)	> 100	33.0	(67.1)	22.1
Headline earnings per share (cents)	4	33.4	32.2	32.9
Discontinued operations				
Operating income (A)	(91)	49	547	727
(Loss)/profit from operations (before non-trading and capital items)	> (100)	(38)	144	237
Total group				
Basic earnings/(loss) per share (cents)	> 100	14.3	(11.8)	27.2
Headline earnings per share (cents)	(64)	12.7	35.4	44.2
Normalised headline earnings per share (cents)	(69)	12.0	38.7	45
Interim dividend (cents per share)	(28)	13	18	18
Final dividend (cents per share)	(25)	9	12	12
Annual dividend (cents per share)	(27)	22	30	30
Special dividend (cents per share)	na	-	50	30
Closing AuA and AuM (in billions of South African rand)	29	401	310	342

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

Chief executive officer, Dawie de Villiers, commented: 'Alexander Forbes's results reflect a resilient performance of which I am proud. This, during a year in which the operating conditions were some of the most challenging on record. Our leaders have driven strategic clarity and disciplined execution across Alexander Forbes, and these benefits have cemented the positioning of our advice-led, integrated value proposition. Alexander Forbes has partnered with our clients to sustain their businesses and the livelihoods of their employees, as well as ensuring the safety and well-being of our own employees during the global pandemic. We intend to build on this foundation by adapting and evolving to constantly remain relevant to our clients, provide opportunities for our employees to grow and to serve our community and society in securing their financial well-being.'

Final dividend declaration

The board has considered a final dividend declaration that considers the group's dividend policy, its current and projected regulatory position, the available cash 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 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.

The board has declared a final gross cash dividend of 9.0 cents per ordinary share (7.2 cents net of dividend withholding tax) for the year ended 31 March 2021. In determining the final dividend for this period, the board has considered the anticipated recovery from the ETV liability matter (refer to note 8.2 contained in the FY2021 summary consolidated financial statements), therefore maintaining the annual cover ratio within our policy of 1.5 times to 2.0 times.

The final dividend has 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 dividend will be as follows:

- Last day of trade to receive a dividend: Tuesday, 6 July 2021
- Shares commence trading 'ex' dividend: Wednesday, 7 July 2021
- Record date: Friday, 9 July 2021
- Payment date: Monday, 12 July 2021

Share certificates may not be dematerialised or rematerialised between Wednesday 7 July 2021 and Friday 9 July 2021, both days inclusive.

Prospects

The continued success of Alexander Forbes is underpinned by our market leading integrated consulting and investments solutions offerings. We have built a solid foundation for growth and have set ambitious targets for the years ahead. Our growth agenda includes sizable organic and inorganic growth opportunities. We will differentiate ourselves through:

Advice-led employee benefit, healthcare and investments solutions

Our strategic focus of being an integrated, advice-led business means that we are well placed to continue to provide the most relevant and appropriate employee benefit solutions and services to our clients. We have improved our engagement with members through building trusted relationships and developed a more targeted strategy which will deliver better financial outcomes for our individual members.

Multimanager investment value proposition embedded in our DNA

Our multi-management approach is central to our investment philosophy and provides clients with the benefits of best-of-breed product selection which optimises returns in volatile markets. Our investment philosophy aims to provide a level of downside protection, making our portfolios well positioned in these volatile markets to continue to achieve superior returns on a risk-adjusted basis. We are confident that our well-diversified investment approach implemented across our multimanager investment portfolios will continue to add value for our clients. We will continue to embed ESG principles in how our portfolios are managed as well as focusing on improvements in monitoring and reporting.

Automate, digitise and simplify our business

Management remains resolute in our efforts to continue our journey towards becoming a highly automated, digitised and simplified business geared for the future needs of our clients. We are currently implementing three significant automated solutions to our Administration clients. For our clients and members, the aim is to deliver a better service and faster turnaround times. Underpinning our long-term growth will be an ongoing focus on operational excellence in execution, expense management which includes reducing our property footprint, further improvements in our administration capability and a strengthening of our talent pool.

Embrace regulation

The vast benefits of saving through the well-established, regulated and tax effective retirement system became clear during the pandemic for many employers and their employees. There have also been numerous regulatory announcements in terms of which we are well placed to assist clients. These include potential changes to Regulation 28 to encourage greater investment in infrastructure programmes and provident fund annuitisation from 1 March 2021. As market leaders, we are well placed to deliver on further longer-term retirement reform efforts involving minimum mandatory preservation and broadening the savings coverage in South Africa.

Committed to improving returns through meaningful organic and inorganic growth

Over the past year, asset values have recovered from dampened values in the prior year and we expect our asset-based revenue stream to be more robust from the now higher relative base as a result. As employment stabilises and gross domestic product begins to increase, we expect to experience good growth in revenue on our existing client base. We anticipate an increase in market activity post Covid-19 as employers and retirement funds seek to simplify their retirement funding and healthcare benefits, and Alexander Forbes is best positioned to advise them.

Management continues to consider a healthy pipeline of inorganic growth opportunities ranging from bolt-on acquisitions to medium and large-scale opportunities. The landscape has changed considerably since the advent of Covid-19 and this has brought about opportunities for Alexander Forbes to review and pursue a sizable acquisition that will deliver scale and synergy benefits to our core business. Our financial position supported by the cash generated by the underlying operations remains a key strength during these times. Our unleveraged balance sheet ensures that we are well placed to benefit from these potential growth opportunities. We will remain disciplined in our decisions with due consideration to the challenging operating environment.

Conclusion

We will improve financial inclusivity through our member engagement strategy. This involves partnering with our clients and members to be more self-sufficient and financially astute by providing them with suitable advice with a view to better outcomes to secure their financial well-being. It starts with empowering our members with access to financial literacy training to understand savings and benefits, which enables them to make more informed financial decisions. By offering them this opportunity to save and invest in their personal capacity at institutional prices over the long term, we contribute to their financial well-being, that of their employers and ultimately to the well-being of society.

Change in directorate

The following changes to the board were announced through the year:

- Ms MR Nkadimeng was appointed as a non-executive director on 3 June 2020, and as member of the Social, ethics and transformation committee on 1 February 2021.
- Mr DJ Anderson resigned as a director on 6 May 2020, which is the day following the completion of the African Rainbow Capital (ARC) Acquisition(1).
- Mr AM Mazwai was appointed as an independent, non-executive director, and member of the audit and risk committee, effective 9 November 2020.

1. The acquisition by ARC of 193 000 000 ordinary shares from Mercer, which amounts to 15% of the issued share capital that was concluded on 5 May 2020.

Ms BJ Memela-Khambula has announced her intention not to stand for re-election at the annual general meeting to be held on 3 September 2021 and will retire with effect from the conclusion of the board meeting held on the same day. The company will make a future announcement on her successor as social, ethics and transformation committee chair. Ms Memela-Khambula has been a loyal and longstanding independent non-executive director since 2015. The board wishes to express their appreciation to her for her excellent service and dedication and wishes her well for the future.

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 announcement and does not contain full details.

The full announcement is published and is available at: <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/AFH/AFHJun2021.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@aforbes.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 10 to 18 of the FY2021 annual financial statements.

On behalf of the board of directors

M Ramplin
Chair

DJ de Villiers
Chief executive officer

14 June 2021
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Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)