

Clientèle Limited
(Registration number 2007/023806/06)
Share code: CLI
ISIN: ZAE000117438

Preliminary results
For the year ended 30 June 2022

Dividends declared increased by 9% to 120.00 cents per share
Diluted headline earnings per share increased by 12% to 131.30 cents
Return on average shareholders' interest of 39%
Recurring Embedded Value Earnings of R724.9 million
Recurring Return on Embedded Value of 13.3%
Value of New Business increased by 34.8% to R290.6 million*
*Risk Discount Rate 13.8% (2021: 12.1%).

Commentary

Introduction

It is pleasing to report that despite the challenging investment and operating environment characterised by lockdowns, civil unrest, flooding in KwaZulu-Natal, COVID-19, load-shedding, instability in the collections environment, rising inflation and deteriorating economic conditions, the Clientèle Group ("the Group") has continued to build on the strong set of results reported last year and is pleased to report improvements in most of its key performance metrics. This has largely been driven by tight cost control and the underwriting of a large number of funeral policies for certain funeral parlour intermediaries during the year. Additional reserves, net of reinsurance, for Incurred But Not Reported ("IBNR") claims of R13.5 million and COVID-19 claims of R6.1 million in respect of these policies were provided for and these policies are expected to add meaningful value to the business over the long-term.

Policyholder withdrawals over the course of the year have increased as a result of many factors, including: the depressed economy and the consequent affordability effects, disputes of valid debit orders, including multiple disputes within the Registered Mandate Service ("RMS") environment, suspension of DebiCheck mandates, the closure of the Non-authenticated Early Debit Order ("NAEDO") system and stability issues in the collections environment. All of these factors are expected to continue to negatively impact debit order collections in the short-term.

Had NAEDO not been closed or had the transition to DebiCheck been smooth, the Group's results would have been stronger than now reported, as the Group now has less alternatives to fall back on when there are challenges within the premiums collections environment.

Despite the challenges referred to above the Group remains in a sound solvency and liquidity position and continues to generate strong positive cashflows.

The Group achieved an investment return for the year of 4.2% (2021: 10.6%) from its investment portfolios in a challenging investment environment.

Use of the Clientèle Application ("the Clientèle App") continues to expand following its adoption by clients and agents alike. The Clientèle App serves as a platform for sales capture and basic policy administration as well as an access point for Clientèle Rewards and Clientèle Mobile. Clientèle Rewards is gaining increased traction, which bodes well for the future.

Operating Results

Group Statement of Comprehensive Income

Net insurance premiums for the year increased by 1% to R2.18 billion (2021: R2.17 billion), impacted by production which was negatively affected by the challenging operating environment, as referred to above, and policy withdrawals countered by the funeral parlour business written.

Net insurance benefits and claims of R433.1 million were 2% higher than the R424.5 million in respect of last year.

The explicit COVID-19 risk reserve, including the new funeral parlour business, allows for expected additional COVID-19 policyholder risk claims and gross of reinsurance amounts to R81.7 million at year-end (2021: R144.1 million), while the net of reinsurance reserve amounts to R26.2 million (2021: R55.1 million).

Operating expenses (including acquisition expenses) of R1.4 billion (2021: R1.5 billion), which were well controlled, were 6% lower than last year.

The above translates into headline earnings for the Group increasing by 12% to R440.8 million (2021: R395.1 million) resulting in a return on average shareholders' interests of 39% (2021: 37%). Diluted headline earnings per share of 131.30 cents (2021: 117.70 cents) were 12% higher than last year.

Group Embedded Value and Value of New Business

The Group Embedded Value ("EV") at 30 June 2022 remained constant at R5.8 billion (30 June 2021: R5.8 billion), after the payment of the annual dividend of R368.9 million in September 2021, despite the Risk Discount Rate ("RDR") of 13.8% p.a. increasing from 12.1% p.a. at 30 June 2021. Recurring Embedded Value Earnings ("REVE") of R724.9 million were negatively impacted by withdrawal losses of R217.3 million. Nonetheless REVE was 5.4% higher than the prior year result of R687.5 million.

The Value of New Business ("VNB") for the year (RDR of 13.8% p.a.) amounted to R290.6 million (2021: R215.5 million (RDR of 12.1% p.a.)) an increase of 34.8% over last year despite the increase in the RDR.

The EV and VNB sensitivities are illustrated in the Group EV results on page 20.

The new business profit margin (excluding Single Premium investment business) was 10.2% (June 2021: 10.7%). The Present Value of New Business premiums increased due to large volumes of Single Premium investment business written in the last quarter of the year. The relatively low profit margin on this block of business has resulted in a marked decrease (to 7.4%) in the overall New Business profit margin.

The Group follows a conservative accounting practice of eliminating negative reserves. As acquisition costs are expensed upfront, the recovery of these costs and the profits are deferred over the policy life. The present value of this discretionary margin amounts to R2.5 billion (2021: R2.7 billion).

Segment Results

Clientèle Life - Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance and recorded a 15% increase in net profit for the year to R326.0 million (2021: R282.7 million) despite the impact of the challenging operating environment, policy withdrawals and poor investment returns, as previously referred to. Clientèle Life's total VNB for the year of R233.2 million (2021: R126.9 million), benefitted from the underwriting of the business from funeral parlours referred to above and increased by 84% over last year. Clientèle Life recorded REVE of R531.7 million (2021: R401.5 million), an increase of 32%.

Clientèle General Insurance (Clientèle Legal) - Short-term insurance

Clientèle Legal's net profit for the year of R94.9 million (2021: R90.1 million) increased by 5% on last year, impacted by the challenging operating environment, policy withdrawals and poor investment returns, as previously referred to. Clientèle Legal's VNB was R49.5 million (2021: R87.3 million) and it recorded REVE of R182.2 million (2021: R273.8 million) and a Recurring Return on EV of 13.9% (2021: 22.6%). Management are focusing on returning the business to its growth path through increasing quality production.

CBC Rewards, Clientèle Mobile and Direct Rewards

CBC Rewards, Clientèle Mobile and Direct Rewards reported a combined net profit of R2.0 million for the year (2021: R0.4 million) and VNB of R7.9 million (2021: R1.5 million).

Outlook

The Group remains focused on Treating its Clients Well ("TCW") and providing products and services which meet their needs and will continue to improve on the delivery of them to the market conveniently and efficiently. Management continues to successfully navigate the business through the prevailing challenges and take advantage of the opportunities which present themselves in this environment.

The value adding initiatives for our clients which include Clientèle Rewards, the Clientèle App, and Clientèle Mobile continue to add value to our clients. The challenges within the collections environment together with pressure on disposable income for our customers continues to negatively impact withdrawals and this receives a tremendous amount of management's focus and efforts. The Group will, as usual, continue to focus on increasing production of quality business across all of its distribution channels, including funeral parlours.

Tight control will continue to be kept on expenses and every effort will be made to maintain and improve business efficiencies.

The Group is comfortable that the ongoing challenges continue to be well managed. Despite the depressed economic environment, the Board remains encouraged by the prospects for growth and value creation over time.

Dividend Declared

Notice is hereby given that the Directors have declared a final gross dividend of 120.00 cents (2021: 110.00 cents) per share on 31 August 2022 for the year ended 30 June 2022.

The Board of Clientèle Limited confirms that Clientèle Limited will satisfy the solvency and liquidity tests immediately after completion of the dividend distribution. The dividend will be subject to dividends tax. In accordance with the JSE Listings Requirements, the following additional information is disclosed:

The dividend has been declared out of income reserves;

The local dividends tax rate is 20% (twenty percent) (2021: twenty percent);

The gross local dividend amount is 120.00 cents (2021: 110.00 cents) per ordinary share for shareholders exempt from the dividends tax;

The net local dividend amount is 96.00 cents (2021: 88.00 cents) per ordinary share for shareholders liable to pay the dividends tax;

The local dividends tax amount is 24.00 cents (2021: 22.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;

Clientèle Limited currently has 335,321,768 (2021: 335,321,768) ordinary shares in issue.

Clientèle Limited's income tax reference number is 9465071166.

In compliance with the requirements of STRATE Limited, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Declaration date	Wednesday, 31 August 2022
Finalisation date	Tuesday, 13 September 2022
Last day to trade	Tuesday, 20 September 2022
Shares commence trading "ex" dividend	Wednesday, 21 September 2022
Record date	Friday, 23 September 2022
Payment date	Monday, 26 September 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 21 September 2022 and Friday, 23 September 2022, both days inclusive.

By order of the Board

GQ Routledge	BW Reekie
Chairman	Managing Director

Johannesburg

31 August 2022

	Year ended 30 June 2022	% change	Year ended 30 June 2021
Net profit for the year (R'000)	435,469	11	392,255
Headline earnings per share (cents)	131.45	12	117.82
Earnings per share (cents)	129.87	11	116.98
Embedded Value at the end of the year (R'000)	5,807,067	-	5,806,456
Recurring Return on Embedded Value (%)	13.3		12.4
Value of New Business for the year (R'000)	290,575	35	215,468
Recurring EV Earnings for the year (R'000)	724,913	5	687,456

Short-form announcement dated 31 August 2022

This short-form announcement is the responsibility of the Directors and is only a summary of the information in the full announcement and does not contain the full or complete details. The full announcement can be found through this link:

(<https://senspdf.jse.co.za/documents/2022/jse/isse/CLI/CLI2022.pdf>) and on the Company's website. Copies of the full announcement are available for inspection at the Company's registered office, at no charge, during office hours and may also be requested from Wilna van Zyl on 011 320 3284 or wvanzyl@clientele.co.za

These condensed consolidated preliminary results for the year ended 30 June 2022 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by PricewaterhouseCoopers Incorporated, who expressed an unmodified review conclusion.

Any investment decisions should be based on consideration of the full announcement. Comprehensive commentary including regulatory requirements is contained in the full announcement.

Sponsor: PricewaterhouseCoopers Corporate Finance Proprietary Limited

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Directors:

GQ Routledge BA LLB (Chairman); BW Reekie BSc (Hons), FASSA* (Managing Director); GK Chadwick MAgric, MBA (Alternate to ADT Enthoven); ADT Enthoven BA, PhD (Political Science); PR Gwangwa BProc LLB, LL.M.; LED Hlatshwayo CA(SA), MBA; IB Hume CA(SA), ACMA*; H Louw BCom(Hons), FASSA*; PG Nkadameng BSc Statistics and Economics; BA Stott CA(SA); RDT Tabane BA, MPhil, MBA*; RD Williams BBusSci(Hons), FASSA (*Executive Director)

Company secretary: W van Zyl CA(SA)