

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

Short-form announcement of Condensed results **For the year ended 30 June 2023**

Dividends declared increased by 4% to 125.00 cents per share
Diluted headline earnings per share increased by 15% to 145.32 cents
Return on average shareholders' interest of 43%
Recurring Embedded Value Earnings of R663.1 million*
Recurring Return on Embedded Value of 12%*
Value of New Business of R244.9 million*

*Risk Discount Rate 14.1% (2022: 13.8%)

Commentary

INTRODUCTION

The Clientèle Group (“the Group”) has produced a reasonable set of results for the year against the backdrop of a continuing challenging trading environment, characterised by low economic growth, ongoing load-shedding and challenges in the premium collections environment.

The previously reported higher than expected policyholder withdrawals continued throughout the year. Instability in the collections environment and in the services provided by a third party service provider negatively impacted collection success, and consequently increased withdrawals.

The Group remains in a sound solvency and liquidity position.

The Group achieved an investment return of 10.5% (2022: 4.2%) from its investment portfolios.

Take up of the stand-alone Clientèle Rewards product has been extremely encouraging.

Increased use of the Clientèle Application (“the Clientèle App”) which serves as a platform for sales capture by a number of the distribution channels, and is utilised by our clients for basic policy administration as well as to access Clientèle Rewards and Clientèle Mobile is positive.

OPERATING RESULTS

Group Statement of Comprehensive Income

Net insurance premiums for the year of R2.02 billion decreased slightly (by 1.7%) in comparison to the prior year (2022 restated: R2.05 billion). Growth was impacted by the higher than expected withdrawals mentioned above.

Revenue from contracts with customers of R342.0 million was 59% higher than last year (2022 restated: R214.4 million), on the back of high production of co-branded single premium products, an increase in revenue from the stand-alone rewards product and the consolidation of revenue from Direct Rewards for the 2023 financial year.

The attrition rate on co-branded single premium business was reduced from 20% to 3% as there is now sufficient historical information in respect of the behaviour of this book of

business to set an assumption based on experience. The net profit increase as a consequence of this change was R16.5 million.

Recurring premium savings policies sold through the Telesales channels that were previously accounted for under IFRS4 have now been accounted for under IFRS 9, which delays the emergence of profits for this block of business, and the comparative numbers have been restated, reducing the 2022 profit after tax by R15.1 million.

Net insurance benefits and claims of R387.7 million were 2% higher than the R380.8 million in respect of the prior year.

The full explicit COVID-19 risk reserve, net of reinsurance, of R26.2 million was released during the year.

Operating expenses (including acquisition expenses) of R1.7 billion (restated 2022: R1.4 billion), were 20% higher than last year. The main reason for this was an increase in acquisition costs which includes a once-off upfront of commission (R100 million) in respect of a funeral parlour insurance transaction in the current year and an increase of R19 million in acquisition costs in respect of the increased production of single premium policies.

Due to a high client affinity with certain funeral parlours, and corresponding lower withdrawal experience on this business, a portion of future funeral parlour profits have been recognised during the year as a result of not eliminating negative reserves on this class of business. This resulted in an increase in profit after tax of R213.6 million (and a corresponding reduction in Value of In-force and a negligible impact on the Embedded Value ("EV")).

The above translates into headline earnings for the Group increasing by 15% to R487.7 million (2022 restated: R425.7 million) resulting in a return on average shareholders' interests of 43% (2022 restated: 40%). Diluted headline earnings per share of 145.32 cents (2022 restated: 126.8 cents) were 15% higher than last year.

Group Embedded Value and Value of New Business

The Group EV at 30 June 2023 increased by 1% from last year and was R5.9 billion (30 June 2022: R5.8 billion), after the payment of the annual dividend of R402.4 million in September 2022, despite the Risk Discount Rate ("RDR") of 14.1% p.a. having increased from 13.8% p.a. at 30 June 2022. Recurring Embedded Value Earnings ("REVE") of R663.1 million were negatively impacted by withdrawal losses of R245.4 million, resulting in a reduction of 9% in comparison to the prior year result of R724.9 million.

The Value of New Business ("VNB") for the year of R244.9 million (RDR of 14,1% p.a.) (2022: R290.6 million (RDR of 13.8% p.a.)) decreased by 16% over last year. In order to be in line with the rest of the industry, reinstatements have been removed from new business and treated as "negative withdrawals".

As a result, reinstatements are no longer included in the VNB but the impact of reinstatements is included as a negative decrement in the VIF. This methodology change also affected the withdrawal and expense assumptions for the in-force and new business calculations. Furthermore, a change was made (by one of the Reinsurers) to the shape of the reinsurance rates curve. These once-off changes had a negative EV impact of R158.3 million and a negative impact on VNB.

The EV and VNB sensitivities are illustrated in the Group EV results on page 22.

The Present Value of New Business premiums increased due to large volumes of Single Premium investment business written. The relatively low profit margin on this block of business has resulted in a marked decrease (to 4.8%) in the overall New Business profit margin.

Other than profit recognition on some of the funeral parlour business mentioned above, 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 R2.1 billion (2022: R2.5 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 aided by the good quality funeral parlour intermediated business recorded a 33% increase in net profit for the year to R413.7 million (2022 restated: R310.9 million) despite the impact of the challenging operating environment and policy withdrawals, as previously referred to.

Clientèle Life's total VNB for the year of R157.5 million (2022: R233.2 million) has reduced by 32%. Clientèle Life recorded REVE of R466.9 million (2022: R531.7 million), a decrease of 12%. The Recurring Return on EV was 11.7% p.a (2022: 13.2% p.a).

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

Clientèle Legal's net profit for the year of R85.4 million (2022: R94.9 million) decreased by 10% on last year, impacted by the challenging operating environment and policy withdrawals. Clientèle Legal's VNB was R67.9 million (2022: R49.5 million) and it recorded REVE of R171.0 million (2022: R182.2 million) and a Recurring Return on EV of 13% (2022: 13.9%). Management is 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' combined net loss for the year was R4.1 million (2022: R2.0 million net profit) on the back of large volumes of new business and associated acquisition costs. The segment produced VNB of R19.5 million (2022: R7.9 million). Direct Rewards is accounted for as a subsidiary effective from 1 July 2022.

OUTLOOK

In this challenging environment, the Group remains focused on Treating its Clients Well ("TCW") and providing products and services that meet their needs and will continue to improve on the delivery of them to the market conveniently and efficiently.

Management continues to be agile and responsive to challenges that arise and to take advantage of the opportunities that present themselves.

Investment of time and effort in the Clientèle Rewards, Clientèle App and Clientèle Mobile initiatives aligns with the Group's focus on "shared value".

With the ongoing challenges within the premium collections environment, management continue to implement initiatives to mitigate the impacts of high withdrawals. There are however encouraging signs of better stability in the collections environment.

The Group will, as usual, continue to focus on increasing production of quality business across all of its distribution channels.

A tight control environment will continue to be maintained and improved, whilst every effort will be made to maintain and improve business efficiencies.

The Board remains optimistic that there are opportunities for growth and value creation over time in the Group's target market.

Dividend Declared

Notice is hereby given that the Directors have declared a final gross dividend of 125.00 cents (2022: 120.00 cents) per share on 31 August 2023 for the year ended 30 June 2023.

The Board of Clientèle Limited confirms that the Group 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) (2022: twenty percent);
- The gross local dividend amount is 125.00 cents (2022: 120.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 100.00 cents (2022: 96.00 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 25.00 cents (2022: 24.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 335,321,768 (2022: 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 Thursday, 31 August 2023

Last day to trade Tuesday, 19 September 2023

Shares commence trading "ex" dividend Wednesday, 20 September 2023

Record date Friday, 22 September 2023

Payment date Tuesday, 26 September 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2023 and Friday, 22 September 2023, both days inclusive.

By order of the Board

GQ Routledge
Chairman
Johannesburg

BW Reekie
Managing Director

31 August 2023

	Year ended 30 June 2023	% change	Year ended 30 June 2022
Net profit for the year (R'000)	490,059	17%	420,353*
Headline earnings per share (cents)	145,44	15%	126,94*
Earnings per share (cents)	145,44	16%	125,36*
EV at the end of the year (R'000)	5,887,476	1%	5,807,067
Recurring Return on Embedded Value (%)	12.3	-1%	13.3
Value of New Business for the year (R'000)	244,873	-16%	290,575

Recurring EV Earnings for the year (R'000) *restated	663,091	-9%	724,913
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Short-form announcement dated 31 August 2023

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 JSE Cloudlink:

(<https://senspdf.jse.co.za/documents/2023/jse/isse/CLI/CLI2023.pdf>) and on the Company's weblink: (<https://clientele.co.za/sens-announcements/>).

This short-form announcement has in itself not been reviewed by the Company's auditors but has been extracted from the reviewed condensed consolidated financial statements. The Company's auditor's review conclusion report can be obtained from the Company's website.

The condensed consolidated results for the year ended 30 June 2023 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by Deloitte & Touche (South Africa), 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); MG Cownie CA(SA)*; H Louw BCom(Hons), FASSA*; PG Nkadimeng BSc Statistics and Economics; BA Stott CA(SA); RDT Tabane BA, M.Phil, MBA*; RD Williams BBusSc(Hons), FASSA; HP Mayers BSc(Hons), FASSA
(*Executive Director)

Company secretary: EJ Smit LLB