



INTERIM RESULTS

For the six months ended 31 December

2019



INTRODUCTION

The challenging state of the South African economy has placed continued pressure on our clients' disposable income affecting their ability to pay insurance premiums and the investment returns of the Clientèle Group, the combination of which has resulted in a disappointing set of results for the six month period.

A major contributor to the results is the adverse withdrawal experience and ongoing occurrence of widespread debit order disputes which has affected all mass market insurers in South Africa. Withdrawals and disputes have been worse than management's expectations and this has affected insurance premium revenue, the Value of New Business ("VNB") and Recurring Embedded Value Earnings ("REVE"). The negative withdrawal and unpaid premium experience variance for the period amounts to R74.5 million. Long-term withdrawal and other non-economic assumptions were not changed as at 31 December 2019, however these will be reviewed for year-end results in June 2020. Withdrawals and disputes continue to be the subject of intense focus by management.

New business production volumes, although marginally higher than the same period last year, are again below expectation for the traditional Telesales and Independent Field Advertisers ("IFAs") channels. This was partially offset by increased production from the newer Agency and Mass Market Broker distribution channels.

The annualised investment return for the period of 5.5% (2018: 1.0 %) from the Group's investment portfolios was disappointingly below the actuarial assumption.

Clientèle's loyalty program, Clientèle Rewards, has been well subscribed to by clients and Rewards contracts have now been taken up by approximately 15% of Clientèle's client base.

The loyalty program is delivered by Clientèle Benefits Company (Pty) Ltd, a wholly owned subsidiary of Clientèle Limited. The relationship with the loyalty benefit providers is managed by Direct Rewards (Pty) Ltd. The Rewards program is of strategic importance to Clientèle and Clientèle has secured the option to buy a 25% stake in Direct Rewards (Pty) Ltd, at Clientèle's election, in the second half of the 2020 financial year.

Clientèle recently launched another differentiating offering, Clientèle Mobile, which offers airtime and data to the South African public and gives further discounts to Clientèle Rewards members in order to enhance our clients' experience with Clientèle.

The Clientèle Application ("the App") introduced in November 2018 has also been keenly adopted by our clients, employees and intermediaries and enables a more interactive relationship with our clients and serves as a platform for Clientèle Rewards and Clientèle Mobile as well as many future opportunities.

OUTLOOK

The economic environment has worsened over this period and remains challenging. The Board is concerned by the current state of the economy and by the continuing high level of disputes. The Board is not expecting any meaningful improvement in the economic environment for the remainder of the financial year and is making concerted efforts to understand and positively influence policyholder behaviour.

Management's recent initiatives, which include Clientèle Rewards, the Clientèle App, Clientèle Mobile coupled with the widespread roll-out of DebiCheck are aimed at improving persistency and the quality of new business written. Clientèle will also continue to focus on increasing production levels, particularly in our traditional Telesales and IFA distribution channels.

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

Clientèle Rewards, the Clientèle App and Clientèle Mobile are important ingredients in offering our customers improved value, convenience and service which we believe will further enhance and differentiate the Clientèle business model in future.

Clientèle remains committed to providing products and services that are relevant and meet our customers' needs and will continue to improve on the delivery of them to the market conveniently and efficiently.

The Board is disappointed by the results for the period, however it is encouraged by the new initiatives and their prospects for growth and value creation over time.

By order of the Board

GQ Routledge
Chairman

BW Reekie
Managing Director

Johannesburg

24 February 2020

Six months ended 31 December

	2019	2018	% change	Year ended 30 June 2019
Net profit for the period (R'000)	176,671	192,468	(8)	400,937
Headline earnings per share for the period (cents)	52.69	57.84	(9)	120.00
Earnings per share for the period (cents)	52.69	57.49	(8)	119.65
Embedded Value at the end of the period (R'000)	6,352,354	6,219,111	2	6,636,329
Annualised Recurring Return on Embedded Value (%)	9.1	11.7		8.3
Value of New Business for the period (R'000)	50,913	204,072	(75)	300,522
Recurring EV Earnings for the period (R'000)	282,005	345,741	(18)	491,897

SHORT-FORM ANNOUNCEMENT dated 24 February 2020

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 \(https://senspdf.jse.co.za/documents/2020/jse/isse/CLI/CLI2019.pdf\)](https://senspdf.jse.co.za/documents/2020/jse/isse/CLI/CLI2019.pdf). 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. Any investment decisions should be based on consideration of the full announcement published on the Company's website. [Comprehensive commentary including regulatory requirements is contained in the full announcement.](#)

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Directors: GQ Routledge BA LLB (Chairman); BW Reekie BSc (Hons), FASSA* (Managing Director); ADT Enthoven BA, PhD (Political Science); GK Chadwick MAgri, MBA (Alternate); B du Toit BCom*; PR Gwangwa BProc LLB, LLM; LED Hlatshwayo CA(SA), MBA; IB Hume CA(SA), ACMA*; BY Mkhondo BCom, MBA; PG Nkadineng BSC Statistics and Economics; BA Stott CA(SA); RD Williams BSc (Hons), FASSA, (*Executive Director)

Company secretary: W van Zyl CA(SA)