

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

Preliminary results
For the year ended 30 June 2019

Dividends declared increased by 5% to 131 cents per share
Net insurance premiums increased by 3% to R2.1 billion
Diluted headline earnings per share decreased by 18% to 119.85 cents
Return on average shareholders' interest of 38%
Value of New Business of R300.5 million
Recurring Embedded Value Earnings of R491.9 million
Recurring Return on Embedded Value of 8.3%
Diluted Embedded Value per share of 1 976.65 cents

Commentary

Introduction

The high unemployment rate and dire state of the economy has had a negative effect on our clients. Unsurprisingly, this has resulted in a disappointing set of results for the Clientèle Group ("Clientèle").

New business production volumes, although marginally higher than last year, are below expectation for the traditional Telesales and Independent Field Advertisers ("IFAs") channels. Fortunately, this was partially offset by good production from the newer Agency and Mass Market Broker distribution channels, which are both producing volumes ahead of the original business plan.

These new channels attract up-front acquisition costs and this is the major contributing factor to the increase in expenses for the year.

A positive aspect has been the growth in single premium investment business. Over the past two years Clientèle has underwritten co-branded single premium investment products with Old Mutual and Absa, which have been well supported by clients. This once-off co-branded single premium business accounts for most of the R4.5 billion increase in financial assets during the year.

Investment returns for the year were poor and produced a 5.2% (2018: 13.2%) return. The JSE ALSI achieved a 4.4% return for the year.

A major contributor to the disappointing results is adverse withdrawals, which have been worse than management's expectations and 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 year amounts to R225.6 million (2018: R81.6 million). In addition, withdrawal assumptions were reviewed and the negative impact on existing business of R281.6 million (2018: R43.9 million) is included in the "Changes in non-economic assumptions and modelling" item, as disclosed in the Embedded Value Earnings Analysis. Withdrawals are the subject of intense focus by management in order to improve this aspect of the business.

Clientèle launched an exciting loyalty program during the financial year, Clientèle Rewards. The Rewards Program provides tangible monthly benefits to loyal Clientèle policyholders which include discounts at Shoprite, Checkers, Checkers Hyper, Dischem, Edgars, Jet, CNA, Greyhound and Citiliner.

In the next half of the calendar year the Rewards Program will continue to be enhanced. 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 2020 financial year. The Clientèle Application ("the App") was also recently launched and has been keenly adopted by our clients, employees and intermediaries. The App opens up many exciting avenues for better fulfilling Clientèle's various stakeholder needs in future and enables a more interactive relationship with clients.

Outlook

The economic environment has been challenging over the year and remains so. The board is concerned by the current state of the economy and is not expecting any improvement in the economic environment for next year.

Management have introduced new initiatives aimed at improving the quality of new business and will continue to focus on increasing production levels, particularly in our traditional Telesales and IFA distribution channels. Tight control will be kept to maintain and improve business efficiencies.

The Agency and Mass Market Broker distribution channels are expected to create meaningful value for the Group in future.

Clientèle launched a project with the Landile Shembe Foundation ("LSF") through which it will provide Clientèle products to the Shembe community. This initiative has commenced and will be nurtured during its early years.

Clientèle Rewards and the Clientèle App are important ingredients in offering our clients 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 clients' 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 year, however it is encouraged by the new initiatives and their prospects for growth and value creation over time.

Dividend Declared

Notice is hereby given that the directors have declared a final gross dividend of 131.00 cents (2018: 125.00 cents) per share on 21 August 2019 for the year ended 30 June 2019.

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) (2018: twenty percent);
- The gross local dividend amount is 131.00 cents (2018: 125.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 104.80 cents (2018: 100.00 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 26.20 cents (2018: 25.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 335,309,778 (2018: 334,707,747) 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:

Last day to trade	Tuesday, 17 September 2019
Shares commence trading "ex" dividend	Wednesday, 18 September 2019
Record date	Friday, 20 September 2019
Payment date	Monday, 23 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2019 and Friday, 20 September 2019, both days inclusive.

By order of the Board

GQ Routledge
Chairman
Johannesburg

BW Reekie
Managing Director

26 August 2019

	Year ended 30 June 2019	% change	Year ended 30 June 2018
Net profit for the year (R'000)	400,937	(18)	490,323
Headline earnings per share (cents)	120.00	(18)	147.22
Earnings per share (cents)	119.65	(18)	146.62
Embedded Value at the end of the year (R'000)	6,636,329	5	6,321,588
Recurring Return on Embedded Value (%)	8.3		18.0
Value of New Business for the year (R'000)	300,522	(33)	447,981
Recurring EV Earnings for the year (R'000)	491,897	(50)	979,019

Short-form announcement dated 26 August 2019

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/2019/jse/isse/CLI/CLI2019.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. 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);
ADT Enthoven BA, PhD (Political Science); B du Toit BCom*; PR Gwangwa BProc LLB, LLM; IB Hume CA(SA), ACMA*;
BY Mkhondo BCom, MBA; PG Nkadimeng BSc Statistics and Economics; BA Stott CA(SA); RD Williams BSc (Hons), FASSA,
(*Executive Director)

Company secretary: W van Zyl CA(SA)