



MEDIA RELEASE

SYDNEY, 24 February 2016

ClearView delivers strong 1H FY16 result

Total Operating NPAT¹ of \$13.9m, up 40% on 1H FY15, Underlying NPAT² of \$13.4m, up 35% on 1H FY15:

- Reflective of the emergence of strong earnings growth and the transition of ClearView from its “build” phase to its “growth” phase;
- Life Insurance Operating NPAT¹ of \$12.1m, up 66%; key profit driver, most mature segment and demonstrating strong J-curve economics;
- Growth in life insurance in-force premiums from \$101m to \$132m (+30%);
- Growth in Advice based life insurance new business from \$13.2m to \$15.7m (+19%). This is significantly above market growth with a focus on broadening distribution reach;
- The number of APLs on which LifeSolutions is placed, increased to 249 (up 54%) with 59% of Advice based life insurance new business generated from third party APLs, up 35% on 1H FY15;
- EV of \$507m³ up 11% on 1H FY15; Value of New Business (VNB) of \$7.1m⁴ up 4% on 1H FY15;
- Growth in Wealth in-force FUM⁵ of 12% to \$2.0bn, \$101m net flow positive (+294%) in a difficult and volatile investment market;
- Decrease in non-deferred expense overruns from \$4.3m to \$2.7m reflects the efficiencies gained through increased scale benefits (period to period);
- Reported NPAT of \$7.6m (down 1%), impacted by the (net of tax) effect of the movement in long term discount rates on the policy liabilities between periods and the write off of Your Insure investment.

1 Operating Earnings NPAT represents the Underlying NPAT² of each of the operating business units before taking into account the interest costs associated with corporate debt.

2 Underlying net profit after tax is the Board’s key measure of group profitability and the basis on which dividend payments are determined. It consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group’s ordinary activities.

3 EV at 4% discount rate risk margin, including a value for future franking credits and ESP loans.

4 VNB at 4% discount rate margin, excluding a value for future franking credits.

5 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes) and Funds Under Administration on WealthSolutions.

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ClearView Wealth Limited (“ClearView” or “the Company”, ASX: CVW) today announced its results for the half year ended 31 December 2015.

For the period, ClearView delivered Total Operating Earnings NPAT of \$13.9 million (+40%) and an Underlying NPAT of \$13.4 million (+35%).

Key points:

- **Life Insurance Operating NPAT of \$12.1 million, up 66% on the prior comparable period.** This reflects growth in the underlying in-force portfolios – this is the key profit driver, most mature segment and demonstrating strong J-curve economics;
- **Wealth Management Operating NPAT of \$1.3 million, up 18% on the prior comparable period.** A result of the positive impacts on net fee income given the increase in FUM (+12%) but partially offset by the reduction in average fee rates across the in-force book and the growth and development costs being incurred that are starting to now be supported by FUM as the new wealth management products build to scale over time; and
- **Financial Advice Operating NPAT of \$0.7 million, down 63% on the prior comparable period.** This follows a reallocation of part of the dealer group support costs that were previously absorbed by the Life Insurance segment coupled with the further investment in adviser support services to support a larger adviser base.

The 1H FY16 result includes the impacts of key decisions to support the medium term growth and longer term strategy:

- Restructure of the senior management team to shift the focus of the business from the “build” to the “growth” phase;
- An intentional slowdown in non-advice new business, in particular the direct life insurance channel that targeted lower socio economic customers. This decision was driven by the adverse lapse experience and led to a 34% decline in new business volumes to \$2.5m; and
- Material investment in FY15 in new wealth products and contemporary platform with the growth and development costs starting to now be supported by FUM as these products build to scale over time.

Commenting on the full year result, Managing Director, Simon Swanson, said, “ClearView has now established a strong platform to drive momentum and has in the first half started to convert its strategic positioning into material earnings growth. ClearView is implementing a high growth strategy with the goal of attaining 5% of the life insurance profit pool, building a material wealth management business and a high quality financial advice business. We are well positioned, notwithstanding recent market volatility, thanks to our Life Insurance and Wealth Management divisions which offer complementary products and services over the economic cycle.”

Mr Swanson pointed to the following key operating metrics across the business in 1H FY16:

- **Life Insurance:** in-force premium is up 30% to \$132 million with new business written up 7% to \$18.2 million. The intentional slowdown in new business volumes in Non-Advice (-34% to \$2.5m) was a related drag on the overall life new business growth rates. The key growth driver, LifeSolutions, continues to reflect strong growth (up 19% to \$15.7 million), thereby increasing its market share and reflecting continued market outperformance. 59% of LifeSolutions new business was generated from third party APLs, up 35% on 1H FY15, with the number of APLs increasing to 249 (up 54%). This reflects ClearView’s focus on expanding its distribution reach with additional sales growth coming through third party APLs. This is reflective of the quality and competitiveness of ClearView’s products and services;
- **Wealth Management:** FUM is up 12% to \$1.98 billion; with positive net flows of \$101 million in 1H FY16, compared to \$26 million in the prior comparable period. This predominantly reflects an improvement in the net outflows of the Master Trust product, the successful introduction of the WealthFoundations (a competitive mid-market wealth product) in October 2014 and the continued growth of WealthSolutions; and

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- **Financial Advice:** FUMA in the ClearView Financial Advice (CFA) and Matrix dealer group's is \$8.1 billion (up 9%) and PUA is \$203 million (up 27%) driven by the change in adviser mix (between periods). The number of financial advisers in CFA has increased to 136 as at 31 December 2015, representing an increase of 4% over the prior comparable period. In addition, Matrix has a total of 85 advisers as at 31 December 2015, raising the total for the Group to 221 which is consistent with the adviser numbers at 30 June 2015.

Overall, reported NPAT of \$7.6 million was impacted by amortisation of acquisition intangibles of \$4.6 million (NPATA of \$12.2 million in 1H FY16) and the impairment of the investment in Your Insure of \$1.9 million (net of tax), partially offset by the (net of tax) effect of the movement in long term discount rates on the policy liabilities between periods.

STRATEGY AND OUTLOOK

The next phase of growth for ClearView remains a focus over the next 12 months, with key initiatives as follows:

- **Life Advice:** Launching an improved adviser portal and front end with the aim of driving increased ease of doing business for Independent Financial Advisers (IFAs); consistent with the objective of being seen as the quality home for leading IFAs and the further broadening out of distribution to the wider IFA market. Continue to drive growth in sales through IFAs with only selective recruitment of additional advisers given the focus on quality, not quantity.
- **Non-Advice (Life):** Continuing to focus on mid-market consumers to deliver operational and sales efficiency, and position the business to address the market post the introduction of the proposed life insurance reforms, including potentially supporting IFAs manage and service their less profitable clients. ClearView will continue to explore a number of opportunities to broaden its strategic partner relationships with companies that have values aligned with ClearView.
- **Wealth Management:** Investment in 1H FY16 in the upgrade of WealthSolutions, including the addition of Separately Managed Accounts (SMAs). The upgrade improved the position of the platform with a broad cross section of advisers and clients, including better servicing SMSF accounts.

ClearView remains focused on driving towards fairer competition in the life insurance market, and in particular, the opening of approved product lists, or APLs currently restricted by vertically controlled institutions. The proposed regulatory reforms that the government is currently considering has the potential to significantly decrease the barriers to ClearView selling through the non-aligned channels, which is consistent with the government's focus on clients best interest outcomes.

ClearView remains in a strong position to continue growth, given the complementary nature of life insurance and wealth management products over the economic cycle, with a particular focus on:

- Gaining from market disruption around life insurance reforms with a potential stepped change in distribution profile, especially if the Federal Government implements some of the proposed reforms to the life insurance industry;
- Crystallising benefits from the improved pricing, in particular in the income protection market; and
- Increasing scale over time thereby progressively reducing expense overruns which will be absorbed as the business grows to scale over the medium term.

ENDS

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About ClearView Wealth Limited

ClearView Wealth Limited is a diversified Australian financial services company with businesses that provide integrated life insurance, wealth management and financial advice solutions.

Additional information is available at www.clearview.com.au

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Appendix 1 – 1H FY16 Financial Highlights

\$m (unless stated otherwise)	1H FY16	1H FY15	% Change
Total Operating Earnings NPAT ¹ (\$m)	13.9	9.9	↑ 40%
Underlying NPAT ² (\$m)	13.4	9.9	↑ 35%
Underlying ² EPS (Fully Diluted) (cents)	2.44	1.89	↑ 29%
NPATA ³ (\$m)	12.2	12.2	— 0%
Reported NPAT (\$m)	7.6	7.7	↓ 1%
Reported EPS (Fully Diluted) (cents per share)	1.38	1.47	↓ 6%
Life Insurance New Business (Advice) (\$m)	15.7	13.2	↑ 19%
Life Insurance New Business (Non-Advice) (\$m)	2.5	3.8	↓ 34%
In-force Premium (\$m)	132.0	101.4	↑ 30%
Funds Under Management (FUM) (\$bn)	1.98	1.77	↑ 12%
FUM Net Flows (\$m)	101	26	↑ Large
ClearView Financial Advisers (#)	221	216	↑ 2%
Embedded Value ⁴ (\$m)	507	458	↑ 11%
Value of New Business ⁵	7.1	6.8	↑ 4%

1 Total Operating Earnings NPAT represents the Underlying NPAT² of each of the operating business units before taking into account the interest costs associated with corporate debt.

2 Underlying net profit after tax is the Board's key measure of group profitability and the basis on which dividend payments are determined. It consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.

3 NPATA is reported net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles (not including capitalised software).

4 EV at 4% discount rate risk margin, including a value for future franking credits and ESP loans. EV for prior period is as at 31 December 2014.

5 VNB at 4% discount rate margin.