

# Market Release

25 August 2021

## ClearView FY21 Underlying NPAT up 54% to \$22.7 million, dividend reinstated, sale of advice businesses and acquisition of strategic stake in Centrepont Alliance

Diversified financial services company, ClearView Wealth Limited (ASX: CVW) has reported an Underlying net profit after tax (NPAT)<sup>1</sup> of \$22.7 million for the year to 30 June 2021, up 54% on 2020.

### Results highlights

- Solid FY21 result, amidst challenging market conditions
- Operating earnings<sup>2</sup> up 83% to \$23.9 million; Underlying NPAT<sup>1</sup> up 54% to \$22.7 million
- Life Insurance remains the key profit driver, contributing 98% to Group Operating Earnings<sup>2</sup>
- Business has performed relatively well in FY21 despite challenges presented by COVID-19
- Result has been driven by significant improvement in claims and lapse performance
- Gross life insurance premium income up 7% to \$278.2 million
- Strong balance sheet and growing recurring revenue base
- Multi-year transformation program on track with new ClearView ClearChoice product series to be launched in October 2021 on the group's new integrated life insurance platform
- FY22 targets for continued business transformation
- Simplification of Wealth Management business underway
- Sale of financial advice businesses for \$15.2 million including acquisition of a strategic 25% stake in Centrepont Alliance<sup>3</sup>
- Successful \$75 million Tier 2 capital raising completed in November 2020
- Reinstatement of fully-franked cash dividend of 1c per share for FY21

<sup>1</sup> Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

<sup>2</sup> Operating Earnings (after tax) represents the Underlying NPAT<sup>1</sup> of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

<sup>3</sup> Subject to net asset adjustment as defined under the terms of the agreement.

## Segment results

### Life Insurance Underlying NPAT<sup>1</sup> up 131% to \$24.1 million

The Life Insurance business performed solidly with Operating Earnings<sup>2</sup> up 166% to \$23.5 million, representing 98% of the Group's FY21 Operating Earnings<sup>2</sup>.

The segment's material improvement in profitability was driven by strong underlying claims and improved lapse performance, relative to assumptions (as at 30 June 2020).

In FY21, the business reported a \$4.2 million claims experience profit, compared to assumptions, reflecting improved claims management outcomes and limited COVID-19 claims impacts.

The implementation of new income protection claims tables, as part of APRA's Individual Disability Income Insurance (IDII) measures, resulted in a -\$2.9 million one-off claims assumption loss for the business.

ClearView Life Assurance Limited (ClearView Life) will launch a new life insurance product series, ClearChoice, in October, which will be available on the group's new integrated life insurance platform.

LifeSolutions continued to expand its footprint, with 185 new distribution agreements signed in FY21. LifeSolutions can now be accessed by 777 financial advice businesses and forms the base for the distribution of the new ClearChoice product.

### Wealth Management Underlying NPAT<sup>1</sup> of \$0.7 million, down 79%

The Wealth Management business reported an 80% decrease in Operating Earnings<sup>2</sup> to \$0.6 million, reflecting a decline in fee income and changes to the business mix and associated margins.

There was an overall increase in FUM of 22% to \$3.4 billion. This includes \$314 million in the recently launched WealthSolutions 2 product on the HUB 24 platform that is effectively a white labelled product. The use of the ClearView model portfolios and platform funds on the HUB24 platform is the key driver for the profitability of the segment (there was \$71 million in the ClearView models at 30 June 2021). On a like for like basis, excluding the WealthSolutions 2 product, FUM has increased 10% to \$3.1 billion.

Simplification of the Wealth Management business is underway, with the segment's focus on the WealthFoundations master trust. Targets have been set for FY22 including cost base reductions and the digitisation of Wealth Management front-end technology to drive customer engagement and inflows.

### Financial Advice Operating Earnings<sup>2</sup> of \$0.9 million, down 58%

ClearView's mid-sized licensees, ClearView Financial Advice and Matrix Planning Solutions, and dealer-to-dealer offer, LaVista Licensee Solutions, provide leading edge technology solutions, and robust compliance systems and processes to financial advisers.

Subsequent to year end, the Board initiated a strategic review in the financial advice segment to seek out and pursue inorganic opportunities to obtain scale in the market.

As separately announced, consistent with the review, ClearView has entered into a Share Purchase Agreement<sup>3</sup> for the sale of its financial advice businesses to Centrepoint Alliance for \$15.2 million made up of \$3.2 million in cash and the acquisition of a strategic 25% stake in Centrepoint Alliance<sup>4</sup>.

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- 2 Operating Earnings (after tax) represents the Underlying NPAT of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.
- 3 Share Purchase Agreement is the agreement entered into between ClearView Wealth Limited and Centrepoint Alliance Limited in relation the sale of the ClearView Financial Advice, Matrix Planning Solutions and Lavista Licensee Solutions.
- 4 Subject to net asset adjustment as defined under the terms of the agreement.

# Outlook

## Business outlook

The business has performed relatively well in FY21 despite the challenges presented by COVID-19. The significant market consolidation presents an opportunity for ClearView to gain market share by being a nimble, efficient and locally focused life insurer and wealth manager.

The upcoming launch of ClearView ClearChoice - a flexible, fair and more sustainable offer - on the group's new life insurance technology platform is expected to improve ClearView Life's market share and margins. Administration efficiencies from the Group's transformation program are expected to start flowing through from Q4 F22, and progressively after the migration of the in-force portfolios.

FY22 will see greater activity on new business acquisition.

After a period focused on transformation, improving product and pricing, and focus on improvement in the risk and compliance framework and culture, the business is shifting its attention to new business activity.

Demand for life insurance products remains, due to Australia's large financially active population; relatively affluent but highly-leveraged households; and heightened awareness of the need for protection and professional advice throughout life.

There is also a focus on the simplification of the wealth management business that leads to cost base reductions, coupled with the digitisation of the wealth front end to generate increased flows.

The Centrepont Alliance deal allows ClearView to indirectly participate in the financial advice industry consolidation (given structural market changes) and at the same time separate its product manufacturer and financial advice arms.

## Financial outlook

The Group surplus capital position and future capital generation is anticipated to fund the material investment in the new life insurance technology platform. The ultra low interest rate environment continues to adversely impact earnings. Any upward movement in rates positively impacts Underlying NPAT<sup>1</sup>.

The Group successfully completed its capital management initiatives in FY21. Solid Underlying NPAT<sup>1</sup> growth is expected in FY22 with further increases in FY23 expected albeit uncertainty remains due to recent COVID-19 events and the potential impact on future claims and lapses<sup>3</sup>.

## Capital management

### FY21 Final Dividend

The Board has declared a FY21 fully franked final cash dividend of \$6.7 million or 1.0 cents per share. This represents just under 30% of Operating Earnings<sup>2</sup> and reflects an element of conservatism compared to the revised dividend policy target payout ratio of 40% and 60% of Operating Earnings<sup>2</sup>.

Key details related to the FY21 dividend are below:

<b>Amount of dividend</b>	1.00 cent per share
<b>Ex-dividend date</b>	8 September 2021
<b>Record date</b>	9 September 2021
<b>Payment date</b>	24 September 2021

ClearView's Dividend Reinvestment Plan (DRP) is suspended and will not operate on this dividend. No full year dividend was paid in FY20 and no interim dividend was paid during FY21.

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- 2 Operating Earnings (after tax) represents the Underlying NPAT of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.
- 3 Assuming the achievement of best estimate assumptions in FY22 (in particular for claims and lapses) and completion of the Financial Advice transaction, we expect solid earnings growth in FY22 and further increases in FY23 supported by the implementation of the strategy. While estimates and allowances have been made in the claims and lapse assumptions adopted, given the fluidity of the COVID-19 pandemic and operating environment, potential impacts from any deterioration in economic conditions or unanticipated delays in the roll out of the vaccine (and the related flow on effects to claims and affordability of premiums), actual experience relative to best estimate assumptions adopted may be impacted and will continue to be closely monitored. Includes staggered price increases on LifeSolutions portfolio and related shock lapse assumptions.

For further information, please contact:

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**Approval of announcement**

The Board of ClearView has authorised the release of this announcement to the market.

**About ClearView**

ClearView is an ASX-listed diversified financial services company which partners with financial advisers to help Australians protect and build their wealth, achieve their goals and secure a comfortable financial future. The Group's three business segments: Life Insurance, Wealth Management and Financial Advice are focused on delivering quality products and services.

For more information visit [clearview.com.au](http://clearview.com.au)

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