



## **MARKET RELEASE**

**SYDNEY, 23 February 2017**

### **HALF YEAR RESULTS FOR ANNOUNCEMENT TO THE MARKET**

ClearView Wealth Limited (“ClearView”, ASX: CVW) announces the following information in relation to its results for the six months ended 31 December 2016:

- Part 1: Appendix 4D
- Part 2: Half Year Condensed Consolidated Financial Report
- Part 3: Half Year Results Investor Presentation
- Part 4: Market Release

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 planning solutions.

Additional information is available at [www.clearview.com.au](http://www.clearview.com.au)



Appendix 4D

for the six months ended  
31 December 2016

# ClearView Wealth Limited

ABN 83 106 248 248

## Appendix 4D

### Name of Entity:

ACN:

Period ended (reporting period)

Period ended (previous corresponding period)

ClearView Wealth Limited
106 248 248
31 December 2016
31 December 2015

### Results for announcement to the market

(Amount and percentage change up or down from the previous corresponding period)

	31 December 2016 \$'000	31 December 2015 \$'000	% Change <sup>8</sup>
Operating revenue before net fair value gains on financial assets	172,739	152,493	13%
Net operating revenue from ordinary activities*	189,387	107,406	76%
Net operating profit from ordinary activities	3,196	7,543	(58%)
Net profit for the reporting period attributable to members	3,196	7,543	(58%)

\* Net operating revenues from ordinary activities include amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of net life insurance premium revenue of \$64.5m (HY16: \$51.2m), fee and other revenue of \$58.5m (HY16: \$55.0m), investment income of \$49.7m (HY16: \$46.3m) and net fair value gains on financial assets of \$16.6m (HY16: losses of \$45.1m).

### Review and results of operations

ClearView Wealth Limited and its subsidiaries (**ClearView**) achieved the following results for the half year ended 31 December 2016:

After Tax Profit by Segment	31 December 2016 \$'000	31 December 2015 \$'000	% Change <sup>8</sup>
Life Insurance	12,731	12,146	5%
Wealth Management	1,630	1,270	28%
Financial Advice	1,226	695	76%
Listed Entity/Interest Expense	(437)	(784)	N.M
<b>Underlying NPAT<sup>1</sup></b>	<b>15,150</b>	<b>13,327</b>	<b>14%</b>
Other Adjustments	(7,392)	(1,215)	Large
<b>NPATA<sup>5</sup></b>	<b>7,758</b>	<b>12,112</b>	<b>(36%)</b>
Amortisation <sup>6</sup>	(4,562)	(4,569)	0%
<b>Reported NPAT</b>	<b>3,196</b>	<b>7,543</b>	<b>(58%)</b>
Embedded Value <sup>2,3</sup>	632,752	518,183	15%
Value of New Business <sup>7</sup>	8,511	7,078	20%
Net Asset Value <sup>4</sup>	399,718	345,474	6%

1 Underlying NPAT consists of consolidated net 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

2 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and ESP loans; % movement HY16 to HY17 adjusted for the \$50m Entitlement Offer completed in June 2016 less the net FY16 cash dividend paid of \$15.7m in September 2016

3 HY16 EV restated to include accrued franking credits

4 Net Asset Value as at 31 December 2016 excluding ESP Loans; % movement HY16 to HY17 adjusted for the \$50m Entitlement Offer completed in June 2016, net of \$15.7m FY16 final cash dividend paid in September 2016

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

6 Amortisation is amortisation of acquired intangibles (not including depreciation and amortisation of software)

7 Value of New Business at 4% discount rate margin

8 % movement HY16 to HY17, unless otherwise stated

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## Appendix 4D

The HY17 result reflects strong fundamentals in the underlying operating businesses and further emergence of sustainable growth:

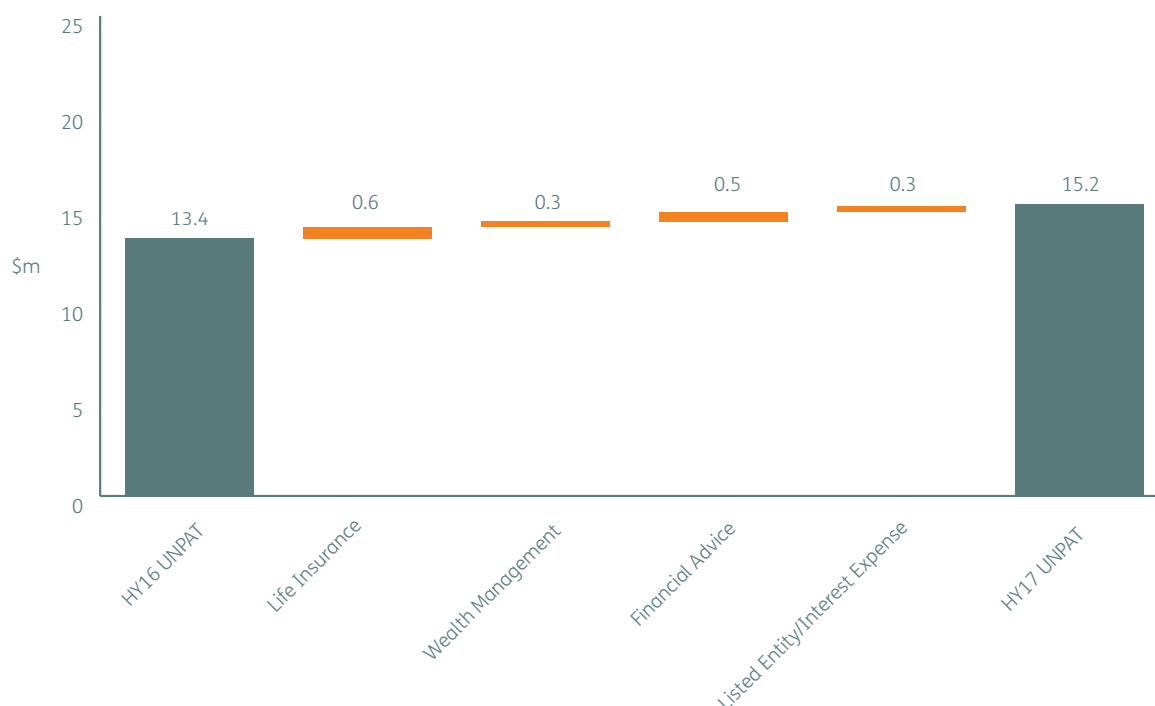
- Life Insurance remains key profit driver with further expansion of the distribution footprint and related stepped change in Advised sales, leading to material increase in the in-force portfolio that is underpinning the growth profile. Some statistical claims volatility can be expected between periods given the size and nature of the life insurance portfolio (\$2.3m adverse “swing” in HY17 vs HY16).
- Wealth Management is net flow positive business, demonstrating the positive impact of the material investment in new contemporary platform and products from FY15 with growth in earnings now emerging.
- Financial Advice Underlying NPAT growth driven by net changes in revenue model and expense control with an overall focus on building a high quality financial advice business that provides strategic advice for clients.

The HY17 result includes the impacts of key decisions to support the longer-term strategy, which are detailed below:

- The LifeSolutions adverse claims experience in HY17 includes the impact (-\$1.5m) from the adoption of an enhanced actuarial claims reserving basis on the income protection portfolio. Notwithstanding this change in reserving basis, the performance of the overall LifeSolutions portfolio since inception continues to be within long term actuarial assumptions.
- Income protection price increases (10% on average) were implemented in October 2016 reflecting the ability to manage margin over time.
- A continued slowdown in non-advice new business, in particular the direct life insurance channel that targeted lower socio-economic customers. This led to a 41% decline in new business volumes to \$1.5m, albeit there was a significant improvement in the lapse performance justifying the strategic decision that was made in FY16.

The Underlying NPAT waterfall chart below reflects the result by operating segment.

### UNPAT Waterfall





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Underlying NPAT, the Board's key measure of Group profitability and also used for dividend payment decisions, increased 14% to \$15.2m (HY16: \$13.4m). Key highlights from the results are as follows:

- **Life Insurance Underlying NPAT increased 5% to \$12.7m** (HY16: \$12.1m). The modest growth in Underlying NPAT (compared to expected growth in HY17 of 25%<sup>2</sup>) was driven by statistical claims volatility that can be expected between periods given the size and nature of the portfolio. This was driven by a \$2.3m adverse 'swing' in claims experience, given that the HY16 result included a claims profit of \$1.7m as opposed to the HY17 result that includes a claims loss of \$0.6m. The overall net claims impact over the last nine half year periods broadly nets out to zero (-\$0.5m) and reflects that there can be some statistical volatility between periods. The underlying performance of the Life Insurance segment remains very strong with in-force book growth of 30% and material increases in sales of the flagship LifeSolutions product of 31%. This includes the broadening out of the distribution footprint to rapidly diversify sales and create material embedded growth.
- **Wealth Management Underlying NPAT increased 28% to \$1.6m** (HY16: \$1.3m). Wealth Management is the least advanced segment given recently completed 'build' phase and material investment in new contemporary platform and products in FY15 with growth in earnings now starting to emerge. New contemporary products are written at a lower margin but continue to build to scale.
- **Financial Advice Underlying NPAT increased 76% to \$1.2m** (HY16: \$0.7m). Increase in profitability driven by net change in revenue model and expense control notwithstanding further investment in strategic advice model and compliance costs.
- **Listed Underlying NPAT incurred a loss of \$0.4m** (HY16: -\$0.7m). The decrease in investment earnings is broadly offset by a related reduction in after-tax interest expense given the repayment of \$45.5m of corporate debt in 2H FY16. The \$45.5m drawn under the corporate debt facility was repaid from proceeds of a \$50m 1 for 10.2 pro-rata accelerated renounceable entitlement offer in June 2016. The improved performance is driven by a reduction in the costs of the listed entity.

A reconciliation of Reported Net Profit After Tax (NPAT) to Underlying NPAT is provided below. Reported NPAT decreased by 58% to \$3.2m (HY16: \$7.6m), driven by changes in long term discount rates used to determine the insurance policy liabilities.

	31 December 2016 \$'000	31 December 2015 \$'000	% Change <sup>1</sup>
<b>Reported Profit</b>	<b>3,196</b>	<b>7,543</b>	<b>(58%)</b>
<b>Adjusted for:</b>			
Amortisation of acquired intangibles	4,562	4,568	0%
AIFRS policy liability discount rate effect	6,924	(704)	Large
Strategic review costs	468	-	Large
Matrix deal, integration costs	-	22	Large
Your Insure impairment	-	1,923	Large
<b>Underlying net profit after tax</b>	<b>15,150</b>	<b>13,352</b>	<b>14%</b>

- Amortisation of intangibles (\$4.6m) are associated with the acquisition of the wealth management and life insurance businesses from Bupa, the ComCorp financial advice business, and Matrix dealer group. These are separately reported to remove the non-cash effect of the write-off of these acquired intangibles. However, amortisation associated with capitalised software is reported as part of Underlying NPAT.
- The policy liability discount rate effect is the result of the changes in long term discount rates used to determine the insurance policy liabilities. The life insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities, and consequently, earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect. The increase in long term discount rates over the half year period caused an adverse after tax impact of -\$6.9m (HY16: +\$0.7m).

<sup>1</sup> % movement HY16 to HY17, unless otherwise stated

<sup>2</sup> Actuarial planned Underlying NPAT of \$14.3m (+25% HY16 to HY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions

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- Costs that are considered unusual to the ordinary activities of ClearView and are therefore not reflected as part of Underlying NPAT. These costs related to:
  - The HY17 costs related to the expenses incurred on the evaluation of strategic options and Sony Life Insurance Co., Ltd (Sony Life) becoming a new strategic shareholder (\$0.5m after tax). Costs associated with the Sony Life Cooperation Agreement will continue to be reported as a cost unusual to the ordinary activities in 2H FY17; and
  - The HY16 costs related to the write-off of ClearView's investment in Your Insure, which incurred a net of tax cost of \$1.9m.

For further detailed information, please refer to the Half Year Condensed Consolidated Financial Report for Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and Notes to the Financial Statements.

### Earnings per Share

Reported fully diluted earnings per share (EPS) decreased 62% or 0.86 cents per share (cps) to 0.52 cps (HY16: 1.38 cps). EPS calculations have been adversely impacted by changes in the long term discount rates used to determine the insurance policy liabilities (\$7.6m "swing" between periods) coupled with the dilutionary impact in HY17 of the 59m shares issued under the \$50m accelerated renounceable entitlement offer in June 2016.

Fully diluted Underlying EPS was broadly in line with the prior period at 2.45 cps (HY16: 2.44 cps). This was driven by the impact from the shares issued under the capital raising (as noted above).

	Reporting period	Previous corresponding period	% Change <sup>1</sup>
Basic earnings per share (cents per share)	0.53	1.43	(62%)
Fully diluted earnings per share (cents per share)	0.52	1.38	(62%)
Basic underlying earnings per share (cents per share)*	2.54	2.52	1%
Fully diluted underlying earnings per share (cents per share)*	2.45	2.44	0%

\* Underlying earnings per share is based on Underlying NPAT<sup>2</sup> which is the Board's key measure of group profitability and the basis on which dividends are determined.

For further detailed information, please refer to the Directors' Report and Operating and Financial Review in the accompanying Half Year Condensed Consolidated Financial Report for details on the result for the half year ended 31 December 2016.

### Dividends

	Amount per security	Franked amount per security
Interim 2016 dividend	nil	nil
Interim 2015 dividend	nil	nil

A final fully franked dividend for FY16 of \$16.45m (2.5 cents per share) was paid in HY17 (FY15 final dividend of \$12.30m paid in HY16).

1 % movement HY16 to HY17, unless otherwise stated

2 Underlying NPAT consists of consolidated net 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

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### Details of dividend reinvestment plan in operation

As foreshadowed at the time of the capital raising in June 2016, the Dividend Reinvestment Plan (DRP) was suspended and did not operate in respect of the dividend for the year ended 30 June 2016. The suspension of the DRP will be considered in future periods based on the capital position of ClearView at the time.

### Net assets and net tangible assets per security

	Reporting period	Previous corresponding period	% Change <sup>1</sup>
Net assets per security (cents per share)*	66.6	64.1	4%
Net tangible asset backing per ordinary security (cents per share)*	59.4	55.3	7%

\* Adjusted for shares issued and corresponding loans granted under the Executive Share Plan (ESP).

The Statement of Financial Position of ClearView reflects the following key metrics as at 31 December 2016:

- Net assets increased 6% (adjusted for the \$50m capital raising less \$15.7m FY16 final cash dividend) to \$399.7m<sup>2</sup> (FY16: \$411.8m). Net assets (unadjusted) decreased by \$12.1m from 30 June 2016 comprising:
  - A reported profit of \$3.2m;
  - The FY16 final cash dividend (-\$16.5m). No dividend reinvestment plan (DRP) was operative for the FY16 final dividend as noted earlier; and
  - Movements in the ESP Reserve due to the treatment of the ESP expense in accordance with the accounting standards (+\$0.4m) and ESP loans settled through the FY16 final dividend (+\$0.8m).
- Net tangible assets increased 7% (adjusted for the \$50m capital raising less \$15.7m FY16 final cash dividend) to \$352.3m<sup>2</sup> (\$390.9m including ESP loans) (June 2016: \$363.4m).
- Net asset value per share (including ESP loans) of 66.6 cents per share (June 2016: 68.6 cents per share).
- Net tangible asset value per share (including ESP loans) of 59.4 cents per share (June 2016: 61.2 cents per share).

The net asset value per share and net tangible asset value per share are reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 31 December 2016 (in accordance with the ClearView ESP Rules). The ClearView ESP shares on issue have a corresponding non-recourse loan from ClearView to facilitate the purchase of ClearView ESP shares by the participants. The shares and loans are not reflected in the statutory accounts as they are accounted for as an option in accordance with Australian Accounting Standards. If the loan is not repaid, the relevant ClearView ESP shares are cancelled or reallocated in accordance with the ClearView ESP Rules.

See Operating and Financial Review in accompanying Half Year Condensed Consolidated Financial Report for details on the Statements of Financial Position and Embedded Value as at the 31 December 2016.

### Subsequent Events

The Directors are not aware of any matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly, or may significantly, affect the operations of the consolidated entity, the results of those operations or the state of the affairs of the consolidated entity in future financial years.

1 % movement HY16 to HY17, unless otherwise stated

2 Net Asset Value as at 31 December 2016 excluding ESP Loans; % movement HY16 to HY17 adjusted for the \$50m Entitlement Offer completed in June 2016, net of \$15.7m cash FY16 dividend paid in September 2016.

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### Compliance Statement

The information provided in this report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements or other standards acceptable to ASX.

The ClearView Wealth Limited Half Year Condensed Consolidated Financial Report for the six months ended 31 December 2016 has been subject to review by our external auditors. A copy of the independent review report to the members of ClearView Wealth Limited is included in the Half Year Condensed Consolidated Financial Report.



Athol Chiert

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