



## MARKET RELEASE

**SYDNEY, 22 February 2018**

### **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 2017:

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

ENDS

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#### **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.

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

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ClearView Wealth Limited  
ACN 106 248 248  
ASX Code CVW



## Appendix 4D

for the six months ended  
31 December 2017



**ClearView**

# 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 2017
31 December 2016

### Results for announcement to the market

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

	31 December 2017 \$'000	31 December 2016 \$'000	% Change <sup>1</sup>
Operating revenue before net fair value gains on financial assets	196,973	172,739	14%
Net operating revenue from ordinary activities*	226,375	189,387	20%
Net operating profit from ordinary activities	12,277	3,196	284%
Net profit for the reporting period attributable to members	12,277	3,196	284%

\* 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 \$77.8m (HY17: \$64.5m), fee and other revenue of \$63.9m (HY17: \$58.5m), investment income of \$55.3m (HY17: \$49.7m) and net fair value gains on financial assets of \$29.4m (HY17: losses of \$16.6m).

### Review and results of operations

ClearView Wealth Limited and its subsidiaries (**ClearView**) achieved the following results for the half year ended 31 December 2017:

After Tax Profit by Segment, \$M	HY18 \$M	HY17 \$M	% Change <sup>1</sup>
Life Insurance	12.5	12.7	↓ 2%
Wealth Management	2.6	1.6	↑ 61%
Financial Advice	1.0	1.2	↓ 21%
Listed entity and other	(0.8)	(0.4)	↓ 90%
<b>Underlying NPAT<sup>3</sup></b>	<b>15.3</b>	<b>15.2</b>	<b>↑ 1%</b>
Other adjustments <sup>6</sup>	(3.0)	(12.0)	↑ 75%
<b>Reported NPAT<sup>5</sup></b>	<b>12.3</b>	<b>3.2</b>	<b>↑ 284%</b>
Embedded value <sup>2</sup>	681.0	632.8	↑ 8%
Value of New Business <sup>8</sup>	9.6	8.5	↑ 13%
Net asset value <sup>4</sup>	428.4	400.0	↑ 7%
Underlying diluted EPS (cps) <sup>7</sup>	2.38	2.45	↓ 3%

1 % movement, HY17 to HY18 unless otherwise stated.

2 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans; % movement HY17 to HY18 adjusted for the impact of the cash component of the FY17 final dividend and ESP related items (\$0.2m).

3 Underlying NPAT 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.

4 Net Asset Value as at 31 December 2017 excluding ESP Loans; % movement HY17 to HY18 adjusted for the impact of the cash component of the FY17 final dividend and ESP related items (\$0.2m).

5 Reported NPAT of \$12.3m, up 284%, impacted by changes in long term discount rates used to determine the insurance policy liabilities (\$6.2m 'swing' between periods); represents a non-cash timing difference in the release of profit over time and has no impact on underlying earnings.

6 Other adjustments includes non-cash amortisation, costs considered unusual to normal activities and changes in long term discount rates used to determine the insurance policy liabilities (\$6.2m 'swing' between periods).

7 Adversely impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period and an increase in the number of ESP shares 'in the money' given the increase in ClearView's share price period on period.

8 Value of New Business (VNB) at 4% discount rate margin.

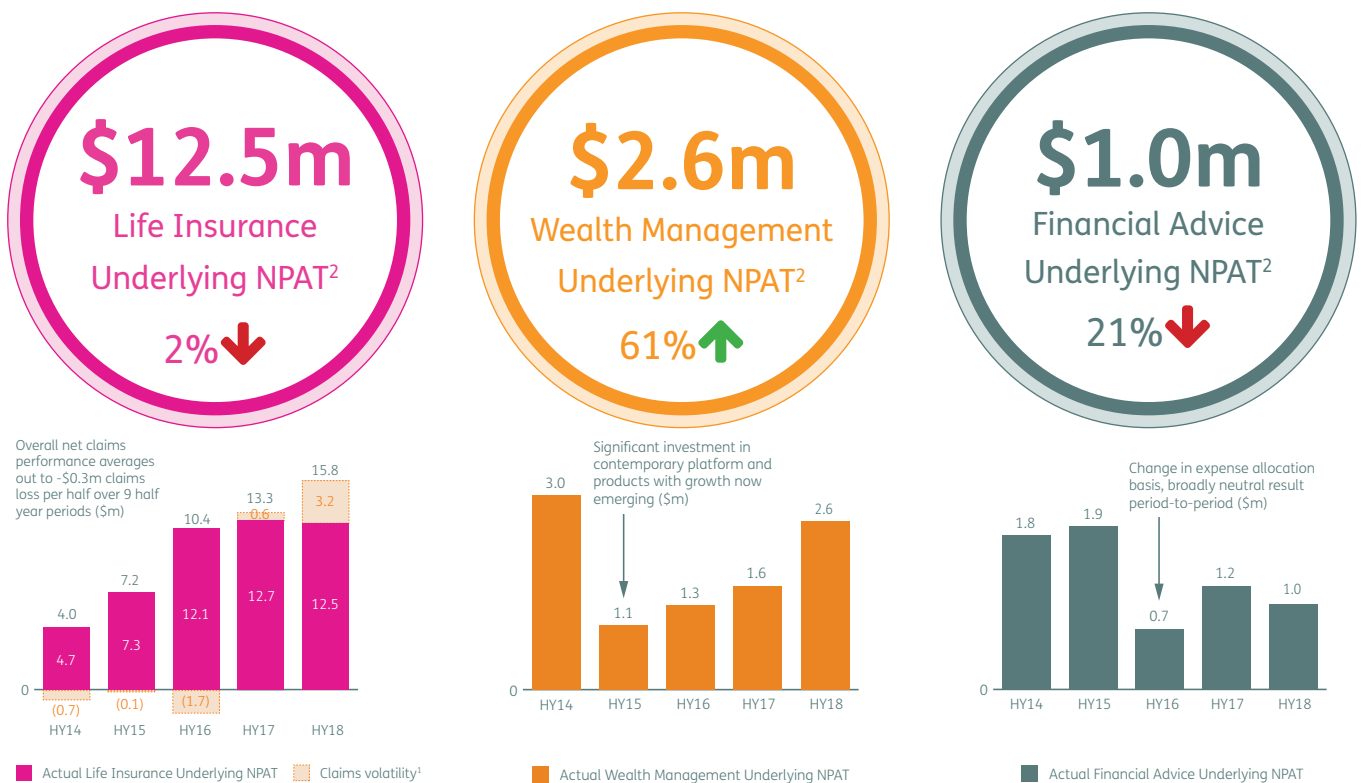
# ClearView Wealth Limited

ABN 83 106 248 248

## Appendix 4D

Underlying NPAT, the Board's key measure of Group profitability and also used for dividend payment decisions, **increased 1% to \$15.3 million (HY17: \$15.2 million)**. This modest growth underplays the strong fundamentals in the underlying operating businesses and further emergence of sustainable growth, offset by adverse claims experience.

### HY18 Results by Segment



- **Life Insurance Underlying NPAT down 2% to \$12.5 million (HY17: \$12.7 million)** compared to expected growth of 12%<sup>3</sup>
  - In HY18, there was an adverse claims experience of \$3.2 million (HY17: \$0.6 million). This adverse claims experience primarily occurred in Q1. The adverse claims experience was within statistical confidence levels<sup>4</sup>. However, due to the small size and nature of the portfolio, it has a material impact on profitability.
  - Adjusting to exclude this adverse claims experience, Underlying NPAT would have been up 19% to \$15.8 million.
  - Lapses also had an adverse impact (-\$0.8 million), arising from heightened lapses in the lead up to the 1 January 2018 regulatory changes, the tail end of the effect of income protection price increases implemented in HY17 and a drift in the competitive position of LifeSolutions lump sum premium rates (to be addressed during CY18).
  - Life Insurance remains the key profit driver. Our expanding distribution footprint and strong new business volumes led to a material increase in the in-force portfolio which underpins the growth profile.
  - In-force book growth of 23% in HY18 and LifeSolutions sales up 10%. The IFA distribution footprint continues to expand, diversifying sales and creating material embedded growth.

1 Reflects actual after tax claims experience for the relevant period, noting volatility between periods, given the size and nature of the portfolio.

2 HY18 Underlying NPAT for the relevant segment. Underlying NPAT 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 Expected Underlying NPAT of \$16.0 million (+12% HY17 to HY18) reflects expected profit margins on in-force portfolios based on actuarial assumptions.

4 Represents a 95% confidence interval test that is a two tailed test where there is a 2.5% chance of being above the upper bound.

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### • **Wealth Management Underlying NPAT up 61% to \$2.6 million (HY17: \$1.6 million)**

- Wealth Management is a strong net flow positive business with material growth in earnings. The business will continue to benefit from the shift away from large institutions and banks and increasing demand for innovative investment administration platforms.
- Growth in earnings follows material investment in the contemporary wealth platform and products in FY15.
- Net flows of \$229 million (+63%) into new contemporary products and FUM up 20%.

### • **Financial Advice Underlying NPAT down 21 % to \$1.0 million (HY17: \$1.2 million)**

- Committed to building a high quality aligned advice business and assisting advisers run more efficient and profitable practices.
- Prior period includes the potential recovery of certain compliance costs incurred (+\$0.3 million). Adjusting for this item recognised in HY17, Underlying NPAT has remained broadly neutral year-on-year.

A reconciliation of Reported Net Profit After Tax (NPAT) to Underlying NPAT is provided below. Reported NPAT increased by 284% to \$12.3m (HY17: \$3.2m), driven by changes in long term discount rates used to determine the insurance policy liabilities.

	31 December 2017 \$'000	31 December 2016 \$'000	% Change <sup>1</sup>
<b>Reported Profit</b>	<b>12,277</b>	<b>3,196</b>	<b>284%</b>
<b>Adjusted for:</b>			
Amortisation of acquired intangibles	2,022	4,562	(56%)
AIFRS policy liability discount rate effect	720	6,924	90%
Strategic review costs	275	468	(41%)
<b>Underlying net profit after tax</b>	<b>15,294</b>	<b>15,150</b>	<b>1%</b>

- Amortisation of intangibles (\$2.0 million) is associated with the acquisition of wealth management and life insurance businesses from Bupa; ComCorp and Matrix Planning Solutions. 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 changes in the long-term discount rates used to determine 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 HY18 caused an adverse after-tax impact of -\$0.7 million (HY17: -\$6.9 million).
- Costs that are considered unusual to ClearView's ordinary activities and therefore not reflected as part of Underlying NPAT, relate to expenses incurred as part of Sony Life becoming a strategic shareholder and ongoing costs associated with the Cooperation Agreement between ClearView and Sony Life.

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.

<sup>1</sup> % movement HY17 to HY18, unless otherwise stated

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### Earnings per Share

Reported diluted EPS increased to 1.90 cps (HY17: 0.52 cps). EPS calculations have been impacted by a positive swing of \$6.2 million (after-tax) from the impact of changes in the long-term discount rates on policy liabilities between periods, partially offset by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period and an increase in the number of ESP shares 'in the money' given the increase in ClearView's share price period on period.

Fully diluted Underlying EPS was down 0.07 cps to 2.38 cps (HY17: 2.45 cps). This was driven by the change in the number dilutive shares (as noted above) given the broadly neutral Underlying NPAT between period.

	Reporting period	Previous corresponding period	% Change <sup>1</sup>
Basic earnings per share (cents per share)	2.00	0.53	277%
Fully diluted earnings per share (cents per share)	1.90	0.52	265%
Basic underlying earnings per share (cents per share)*	2.50	2.54	(2%)
Fully diluted underlying earnings per share (cents per share)*	2.38	2.45	(3%)

\* 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 2017.

### Dividends

	Amount per security	Franked amount per security
Interim 2017 dividend	nil	nil
Interim 2016 dividend	nil	nil

A final fully franked dividend for FY17 of \$18.14m (2.75 cents per share) was paid in HY18 (FY16 final dividend of \$16.45m paid in HY17).

### Details of dividend reinvestment plan in operation

The Company operates a Dividend Reinvestment Plan (DRP) and as such \$5.92 million of abovementioned dividend was paid in cash during the half year. The DRP is a cost-effective way for ClearView shareholders to increase their shareholding through the reinvestment of any cash dividends in ordinary shares. ClearView intends to have the DRP active for future dividend periods until further notice.

### Net assets and net tangible assets per security

	Reporting period	Previous corresponding period	% Change <sup>1</sup>
Net assets per security (cents per share)*	69.0	66.6	4%
Net tangible asset backing per ordinary security (cents per share)*	62.3	59.4	5%

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

1 % movement HY17 to HY18, unless otherwise stated

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The Statement of Financial Position of ClearView reflects the following key metrics as at 31 December 2017:

- Net assets at 31 December 2017 increased to \$428.4 million<sup>1</sup> (June 2017: \$415.7 million) comprising;
  - Reported profit of \$12.3 million;
  - FY17 net cash dividend (-\$6.0 million);
  - Movements in the ESP Reserve due to the treatment of the ESP expense in accordance with the accounting standards (+\$0.8 million), ESP loans settled through the FY17 final dividend and ESP impacts of the sale of vested ESP shares (+\$0.4 million); and
  - The proceeds from ESP shares sold via off-market transfer, including repayment of ESP loans (+\$5.2 million);
- Net tangible assets increased to \$383.5 million (\$416.4 million including ESP loans) (June 2017: \$371.0 million);
- Net asset value per share (including ESP loans) of 69.0 cents per share (June 2017: 68.6 cents per share);
- Net tangible asset value per share (including ESP loans) of 62.3 cents per share (June 2017: 61.8 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 2017 (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 2017.

### 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.

### 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 2017 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

Company Secretary

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<sup>1</sup> Net Asset Value as at 31 December 2017 excluding ESP Loans; % movement HY17 to HY18 adjusted for the impact of the cash component of the FY17 final dividend and ESP related items (\$0.2m).