ClearView

Market release

23 August 2018

ClearView reports a 7% increase in FY18 underlying NPAT[1] to $32.4 million, dividend up 9%

ClearView Wealth Limited (ClearView, ASX: CVW) has reported a 7% increase in underlying Net Profit After Tax (NPAT)[1] to $32.4 million for the year ended 30 June 2018. The 2H underlying NPAT increased 12% to $17.2 million, reflecting strong underlying fundamentals across the Group's three business segments. The result demonstrates continued material increases in funds under management (FUM) (+12%) and in-force premium (+19%) which underpins the strong growth profile of the Group.

Overall ClearView is well positioned for the next phase of growth due to its expanded distribution network and continuing strategic investment in technology and product that will support sales.

Results highlights

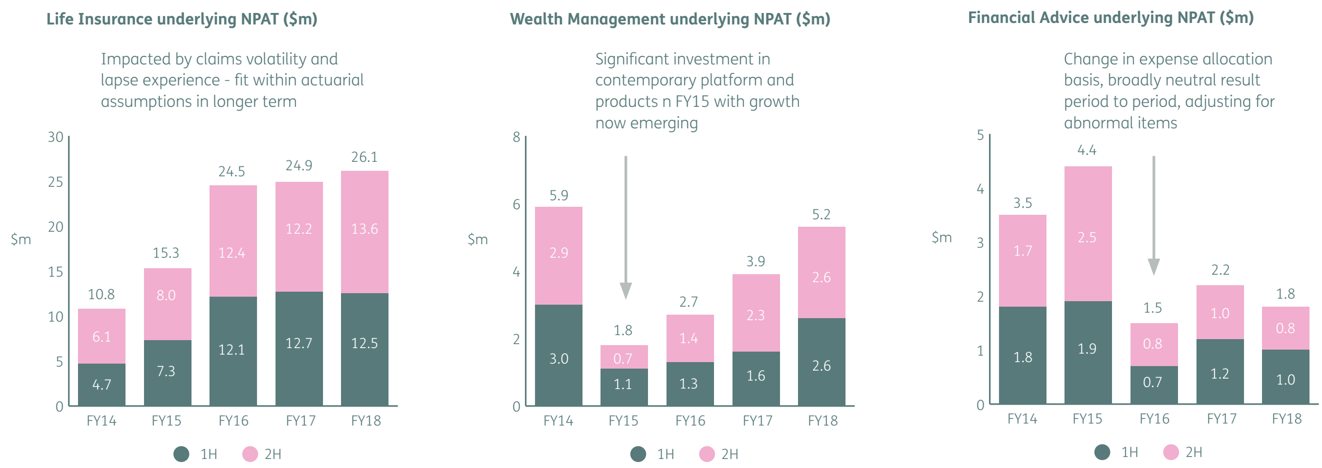
- Life Insurance remains ClearView's key profit driver with the segment's in-force book up 19% to $224.8 million and sales up 5%.
- The flagship LifeSolution products is now on 419 approved product lists (APLs) which is an increase of 22% in FY18, and the business continues to penetrate the IFA distribution channel which now represents 80% of sales.
- Recent investment in the Wealth Management business is beginning to reap rewards, reporting an increase in underlying NPAT of 31% to $5.2 million (FY17; $3.9 million) reflecting a 12% increase in FUM to $2.79 billion and $333 million of net inflows into contemporary products.
- ClearView's contemporary Wealth products are now on 44 APLs, up from 30 in FY17.
- Financial Advice segment earnings dropped 20% to $1.8 million with the number of aligned advisers down slightly.
- ClearView was ranked No. 1 for overall adviser satisfaction by Investment Trends for the second consecutive year.
- Matrix was named 2018 Licensee of the Year by global independent research house Coredata for the second year in a row.
- Embedded Value growth of 6% to $701 million underpinned by growth of in-force premium and sales of contemporary products.
- The Group was able to achieve solid growth in underlying NPAT despite adverse claims volatility (-$5.5 million) and lapse experience (-$2.1 million) which had a material impact on profitability.
- Board has declared a fully franked final dividend of three cents per share for FY18 up 9% on the previous year.
- Dividend Reinvestment Plan (DRP) continued in relation to the FY18 dividend.

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.

Operating results

Underlying NPAT, Reported NPAT, earnings per share (EPS) and dividends per share (DPS)

Chart 1: Segment performance FY14-FY18



Segment results

Life Insurance underlying NPAT up 5% to $26.1 million

The Life Insurance business performed solidly with a 21% rise in gross premiums to $215.2 million and sales of contemporary life products up 5% to $42.4 million.

However, underlying NPAT for Life Insurance of $26.1 million fell short of an expected underlying NPAT of $32.2 million, with the negative variance explained by material claims volatility and adverse lapse experience. Net claims costs were up 32% on the prior year.

This modest result should be viewed in the context of a challenging industry backdrop which has seen a shrinkage in new business volumes. As the impacts of regulatory reforms and media scrutiny subside, industry growth is expected to pick up again.

Momentum in growing the IFA footprint continues with LifeSolutions now available on 419 APLs, up 22%.

In-force premiums increased 19% to $224.8 million in FY18, driven by the combined impact of new business, price increases, lapse and CPI/aged-based variances.

Wealth Management underlying NPAT up 31% to $5.2 million

With a view to the future, ClearView commenced a significant investment program in its Wealth Management business in FY15 and now has a solid platform from which to grow underlying NPAT.

The 31% increase in FY18 is underpinned by positive net flows in contemporary products and growth of 12% in FUM to $2.79 billion. The mix of products making up the portfolio has changed with contemporary products now representing 68% of total FUM.

ClearView now has a competitive Wealth Management product suite and a growing distribution footprint. The number of licensees that can recommend its wealth products has risen to 44 from 30 (FY17).

Combined with an expanding footprint, the outlook for Wealth Management remains strong particularly in light of the continued product and system investment and the convergence of life insurance and superannuation which offers promising cross-sell potential.

Financial Advice underlying NPAT down 20% to $1.8 million

The result for Financial Advice would have been broadly flat year-to-year if other income was excluded. Relevant items include a 3% growth in net financial planning fees and a 6% increase in operating expenses driven by operational, compliance and strategic advice investment.

Despite the pressure on profits in FY18, the prospects for Financial Advice remains sound as the Group looks to expand its service and revenue-base within the financial advice segment. With mounting pressure on the current licensing regime, utilising the Group's existing strengths to launch a dealer-to-dealer option targeting self-licensed practices is expected to be a positive move.

The number of advisers across Matrix Planning Solutions and ClearView Financial Advice dropped slightly from 243 to 233. ClearView has always expressed a commitment to quality over quantity and remains focused on building relationships with high quality IFAs who have the right cultural fit for the Company.

Funds Under Management and Advice (FUMA) was $9.6 billion, a rise of 7% and Premiums Under Advice (PUA) reached $270 million, up 14% from FY17.

Cooperation with Sony Life

In October 2016, Sony Life acquired a 14.9% shareholding in ClearView, following Crescent Capital's decision to sell its shares in the Company. In January 2017 ClearView and Sony Life entered into a Cooperation Agreement however ClearView terminated this Agreement after Sony Life failed to make a takeover offer for ClearView by the April 25 option deadline.

Sony Life has committed to participate in the DRP to the extent that its holding does not exceed 14.9%.

Capital management

As at 30 June 2018, the ClearView Balance Sheet reflected net assets (pre-Employee Share Plan loans) of $444.3 million and Net Tangible Assets (pre-ESP loans) of $399.1 million.

Shareholders' capital continues to be invested conservatively in cash and short term desposits (net cash of $169.4 million).

As at 30 June, 2018, the Group held $14.7 million of capital reserves above our internal benchmarks.

ClearView is fully-capitalised with Common Equity Tier 1 capital to fund its current business plans and anticipated medium-term growth.

Dividend and Dividend Reinvestment Plan

The Board has declared a fully franked final dividend of 3.00 cents per share for FY18, up 9% on FY17. This reflects a full year 2018 dividend payout ratio of just above 60% of underlying NPAT and is broadly in line with the company's dividend policy.

Key details related to the FY18 dividends are below.

Amount of dividend	3.00 cents per share
Ex-dividend date	11 September 2018
Record date	12 September 2018
Payment date	28 September 2018

ClearView's Dividend Reinvestment Plan (DRP) will continue in respect to the FY18 dividend. Shares under the DRP will be issued at a fixed price of $1.05, consistent with ClearView's DRP rules, and represents a 9% discount of the 90 day volume weighted average price of $1.14.[1]

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.

Substantial shareholders have committed to participate in the DRP at a fixed price of $1.05 per share as follows:

- Crescent Capital and its associates for its entire share of the dividend; and
- Sony Life for its share of the dividend to the extent that its holding does not exceed 14.9% (given regulatory approvals are required for Sony Life to increase its holding above 15%).

New shareholders or shareholders who have not previously elected to participate in the DRP, can elect to participate in the DRP for the FY18 final dividend by updating their shareholding details online from the Computershare website **www.computershare.com.au/easyupdate/cvw**.

1 90 day VWAP as calculated as at 17 August 2018.

For shareholders who have existing nominations, these nominations will be automatically applied for the FY18 final dividend, unless otherwise instructed. Change requests for existing nominations can be made by completing a change in participation form online at the Computershare website **www.computershare.com.au/easyupdate/cvw**.

Elections to participate in the DRP or changes to existing DRP elections must be made with Computershare by 5pm Thursday 13 September 2018, which is the first business day after the record date for the FY18 final dividend.

Any shares issued to participating shareholders under the DRP will rank equally with existing fully paid ordinary shares.

A copy of the DRP Rules is available at the ClearView website **www.clearview.com.au** under the About ClearView, Corporate Governance section. The DRP Rules can also be viewed on the Computershare website by clicking into the 'Plan Details' bar at **www.computershare.com.au/easyupdate/cvw**.

For further information, please contact:

Investor inquiries
Trevor Franz
Principal, Catapult Partners
M: 0406 882 736

Media inquiries
Leng Ohlsson
Head of marketing and corporate affairs
T: (02) 8095 1539 **M:** 0409 509 516
E: leng.ohlsson@clearview.com.au

CVM_0864 08/18