



## Appendix 4D

for the six months ended 31 December 2019

# 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 2019
31 December 2018

### Results for announcement to the market

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

	31 December 2019 \$'000	31 December 2018 \$'000	\$ Change	% Change <sup>1</sup>
Revenue from ordinary activities*	221,757	148,078	73,679	50%
Profit from ordinary activities after tax attributable to members	9,810	11,514	(1,704)	(15%)
Net profit for the period attributable to members	9,810	11,514	(1,704)	(15%)

\* 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 \$88.0m (HY19: \$86.3m), fee and other revenue of \$63.0m (HY19: \$63.0m), investment income of \$64.6m (HY19: \$62.3m) and net fair value gains on financial assets of \$6.2m (HY19: losses of \$63.6m).

No dividend was paid in FY19 (FY18 final dividend of \$20.05m paid in HY19).

### Review and results of operations

ClearView Wealth Limited and its subsidiaries (**ClearView**) achieved the following results for the half year ended 31 December 2019:

After Tax Profit by Segment, \$M	HY20 \$M	HY19 \$M	% Change <sup>1</sup>
Life Insurance	8.7	11.9	(27%)
Wealth Management	1.7	2.1	(19%)
Financial Advice	0.6	0.1	Large
Listed entity and other	(0.7)	(0.7)	(1%)
<b>Underlying NPAT<sup>2</sup></b>	<b>10.2</b>	<b>13.3</b>	<b>(23%)</b>
Policy liability discount rate effect	(0.4)	2.2	Large
Amortisation of acquired intangibles	-	(0.6)	Large
Direct remediation program and Royal Commission costs	-	(1.9)	Large
Other costs	-	(1.5)	Large
<b>Reported NPAT</b>	<b>9.8</b>	<b>11.5</b>	<b>(15%)</b>
Embedded value <sup>3</sup>	669	671	-
Net asset value <sup>4</sup>	449.4	446.8	1%
Reported diluted EPS (cps) <sup>5</sup>	1.55	1.80	(14%)
Underlying diluted EPS (cps) <sup>5</sup>	1.62	2.08	(22%)

1 % movement, HY19 to HY20 unless otherwise stated.

2 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 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.

4 Net Asset Value as at 31 December 2019 excluding ESP Loans.

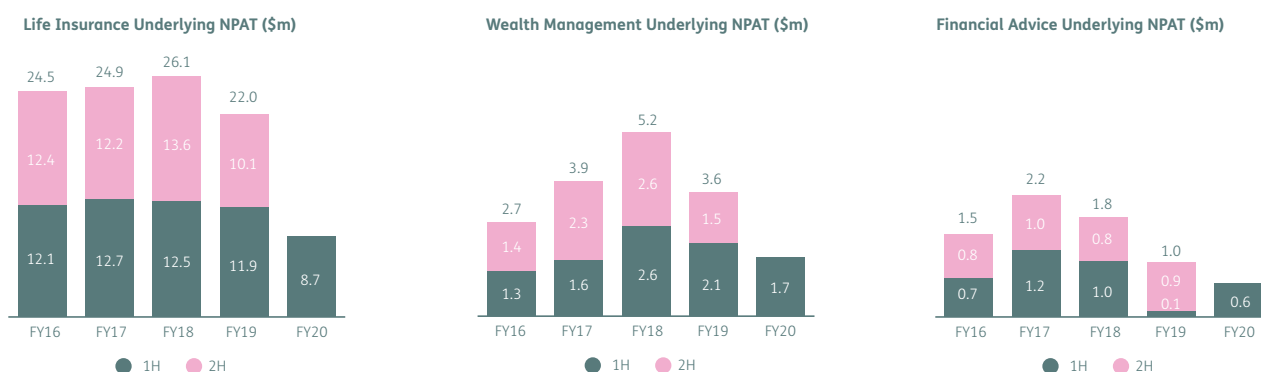
5 Impacted by ESP shares vested/forfeited during the period and changes to the number of ESP shares 'in the money' given the changes in ClearView's share price period on period.

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### HY20 Results by Segment



Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, decreased 23% to \$10.2 million (HY19: \$13.3 million) with fully diluted Underlying EPS decreasing by 22% to 1.62 cps (HY19: 2.08 cps). Reported NPAT, decreased 15% to \$9.8 million (HY19: \$11.5 million) with reported diluted EPS decreasing by 14% to 1.55 cps (HY19: 1.80 cps). This result reflected:

#### Life Insurance

- Life insurance Underlying NPAT for half-year ended 31 December 2019 of \$8.7 million, adversely impacted by claims (-\$4.7 million) and lapse (-\$1.4 million) experience (relative to the assumptions adopted at 30 June 2019).
- Life insurance in-force premiums up 8% to \$260.6 million; new business premiums of \$14.2 million, down 35%.
- Some insurers appear to be engaging in 'honeymoon' discounting, to maintain market share, rather than focusing on delivering long-term sustainable products and transparent pricing to consumers. ClearView is not participating in this approach which is impacting current new business volumes.
- ClearView's focus remains on further improving lapse performance, continuing to review our pricing profile and addressing the fundamental issues with Income Protection (IP) products offered in the market.
- Initiatives are underway to achieve more sustainable claims and pricing outcomes for IP products and ClearView is very supportive of the APRA IDII Sustainability Measures.

#### Wealth Management

- Wealth Underlying NPAT for half-year ended 31 December 2019 of \$1.7 million.
- Wealth Funds Under Management (FUM) up 10% to \$2.88 billion; strong net inflows of \$66 million (\$81 million outflows in 1H FY19).
- Progress continues on the development of the Wealth Management business including addressing and closing out the tax credit issue in the ClearView Retirement Plan (CRP); and delivering new products to the market.

#### Financial Advice

- Financial Advice Underlying NPAT for half-year ended 31 December 2019 of \$0.6 million.
- Changes to the remuneration and fee model in dealer groups were introduced on 1 November 2019, representing a fairer, more sustainable revenue base. The launch of the B2B outsourced licensee services offer (LaVista) also allows ClearView to provide business support services to advisers who have obtained their own licences.
- Costs were impacted by \$1.0 million of program and remediation costs (after tax and excluding any potential recoverable amounts) that were incurred under the financial advice programs under its ongoing compliance and monitoring processes. Overall the cost reduction, period to period, was driven by the cost transformation program.

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A reconciliation of Reported Net Profit After Tax (NPAT) to Underlying NPAT is provided below. Reported NPAT decreased by 15% to \$9.8 million (HY19: \$11.5 million).

	31 December 2019 \$'000	31 December 2018 \$'000	% Change <sup>1</sup>
<b>Reported Profit</b>	<b>9,808</b>	<b>11,514</b>	<b>15%</b>
<b>Adjusted for:</b>			
Amortisation of acquired intangibles	-	606	Large
AIFRS policy liability discount rate effect	425	(2,223)	Large
Strategic review costs	-	90	(100%)
Direct remediation program	-	584	(100%)
Royal Commission costs	-	1,295	(100%)
Retention bonuses	-	1,435	(100%)
<b>Underlying net profit after tax</b>	<b>10,233</b>	<b>13,301</b>	<b>(23%)</b>

### Amortisation of intangibles

Amortisation of intangibles (HY19: \$0.6 million) is associated with the acquisition of wealth management and life insurance businesses from Bupa, and financial advice businesses, ComCorp and Matrix Planning Solutions. These are reported separately to remove the non-cash effect of the write-off of these acquired intangibles.

The reduction in the amortisation between periods is related to the acquisition of businesses from Bupa given these client books have now been written off in full. The balance of the acquired intangibles held in the Financial Advice segment were fully impaired as part of the impairment testing completed in June 2019.

### Policy liability and disabled lives reserves discount rate effect

The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities and the incurred IP disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and IP incurred disabled lives reserves are discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and the disabled lives claims reserves, and consequently, earnings. ClearView reports this volatility separately.

For policy liability, this 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.

For the incurred IP disabled lives claims reserves, this represents a change in the claims costs given the discounting of the incurred claims reserves at market discount rates.

ClearView has recently invested in assets including inflation-linked bonds to duration match this liability (asset/ liability management). To the extent this investment impacts on earnings with movements in long-term rates, this will also be reported below the line to offset the above-mentioned liability (claims cost) impact from changes in discount rates. The investment was made subsequent to half-year end.

The net impact of the increase in long-term discount rates over HY20 caused a decrease in after-tax reported profit of -\$0.4 million (HY19: +\$2.2 million).

<sup>1</sup> % movement HY20 to HY19, unless otherwise stated.

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### Costs that are considered unusual

Costs that are considered unusual to ClearView's ordinary activities and therefore not reflected as part of Underlying NPAT. No such costs were incurred in HY20. In HY19 these related to costs associated with the Direct Remediation Program (\$0.6 million after tax), Royal Commission costs (\$1.3 million after tax) and retention bonus payments paid to key individuals in September 2018 (\$1.4 million after tax).

### Earnings per Share

Reported diluted EPS decreased by 14% to 1.55 cps (HY19: 1.80 cps). Underlying NPAT decreased to \$10.2 million (HY19: \$13.3 million) and fully diluted underlying EPS decreased by 22% to 1.62 cps (HY19: 2.08 cps)

	31 December 2019	31 December 2018	% Change <sup>1</sup>
Basic earnings per share (cents per share)	1.55	1.85	(15%)
Fully diluted earnings per share (cents per share)	1.55	1.80	(14%)
Basic underlying earnings per share (cents per share)*	1.63	2.14	(24%)
Fully diluted underlying earnings per share (cents per share)*	1.62	2.08	(22%)

\* 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 2019.

### Dividends

	Amount per security	Franked amount per security
Interim 2020 dividend (HY20)	nil	nil
Interim 2019 dividend (HY19)	nil	nil

No final dividend was paid in FY19 (FY18 final dividend of \$20.05m paid in HY19). There were no Dividend Reinvestment Plans (**DRP**) in operation.

### Net assets and net tangible assets per security

	31 December 2019	31 December 2018	% Change <sup>1</sup>
Net assets per security (cents per share)*	69.4	70.3	(1%)
Net tangible asset backing per ordinary security (cents per share)*	66.5	63.7	4%

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

1 % movement HY20 to HY19, unless otherwise stated.

2 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.

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The Group's Statement of financial position, which is set out on page 37 of the Half Year Report, reflects the key metrics below.

- Net assets at 31 December 2019 increased to \$449.4 million (June 2019: \$439.1 million) comprising:
  - Reported profit of \$9.8 million;
  - Movements in the Share Based Payments Reserve due to the treatment of the ESP in accordance with the accounting standards (+\$0.9 million) and ESP loans settled through the FY18 final dividend (+\$0.8 million); and
  - Shares bought back under ClearView's on market selective buy back arrangement (+\$0.4m).
- Net asset value per share (including ESP loans) of 69.4 cents per share (June 2019: 69.2 cents per share).

The net asset value per share is reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 31 December 2019 (in accordance with the ClearView ESP Rules).

Shares granted under the ESP carry rights to dividends and voting rights. 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.

In accordance with the provisions of the ESP, as at 31 December 2019, key management, members of the senior management team, the managing director and contractor participants have acquired 44,891,166 ordinary shares.

Financial assistance amounting to \$28,912,570 was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP and is held as an off balance sheet receivable. Given the non-recourse nature of the loans and the current ClearView share price, \$20,211,678 of the off balance sheet loan is considered recoverable at 31 December 2019 (ESP loans have been valued at the lower of issued price per ESP share or the prevailing share price).

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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 2019 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.



Judilyn Beaumont  
Company Secretary

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