

Market Release

24 August 2022

ClearView FY22 underlying NPAT up 22% to \$26.4m, fully franked FY22 final dividend of 2cps

ClearView Wealth Limited (**ClearView**) (ASX: CVW) has reported a 22% increase in underlying net profit after tax¹ (from continued operations²) of \$26.4m for the year to 30 June 2022, reflecting the strong performance of its life insurance business.

Life insurance remains the group's main profit driver. The business unit's operating earnings after tax³ increased 23% to \$28.9m in FY22, underpinned by steady growth in in-force premiums to \$311.4m.

Results highlights

- Group operating earnings after tax³, the Board's key measure of profitability and the basis of dividend considerations, increased 22% to \$28.0m (FY21: \$23.0m).
- Reported NPAT up 217% to \$21.2m (FY21: \$6.7m).
- Underlying earnings per share (fully diluted) up 12% to 4.07cps (FY21: 3.62cps).
- Revenue up 7% to \$330.2m.
- Positive underlying claims experience and lapse experience⁴ relative to best estimate actuarial assumptions.
- ClearView is benefitting from its ongoing investment in business transformation and the improved performance of the life insurance market.
- Sale of ClearView's Financial Advice businesses to Centrepont Alliance and corresponding investment in Centrepont Alliance with a 24.5% equity stake completed on 1 November 2021, contributing \$0.5m to underlying NPAT.
- Fully franked FY22 cash dividend of 2cps, up 100%.

Segment results

Life Insurance underlying NPAT up 22% to \$29.2m

The continued improvement in Life Insurance profitability in FY22 is driven by the strong momentum in the business including overall positive underlying claims⁴ and lapse performance alongside the successful launch of the new ClearView ClearChoice product range at sustainable margins.

This, when combined with the investment in the business transformation program and the repricing of the in-force portfolios (over time), leads to a positive outlook for the business.

Higher interest rates in the fourth quarter of FY22 also led to improved profitability.

In-force premiums increased 7% to \$311.4m and gross premiums increased 8% to \$299.6m.

New business volumes increased 25% to \$20.2m.

In FY22, the business reported a \$3.4m claims experience profit⁴ including a \$1.6m profit on the income protection portfolio, relative to assumptions.

In FY22, the business reported a \$4.2m lapse experience profit relative to assumptions.

Further changes to actuarial claims assumptions at 30 June 2022, including a strengthening of TPD and Trauma acceptance rates, had an adverse \$2.5m impact on the FY22 result.

ClearView is positioned to benefit from regulatory and structural changes, including increasing demand for professional financial advice and life insurance.

To date, the business has proven resilient to the health and economic impacts of COVID-19 and remains on track to achieve its medium-to-long term transformation and business improvement objectives.

Wealth Management underlying NPAT down 112% to -\$0.1m

Significant progress on the simplification of the Wealth Management segment was made in FY22 including the transfer of approximately 5,500 ClearView Pension Plan members, representing around \$450m of funds under management, to the contemporary WealthFoundations Super and Pension Product.

This intra-fund transfer provided tangible outcomes for members including more competitive fees, access to better features and eight custom investment options.

This month, the business successfully launched a Wealth Management digital front-end, as part of a broader customer engagement strategy.

The Wealth Management segment has faced strong headwinds including global and political uncertainty, extreme market volatility and negative investor sentiment. This has impacted asset valuations.

Over the year, funds under management fell 4% to \$3.3 billion, while fee income decreased 4% to \$29.9m, reflecting changes in the business mix and margins earned.

Looking ahead to FY23, fee income is likely to continue being adversely impacted by the annualised effect of repricing traditional products and transitioning members to contemporary products, alongside changes in margin from the HUB24 transaction.

These fee reductions are likely to be offset by a reduction in custody and asset management costs, and greater efficiencies as benefits from the group's ongoing simplification and transformation start to be realised.

Despite the challenges, significant progress has been made in the simplification transformation that commenced a few years ago and the business is now in a position to consider how best to take the Wealth Management business forward. This review is currently underway with further information to be provided in due course.

Capital management

FY22 Final Dividend

A final fully franked FY22 cash dividend of 2 cents per share has been declared subsequent to year end (\$13.2m). The final FY22 dividend represents 47% of Operating Earnings After Tax and reflects around the midpoint of the dividend policy target payout ratio of 40% and 60% of Operating Earnings After Tax.

Key details related to the FY22 dividend are below:

Amount of dividend:	2.00 cents per share
Ex-dividend date:	7 September 2022
Record date:	8 September 2022
Payment date:	23 September 2022

ClearView's Dividend Reinvestment Plan (**DRP**) is suspended and will not operate on this dividend.

In FY21, a fully franked final cash dividend of \$6.7m or 1.0 cents per share was paid on 24 September 2021.

Observations and business outlook

- The life insurance market is showing strong resilience during a difficult period and we are now seeing growth accelerating through an improved regulatory outlook and return to industry profitability, driven by structural reforms focused on sustainability.
- Higher education and training standards combined with tougher compliance obligations have resulted in a higher quality of practicing financial advisers that will significantly improve customer outcomes.
- Latent demand for professional financial advice and life insurance is expected to lead to increased and improved new business volumes over time.
- Higher interest rates are increasing profitability on capital held to support new business and in-force portfolios.
- A steady repricing of in-force portfolios is occurring across the industry, following the launch of new income protection products in October 2021. A staggered approach to price increases on the ClearView LifeSolutions portfolio commenced in January 2022.

ClearView remains focused on completing the implementation of its new Policy Administration System and progressively obtaining efficiencies from the transformation program over the next 18-month period.

Strategic Review

The strategic review process, which commenced in February this year, is ongoing. Discussions are continuing with interested parties in relation to the acquisition of the share capital of the Company. There are no assurances that the ClearView Board will decide to pursue any transaction, nor that any transaction will result from the negotiations.

ENDS

- 1 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.
- 2 From Continuing Operations. Financial information from continuing operations includes Life Insurance and Wealth Management business units, listed segment and equity accounted earnings of Centrepont Alliance from the date of completion (1 November 2021); excludes the contribution of the Financial Advice business until the date of sale. No adjustments have been made in each relevant period for stranded costs or other internal charges as a result of the sale of the financial advice businesses.
- 3 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. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.
- 4 Prior to change in lump sum claims assumptions and Long COVID-19/reopen provisions at 30 June 2022.

For more information, please contact:

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Approval of Announcement

The Board of Directors 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 two business segments: Life Insurance and Wealth Management are focused on delivering quality products and services.

For more information visit clearview.com.au