

# Market Release

24 August 2017

## ClearView reports strong growth in Underlying NPAT<sup>1</sup> up 12%, dividend up 10% and ongoing collaboration with Sony Life

ClearView Wealth Limited (ClearView, ASX: CVW) has reported a 12 per cent increase in Underlying Net Profit After Tax (UNPAT) to \$30.4 million for the year ended 30 June 2017, reflecting robust earnings across the Group's three business segments driven by strong growth in in-force premium<sup>2</sup>, funds under management<sup>3</sup> and demand for quality financial advice.

- **ClearView continues to deliver strong, sustainable growth with underlying NPAT up 12% to \$30.4 million**
- **Life Insurance in-force premium<sup>2</sup> up 26%: reflecting 16% increase in sales of flagship LifeSolutions product, widening IFA<sup>4</sup> distribution footprint and strength of existing IFA relationships**
- **LifeSolutions is currently on 343 non-aligned Approved Product Lists<sup>5</sup> (APLs) with the IFA channel representing 72% of LifeSolutions sales**
- **Life Insurance segment earnings up 2% to \$24.9 million, compared to expected growth in FY17 of 24%<sup>6</sup>, adversely impacted by implementing an enhanced IP claims reserving basis and lapse experience on IP portfolio following price increases to improve long-term profitability**
- **ClearView remains on track to achieve near and medium-term strategic goals**
- **Wealth Management segment earnings up 44% to \$3.9 million: reflecting 17% increase in funds under management to \$2.5 billion, \$353 million of net flows into contemporary products and top quartile investment performance across ClearView model portfolios<sup>8</sup>**
- **Wealth distribution expanding beyond aligned groups with contemporary products on 30 APLs<sup>5</sup>**
- **Financial Advice segment earnings up 47% to \$2.2 million, as the group experienced increasing demand for quality advice, steady growth in adviser numbers and disciplined expense management**
- **Reported NPAT decreased 44% to \$13.2 million**
- **Embedded Value up 8%<sup>7</sup> to \$661.9 million underpinned by growth of in-force premium<sup>2</sup> and FUM in contemporary products**
- **The Board has declared a fully franked final dividend of 2.75 cents per share for FY17, up 10% on FY16**
- **Dividend Reinvestment Plan (DRP) reactivated in respect to the FY17 dividend**
- **Strong, purposeful collaboration between ClearView and Sony Life with a sharp focus on driving growth and efficiencies across both organisations**
- **Matrix named 2017 Licensee of the Year by global independent research house CoreData**

1 Underlying NPAT is the Board's key measure of group profitability and the basis on which dividend payments are determined. It 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.

2 In-force premium is defined as annualised premium in-force at the balance date.

3 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms.

4 IFAs are independent financial advisers that write ClearView products that are placed on third party dealer group approved product lists.

5 Approved Product Lists are where ClearView products that are placed on third party dealer group approved product lists.

6 Expected Life Insurance Underlying NPAT of \$29.3m (+24% FY16 to FY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions.

7 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and ESP loans; % movement FY16 to FY17 adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (\$6.2m).

8 Based on ClearView Dynamic model portfolios over 2 and 3 year periods.

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## Segment results

After Tax Profit by Segment, \$m	FY17	FY16	% Change <sup>6</sup>	
Life Insurance	24.9	24.5	↑	2%
Wealth Management	3.9	2.7	↑	44%
Financial Advice	2.2	1.5	↑	47%
Listed entity and other	(0.7)	(1.5)	↑	53%
<b>Underlying NPAT<sup>1</sup></b>	<b>30.4</b>	<b>27.2</b>	↑	<b>12%</b>
Other adjustments <sup>10</sup>	(9.0)	5.5	↓	Large
<b>NPATA<sup>4</sup></b>	<b>21.4</b>	<b>32.7</b>	↓	<b>(36%)</b>
Amortisation <sup>5</sup>	(8.2)	(9.1)	↑	10%
<b>Reported NPAT</b>	<b>13.2</b>	<b>23.6</b>	↓	<b>(44%)</b>
Embedded Value <sup>2</sup>	661.9	624.1	↑	8%
Value of new business <sup>2</sup>	16.7	19.0	↓	(12%)
Net asset value <sup>3</sup>	415.6	411.8	↑	4%
Reported diluted EPS (cps) <sup>7</sup>	2.11	4.27	↓	(51%)
Underlying diluted EPS (cps) <sup>7</sup>	4.88	4.92	↓	(1%)
DPS (cps) <sup>8</sup>	2.75	2.50	↑	10%

## Life Insurance Underlying NPAT up 2% to \$24.9 million

The underlying performance of the Life Insurance segment remains strong with in-force premium up 26%, LifeSolutions sales up 16% and the number of third-party financial planning groups able to recommend LifeSolutions climbing to 343, up 34%.

The modest growth in Underlying NPAT, compared to expected growth in FY17 of 24%, reflected the impact of prudent decisions made by the Board to support the group's long-term strategy:

- During the year, income protection (IP) price increases were introduced to manage margin and improve product profitability which resulted in higher short-term lapses.
- An enhanced actuarial claims reserving basis was also adopted to strengthen the IP claims reserves which was a key driver of an adverse claims 'swing' of \$3 million between periods.

The IP book remains profitable and these changes position ClearView strongly for continued growth. The expected UNPAT growth in FY17 of 24%<sup>9</sup> would have been broadly in line with growth in in-force premium of 26%.

- 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 (EV) and Value of New Business (VNB) at 4% discount rate margin. EV includes a value for future franking credits, accrued franking credits and ESP loans; EV % movement FY16 to FY17 adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (\$6.2m).
- 3 Net Asset Value as at 30 June 2017 excluding ESP Loans; % increase adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (\$6.2m).
- 4 NPATA is reported net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles (not including capitalised software).
- 5 Amortisation is amortisation of acquired intangibles (not including depreciation and amortisation of software).
- 6 % movement FY16 to FY17, unless otherwise stated.
- 7 Impacted by the effect of 59m shares issued in June 2016 as part of \$50m Entitlement Offer.
- 8 DPS is dividend per share.
- 9 Expected Life Insurance Underlying NPAT of \$29.3m (+24% FY16 to FY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions.
- 10 Other adjustments includes costs considered unusual to normal activities (includes \$2.4m Direct closure provision) and changes in long term discount rates used to determine the insurance policy liabilities (\$13.7m 'swing' between periods).

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### Wealth Management Underlying NPAT up 44% to \$3.9 million

Growth in earnings was underpinned by strong inflows into contemporary wealth products, the group's widening distribution footprint and top-quartile investment performance which saw funds under management increase 17% to \$2.5 billion in FY17.

The number of dealer groups that currently recommend ClearView's wealth products climbed to 30 in FY17 - up from 9 in FY16, as the group successfully leveraged existing Life Insurance relationships.

The outlook for Wealth Management is strong, with emerging support for ClearView products from outside the aligned dealer groups and further scope to leverage the Life Insurance segment's IFA relationships including opportunities to capitalise on the convergence of life insurance and superannuation by crossing selling products.

### Financial Advice Underlying NPAT up 47% to \$2.2 million

Growth in earnings driven by a modest increase in aligned adviser numbers, revenue from new practices, higher conference delegate and sponsorship revenue, and disciplined expense management.

During the year, the number of advisers across Matrix Planning Solutions and ClearView Financial Advice, increased to 243 advisers. The group's Funds under Management and Advice (FUMA)<sup>1</sup> amounted to \$8.9 billion and Premiums Under Advice (PUA)<sup>3</sup> reached \$236 million of which \$70 million is in LifeSolutions.

The Financial Advice business also started the development and implementation of a Strategic Advice Program designed to assist aligned advisers better meet clients' changing needs and increasing regulatory obligations while diversifying and growing their revenue.

### Cooperation with Sony Life

In October 2016, Sony Life acquired a 14.9 per cent shareholding in ClearView, following Crescent Capital's decision to sell its shares in the company<sup>4</sup>.

In January, ClearView and Sony Life entered a mutually-beneficial Cooperation Agreement which formalised both parties' commitment to sharing knowledge, experiences and insights; and working together to drive efficiencies and growth. The Cooperation Agreement, which remains in place for so long as Sony Life holds at least 10 per cent of the issued share capital in ClearView, enables ClearView to benefit from Sony Life's expertise in a range of areas including product development, distribution and marketing, technology and adviser training.

During the year, Mr Satoshi Wakuya, General Manager, Head of Business Development Division for Sony Life joined the ClearView Board and two Sony Life executives were seconded to ClearView.

The relationship with Sony Life is progressing well as both companies share much in common including a client-first focus and a strong commitment to delivering quality products and quality advice.

### Capital management

As at 30 June 2017, the ClearView Balance Sheet reflected net assets (pre-Employee Share Plan loans) of \$415.6 million and Net Tangible Assets (pre-ESP loans) of \$371.0 million.

Shareholders' capital continues to be invested conservatively in cash (net cash of \$156 million).

As at 30 June 2017, the Group held \$12.9 million of capital reserves above our internal benchmarks.

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

1 FUMA includes FUM<sup>2</sup> and funds under advice that are externally managed and administered.

2 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms.

3 Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products) and in-force LifeSolutions premium.

4 For full terms of Sony transaction, refer to ASX announcement dated 25 October 2016.

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## Dividend and Dividend Reinvestment Plan

The Board has declared a fully franked final dividend of 2.75 cents per share for FY17, up 10% on FY16.

This reflects a full year 2017 dividend payout ratio of 60% of underlying NPAT and is in line with the company's dividend policy. Key details related to the FY17 dividends are below.

Amount of dividend:	2.75 cents per share
Ex-dividend date:	12 September 2017
Record date:	13 September 2017
Payment date:	29 September 2017

ClearView's Dividend Reinvestment Plan (DRP) has been reactivated in respect to the FY17 dividend.

Shares under the DRP will be issued at a fixed price of \$1.39, consistent with ClearView's DRP rules, and represent a 2% discount of the 90 day volume weighted average price of \$1.42<sup>1</sup>.

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 \$1.39 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 FY17 final dividend by updating their shareholding details online from the Computershare website [www.computershare.com.au/easyupdate/cvw](http://www.computershare.com.au/easyupdate/cvw).

For shareholders who have existing nominations, these nominations will be automatically applied for the FY17 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](http://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 14 September 2017, which is the first business day after the record date for the FY17 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](http://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](http://www.computershare.com.au/easyupdate/cvw).

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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)

<sup>1</sup> 90 day VWAP calculated as at 18 August 2017.