

# ClearView Wealth Limited

FY10 full-year results ended 30 June 2010

25 August 2010



# Transformation highlights

- **Successful acquisition of profitable life and wealth management businesses from Bupa**
- **Attractive purchase price**
  - cost of \$204m including capital raising and transaction costs
  - 7% discount to Embedded Value of \$216m at 31 May 2010 (excluding \$38m value of future franking credits)
  - fully funded through \$135m equity raising and existing cash resources
- **Completed transformation of MMC Contrarian to ClearView (ASX:CVW)**
  - listed company relaunched and commenced trading on 17 June 2010
  - net asset value of 59.1 cents per share
- **Strong financial position at 30 June 2010**
  - no debt
  - \$45m of capital in excess of regulatory requirements
- **FY11 to feature a full year of earnings from acquired businesses**
  - FY10 reported result of \$8.0m only includes 3 weeks of newly acquired businesses
  - one-off profit on acquisition partially offset by one-off integration and restructuring costs in FY10 result

# Growth platform

- **Distribution reach to almost 4 million people**

- Strength in direct marketing with 60,000 life risk policies in force with high retention rates
- Exclusive distribution alliance secured with Bupa provides access to 2.9 million members
- Exclusive distribution alliances secured with credit unions provides access to 0.8 million members
- Strong management team with track record of penetrating lead sources

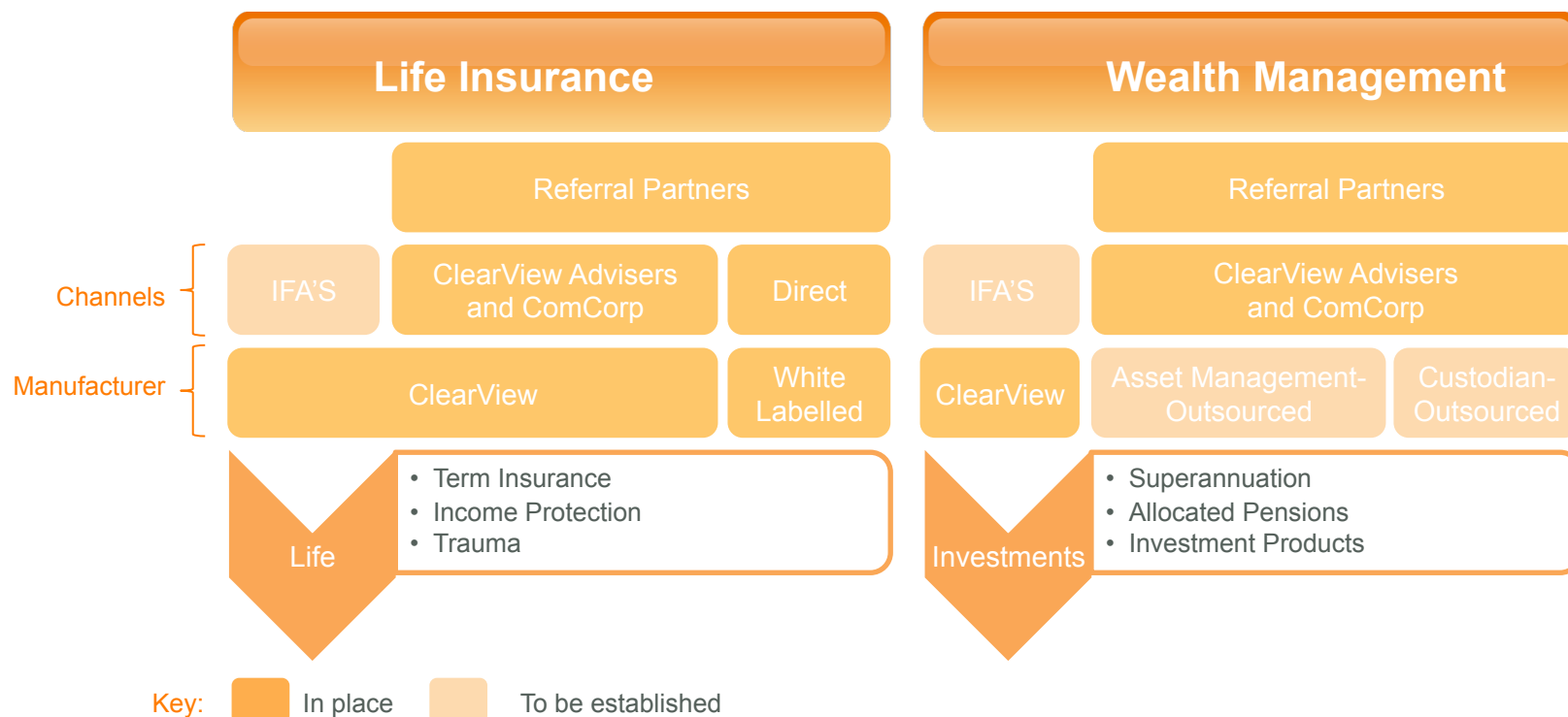
- **Established position in a growth industry**

- Industry forecast growth rates for life insurance and superannuation of 9% pa
- Demonstrated growth from life insurance and wealth management industries over past decade
- Underinsurance, low penetration rates and mandatory superannuation remain key drivers

- **Synergy benefits through cost savings and rationalisation**

- On-going benefits of lower overhead expenses following integration and restructure
- Limited legacy systems enabling product rationalisation and new product launches
- September launch of 'ClearView' rebranding with new products in H1 2011

# ClearView – The Value Chain



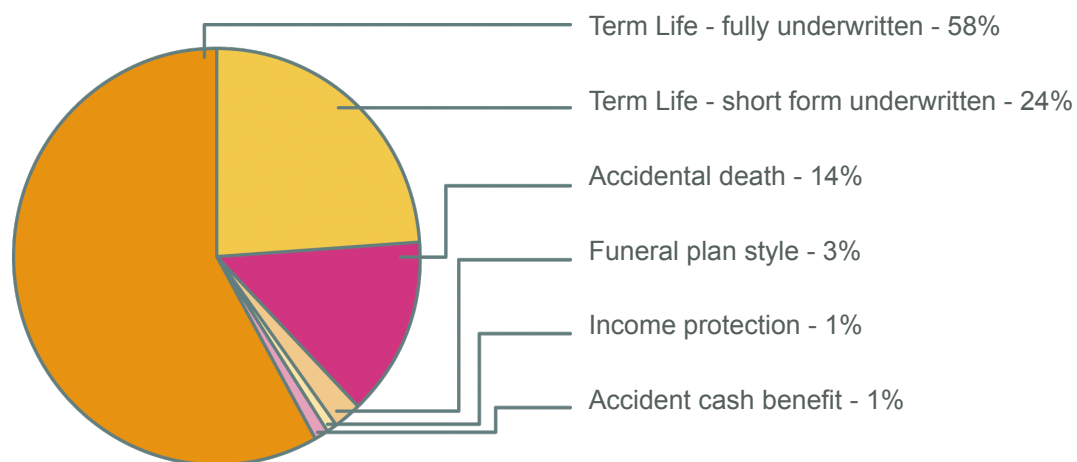
- Life insurance distributed directly through 'white labelled' products to Bupa members
- ClearView and ComCorp advisers distribute
  - 'ClearView' life, investment and superannuation products
  - External third party life, investment and superannuation products
- IFAs will be targeted to distribute ClearView life, investment and superannuation products

# Life Insurance

- **Specialist retail focused life insurance business**
  - established in 1976 as NRMA Life
  - 60,000 policies in force at 30 June 2010
- **Broad distribution capabilities**
  - strength in direct marketing
- **Opportunity to target 2.9 million Bupa and 0.8 million credit union members across Australia**
  - low penetration historically of NRMA client base and MBF members in NSW

## Life Insurance Inforce Premium

as at 30 June 2010 (\$40.7m)

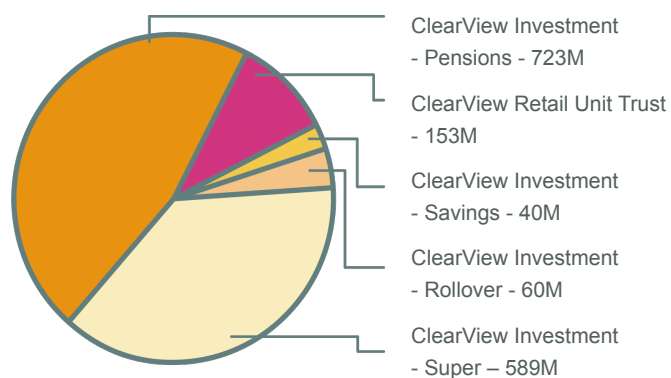


# Wealth Management

- **Focused on mass affluent, pre-retirement and retirement markets**
  - superannuation, pensions and retail managed investment unit trusts
- **Distribution capabilities to be expanded**
  - historically through employed ClearView and ComCorp planners
  - targeting of IFAs in the future
- **Product manufacturing capability**
  - ClearView Investments, ClearView Superannuation and retail managed investment unit trusts
- **Brand and products to be repositioned to better suit alliance partners' members**

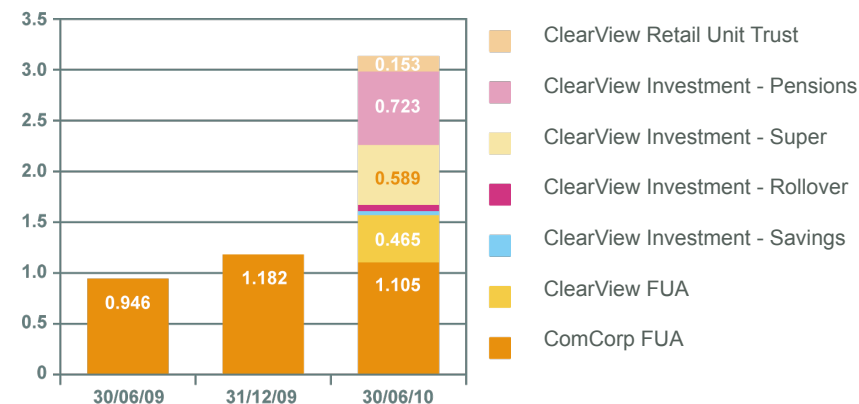
## FUM Position of Investment and Retail Unit Trusts

as at 30 June 2010



## FUMA as at 30 June 2010

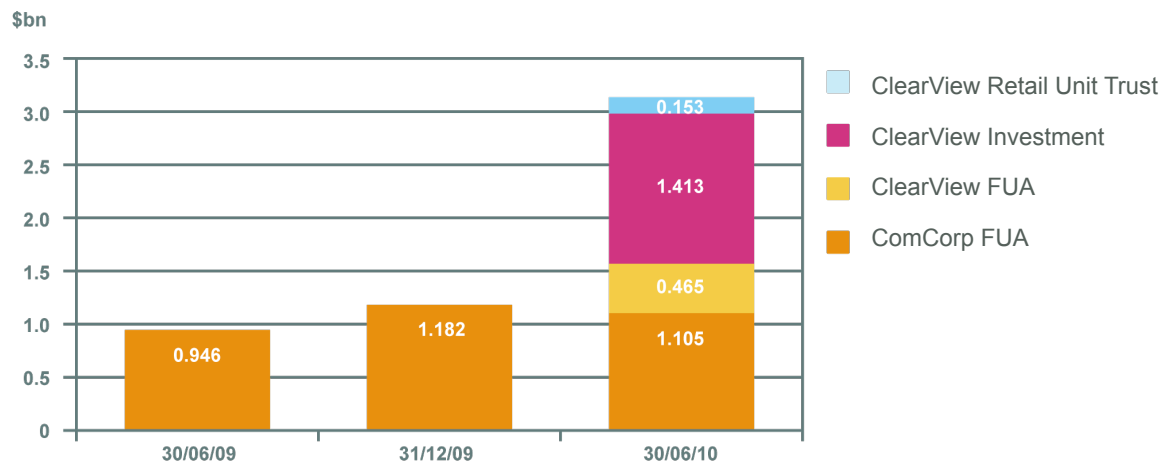
\$bn



# Financial Planning

- **Referral lead sources are a key competitive advantage**
  - exclusive referral partner relationships with credit unions and Bupa member base
  - cross referral opportunities through credit union and Bupa member bases
  - strong IT systems – automated referral management systems
- **Management has a strong track record in penetrating referral sources**
- **Business has 55 planners - 35 employed and 20 franchised**
- **Acquisition provides scale in FUMA with cost and efficiency benefits**

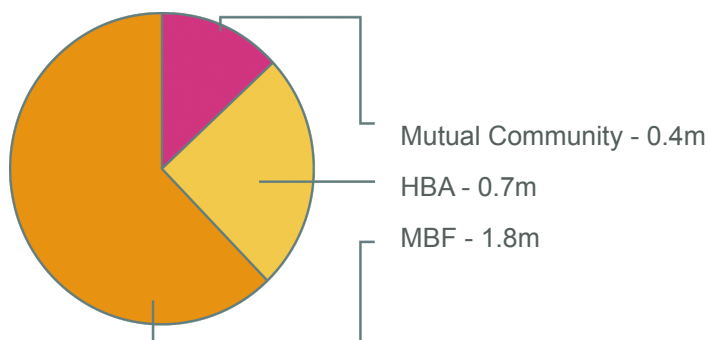
## FUM Position of Investment and Retail Unit Trusts as at 30 June 2010



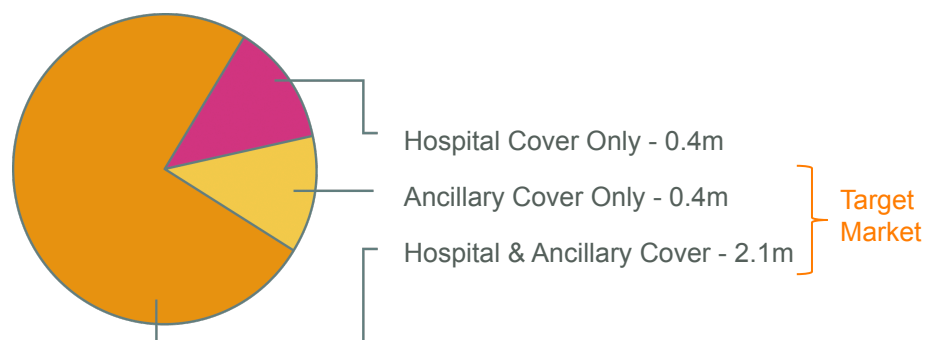
# Distribution Alliances

- 10 year exclusive alliance with Bupa to distribute life insurance and wealth management products
- Represents one of the best and most underutilised referral sources in Australia
  - Ability to target mass affluent individuals that are already buyers of discretionary insurance policies
  - 2.5 million individuals with discretionary ancillary health cover – propensity to buy life insurance and wealth management products
  - No previous attempt by Bupa to market life insurance to the HBA and Mutual Community customer base
- Relationships with 10 credit unions covering 0.8 million people

## Bupa Australia Member Base



## Hospital and Ancillary





# Financial summary – Profit & Loss

Summary P&L to 30 June 2010	\$'000's
Life Insurance profits <sup>1</sup>	688
Wealth Management profits <sup>1</sup>	527
Financial Planning profits	321
Listed Entity / Other <sup>2</sup>	(2,576)
<b>Reported NPAT from Continuing Operations before Amortisation and One-off items<sup>1,2</sup></b>	<b>(1,040)</b>
Amortisation	(554)
One-off adjustments	7,856
Eliminations	(341)
<b>Reported NPAT from Continuing Operations<sup>1,2</sup></b>	<b>5,921</b>
Discontinued operations <sup>1</sup>	2,110
<b>Reported NPAT</b>	<b>8,031</b>

**Note 1** Reported results are not reflective of future performance. Results only include the contribution for acquired businesses for the 3 week period from 9 June 2010 and a number of one-off gains and losses associated with the acquisition. Results do not reflect any cost savings generated through the restructure and integration process.

**Note 2** Includes 12 months of allocated overhead cost base (\$1.8m) incurred by former MMC and 12 months of listing costs (\$0.7m)

# Financial summary – Profit & Loss

<b>One-off adjustments</b>	<b>\$'000's</b>
IFRS DAC adjustment <sup>1</sup>	886
Restructure, termination and integration costs	(3,292)
Acquisition transaction costs	(4,843)
Tax adjustments	(220)
Profit on acquisition <sup>2</sup>	15,325
<b>Total one-off adjustments</b>	<b>7,856</b>

- **Reported profit includes a number of one off items associated with the acquisition of the life and wealth management businesses from Bupa**

**Note 1** Due to reduction in long term interest rates at 30 June 2010

**Note 2** Due to the audited embedded value on acquisition of \$216 million exceeding the cost of the business combination of \$200.8 million in accordance with the accounting standards. The cost of the business combination is calculated as the purchase consideration of \$195 million plus the estimated adjustment amount of \$5.8 million.

# Financial summary

- Balance Sheet at 30 June 2010

<b>Assets (\$m)</b>	<b>Consolidated</b>	<b>Shareholder</b>	<b>Liabilities (\$m)</b>	<b>Consolidated</b>	<b>Shareholder</b>
Cash equivalents <sup>1</sup>	197.1	27.4	Payables	30.1	22.6
Financial assets <sup>2</sup>	1,430.6	90.9	Current Tax	1.7	1.7
Receivables	46.5	4.8	Provisions	7.5	7.5
Deferred Tax	29.0	14.5	Life Insurance	(71.6)	(71.6)
PP&E	1.3	1.3	Life Investment	1,405.4	0
Goodwill/associates	4.3	4.3	Unit Trusts	152.7	0
Intangibles	59.2	59.2			
<b>Total Assets</b>	<b>1,768.0</b>	<b>202.4</b>	<b>Total Liabilities</b>	<b>1,525.7</b>	<b>(39.9)</b>
			<b>Net Assets</b>	<b>242.3</b>	<b>242.3</b>

- Net assets of \$242.3m at 30 June 2010
- Net asset value of 59.1 cents per share
- No debt
- Life insurance liabilities are an asset reflecting the future recoverability of the deferred acquisition costs in accordance with the accounting standards

**Note 1** Cash equivalents include cash holdings directly held on balance sheet

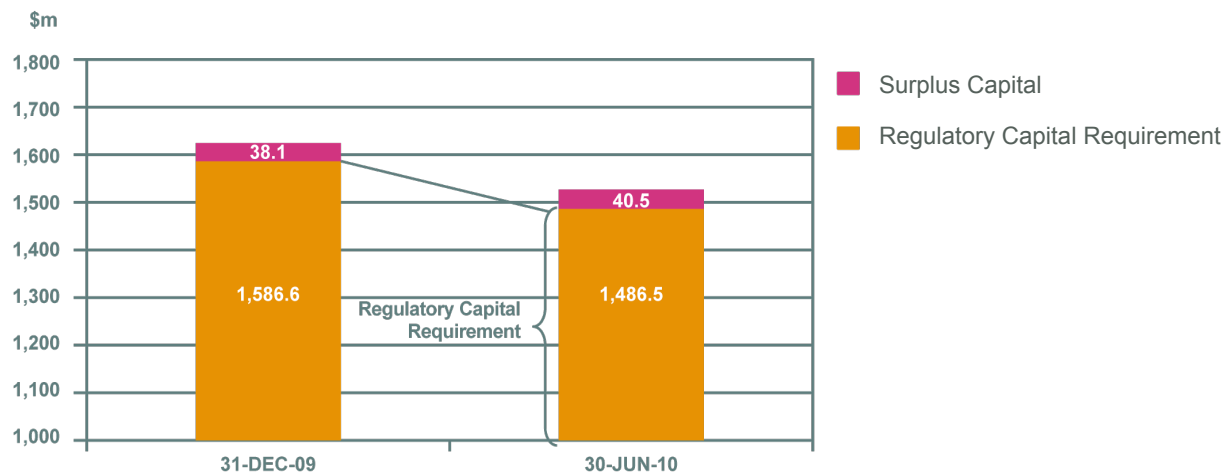
**Note 2** Financial assets include holdings in the ClearView cash management trusts, the underlying nature of which is cash

# Financial summary – Capital

- **Strong capital position at 30 June 2010**
  - no debt
  - sufficient capital to allow for future working capital requirements
  - \$45m of capital in excess of regulatory requirements
    - Parent entity has surplus cash of approximately \$5m
    - Acquired entities have \$40.5m above regulatory requirement
  
- **Shareholder funds are conservatively invested**
  - held in cash and interest bearing securities
  
- **Board’s expectation is to pay an annual dividend representing 20-40% of underlying profit**
  - subject to regulatory requirements, available profits and financial position

## Capital Position of Acquired Entities

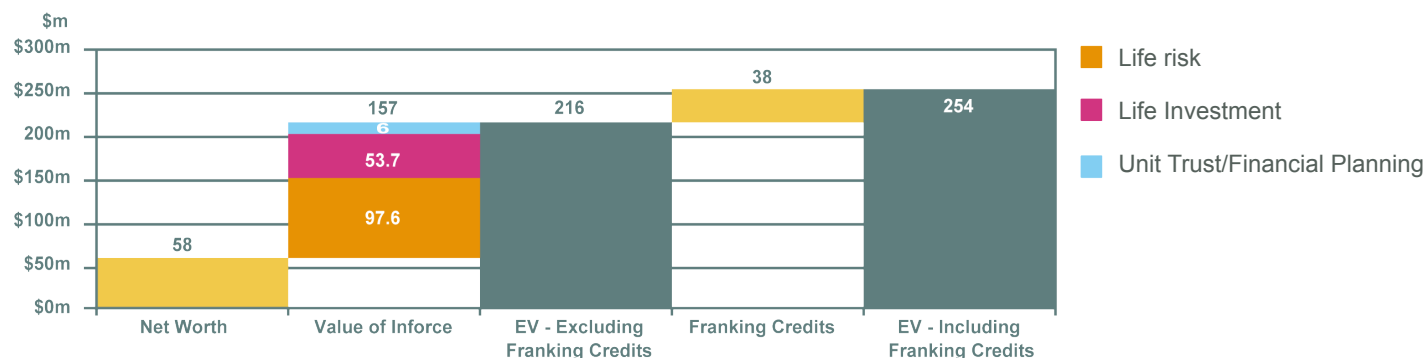
as at 30 June 2010



# Embedded Value on Acquisition

- Net worth represents assets in excess of regulatory capital requirements
- Embedded value makes no allowance for future growth potential and cost savings
- Embedded value of \$216m based on risk discount rate of 11% for risk business and 12.75% for investment business
- Expenses, mortality, morbidity and policy discontinuances based on actual experience
- Embedded value used for acquisition accounting and audited by Deloitte and reviewed by Appointed Actuary (KPMG)
- Embedded value excludes any value attributable to ComCorp, surplus cash on parent entity balance sheet and tax losses

## Composition of EV of Acquired Entities - May 2010



## Embedded Value of Acquired Entities (Excluding Franking Credits) as at 31 May 2010

	Risk Discount Rate: Life Risk/Others		
	10%/11.75%	11%/12.75%	12%/13.75%
Net Worth	58	58	58
Value of Business in Force	167	157	149
<b>Embedded Value</b>	<b>225</b>	<b>216</b>	<b>207</b>
Embedded Value assuming a 10% increase in maintenance expenses	218	209	201
Defer Embedded Value assuming a 10% decrease in maintenance expenses	232	222	214

## Value of Franking Credits at 31 May 2010

	Risk Discount Rate: Life Risk/Others		
	10%/11.75%	11%/12.75%	12%/13.75%
Franking Credits	41	38	37

# Strategy

Strategic aim	Progress achieved
Build sales through Bupa alliance	New product launch in H1 2011
Deploy referral management system	On schedule to roll out in H1 2011
Upgrade life insurance products	Work commenced
Widen product offering to referral partners	Follows product launch in H2 2011
Extend referral partner network	H2 2011
Penetrate IFA market	H1 2012
Cost savings of \$6.5m progressively achieved during FY11	On track: <ul style="list-style-type: none"> <li>• staff relocated</li> <li>• separation from Bupa in H1 2011</li> </ul>
Restructure and integration of acquired businesses	<ul style="list-style-type: none"> <li>• \$2.3m redundancies - \$1.4 million completed</li> <li>• migrate off Bupa IT infrastructure H1 2011</li> <li>• migrate off COIN to X Plan H1 2011</li> </ul>

# Outlook

- **Very positive long term market outlook**
  - under-insurance, low penetration and mandatory superannuation are key drivers
- **Buoyant short term outlook for life insurance**
  - underpinned by premium growth generated by increasing insurance coverage and age re-rates
- **Short term head winds anticipated in superannuation**
  - regulatory uncertainty and weak investment markets
- **Progress being made on all identified key initiatives for acquired businesses**
  - solid progress over 10 weeks of ownership with initiatives tracking to plan
- **Businesses performing broadly in line with expectations and market conditions**
  - fee income marginally lower than plan due to poor investment markets and investor uncertainty
  - retention rates and expense savings (to be progressively achieved throughout the 2011 financial year) tracking to plan

# Summary

- **FY10 was transformational year**
  - Results reflect 3 weeks of acquired profitable businesses and one-off acquisition adjustments
  - FY11 to reflect full year operating results and extraction of synergies
- **ClearView in unique position to grow**
  - exclusive distribution arrangement with Bupa providing access to 2.9 million people
  - distribution arrangements with credit unions providing access to 0.8 million people
  - no debt
  - strong capital position, with \$45m excess capital above regulatory requirements
- **Attractive market fundamentals**
  - underinsurance driving growth in life insurance
  - complexity driving need for financial advice
  - growth in superannuation underwritten by mandatory superannuation
  - consolidation of financial planning and wealth management industries



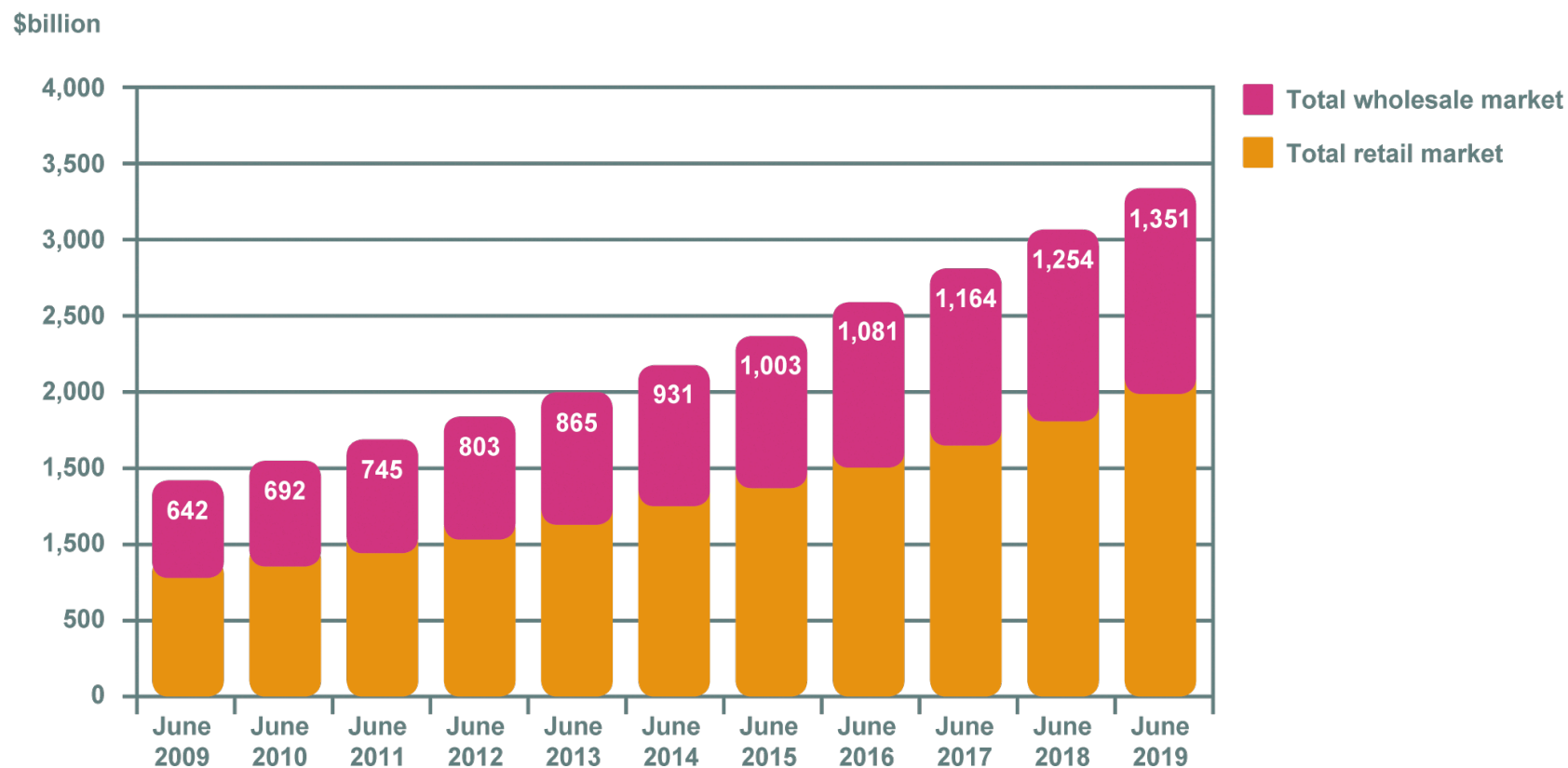
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Australian total retirement income assets projected growth - **Page 19**

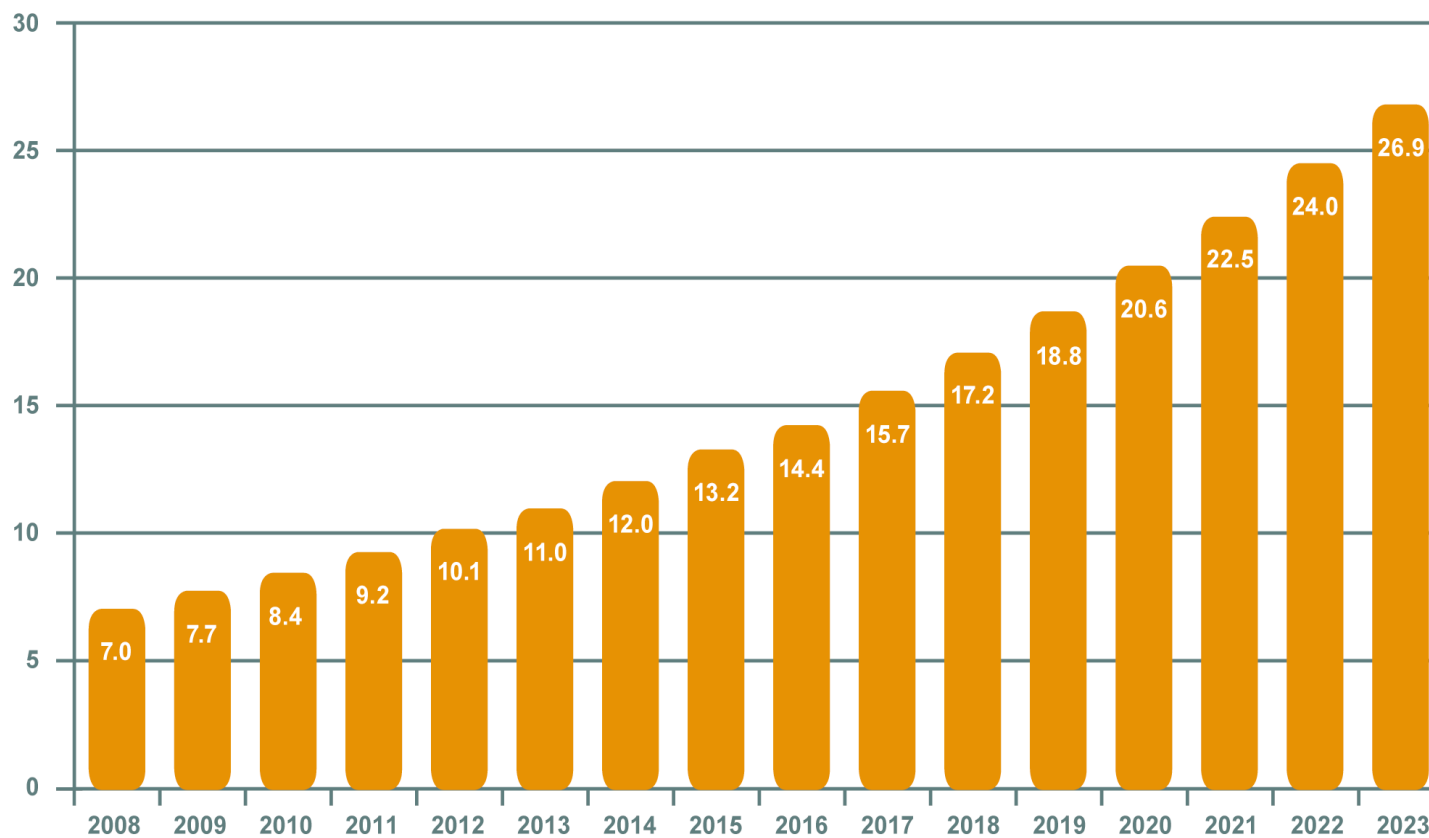
## Australian total assets in financial services market projected growth



Source: DEXX&R November 2009. \*Note: excluding consolidation of wholesale investment in retail products.

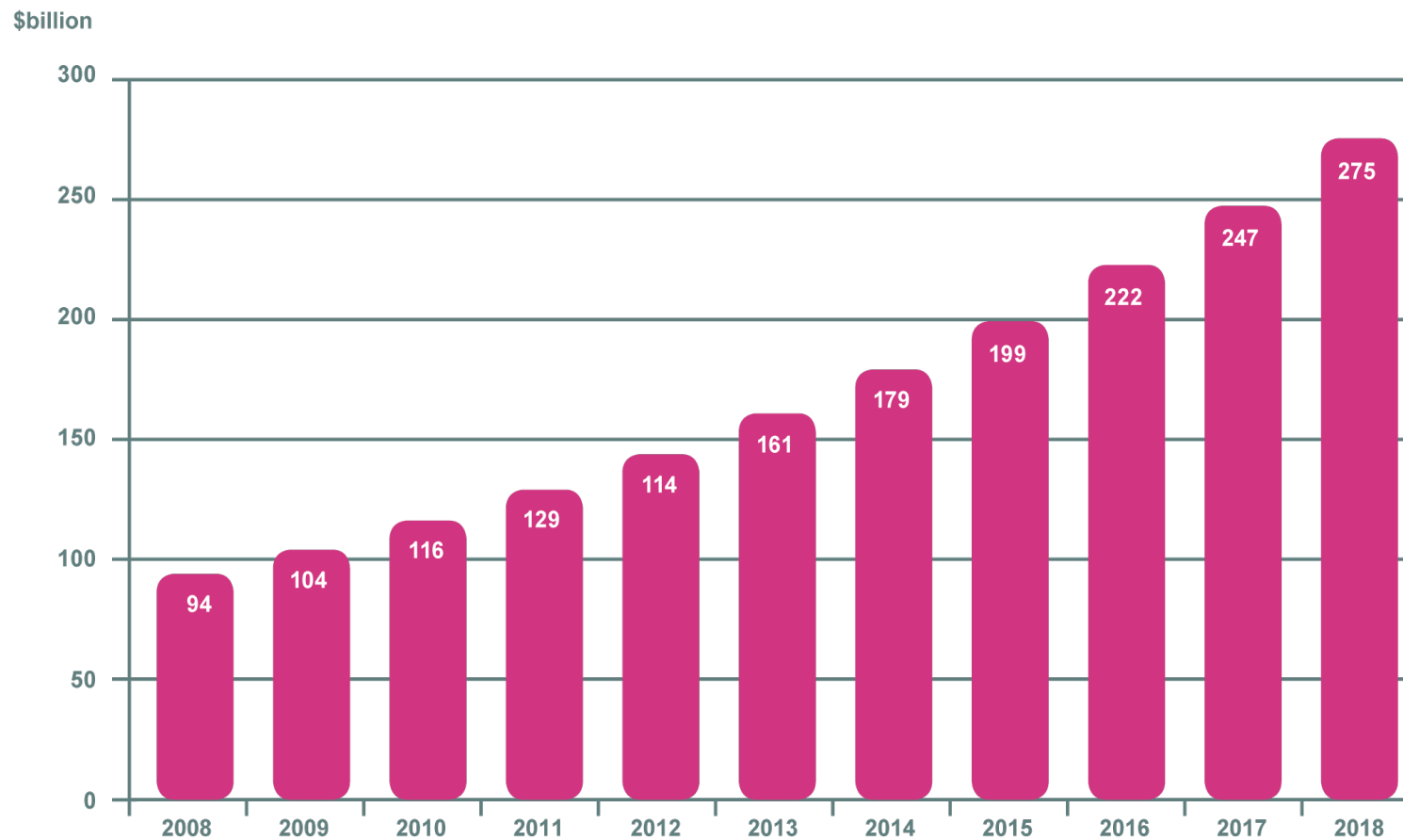
## Australian life insurance market annual premium projected growth

\$billion



Source: Source: Rice Warner February 2009.

## Australian total retirement income assets projected growth



Source: Source: DEXX&R November 2009.

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