



Annual General Meeting 2020 Presentation

Conduit Capital Limited



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Group Structure

CONDUIT  CAPITAL

Various Investment Holding Subsidiaries





CONSTANTIA

Insurance made personal



ABOUT CONSTANTIA

Constantia is a diversified pan-African insurer writing business in Health, Life, Medical Malpractice and Property & Casualty. First licensed in 1952, Constantia operates 3 insurance licenses across 19 countries, with a dominant position in Health and Medical insurance.



DEFINITIONS

- **Underwriting profitability** included throughout the presentation reflects amounts before operating expenses
- **Actual Cash Generation** reflects amounts before legacy cash outflows
- YTD is to November 2021



PERFORMANCE

2017-2019 targeted growth drive resulted in strained underwriting performance

Temporary mark-to-market losses on equity investments

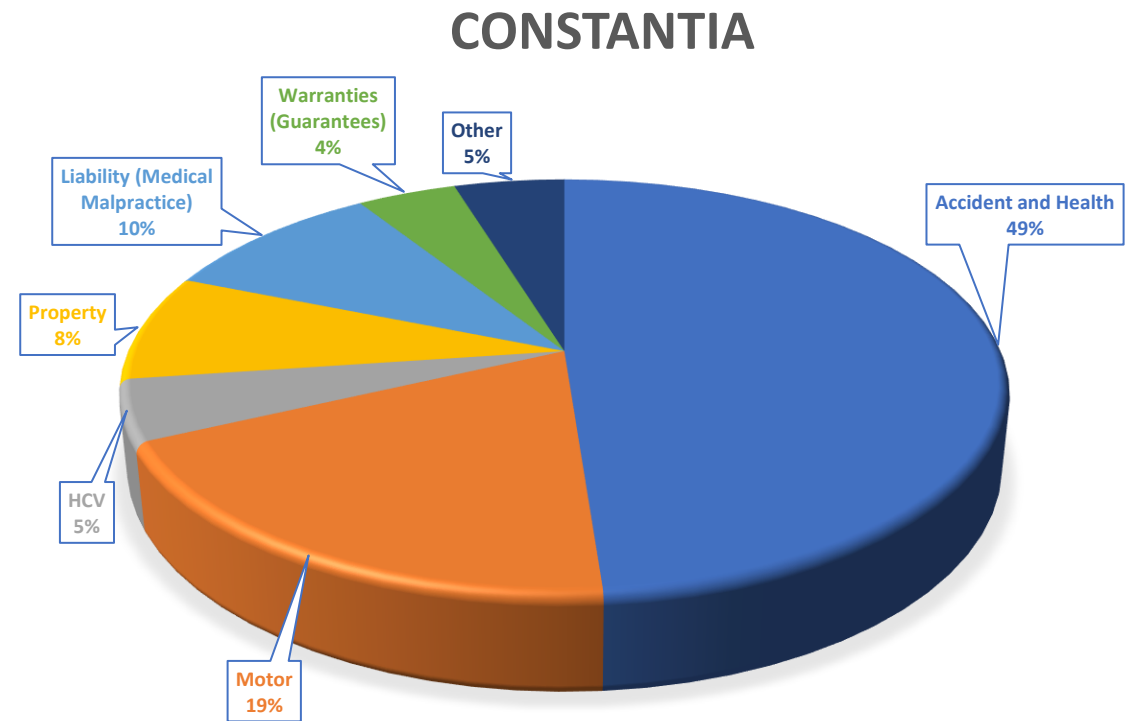
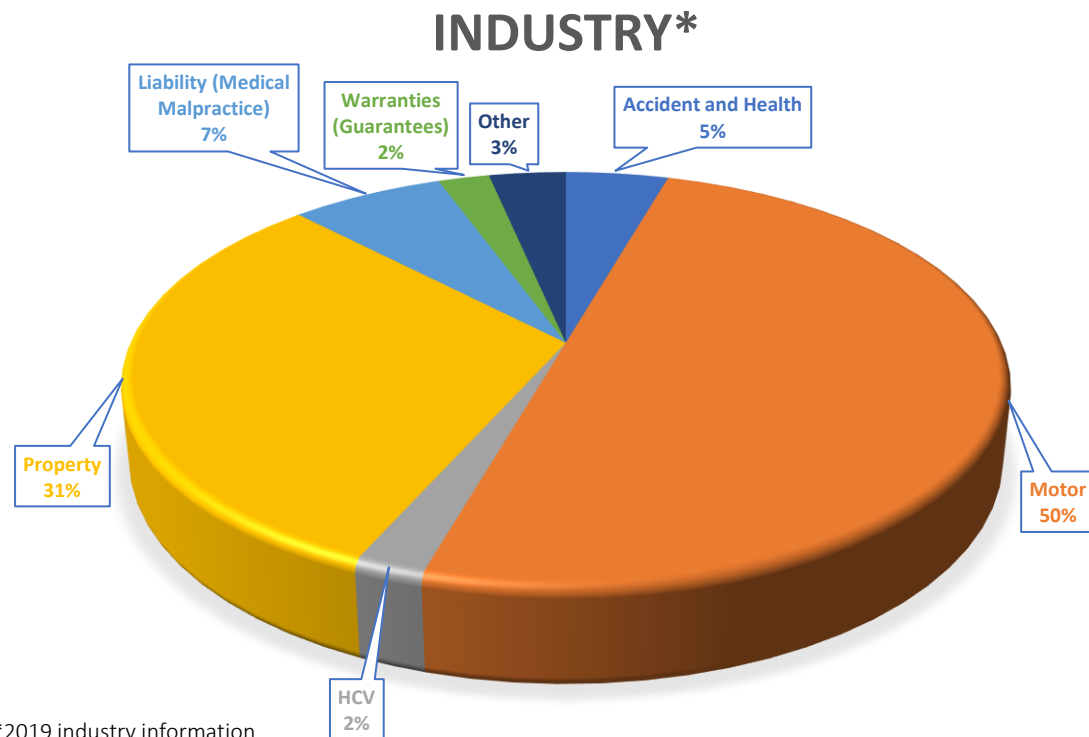
Change of leadership and restructure resulted in turnaround

- Returned to underwriting profitability
- Underwriting profits increased by R165m since leadership change in February 2020
- Combined ratio improved by 12% compared to prior year
- Excluding restructure and non-recurring costs Constantia achieved operating profits in H2 2020
- 25% increase in equities will produce ~R70m in pre-tax earnings



A WELL DIVERSIFIED BUSINESS

- Constantia's business is weighted toward higher margin segments
- Motor is less than half the industry exposure



F2020

*2019 industry information

Source: KPMG The South African Insurance Industry Survey 2020

HEALTH

- ❶ Constantia is the leading provider of medical gap cover with 600,000 individuals and 480 group schemes covered
- ❷ Primary health has extensive medical network with 8,000 medical professionals and 3,800 pharmacies providing medical services to 40,000 individuals
- ❸ Oraclemed provides medical insurance to 17,000 members across 18 African countries and contracts with 3,200 hospitals globally



ORACLEMED HEALTH



UNITYHEALTH



ambledown
FINANCIAL SERVICES (PTY) LTD

Stratum Benefits⁺

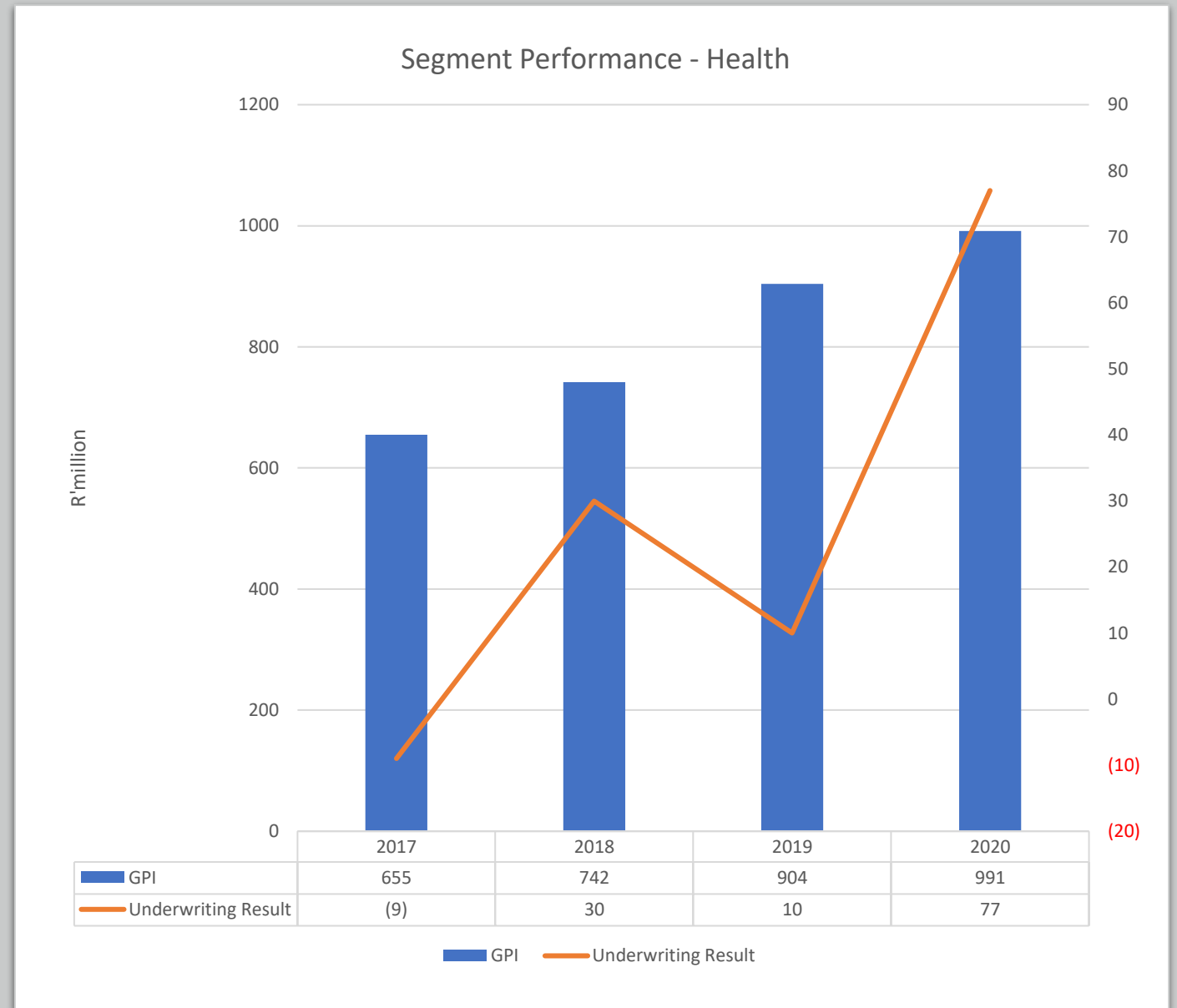


Administrators (Pty) Ltd

HEALTH BUSINESS PLAN

Drivers of growth:

- Expanding African presence as competitors withdraw from developing markets
- Leveraging intermediary relationships across other segments
- Invest in technology to enhance customer service and operational efficiency





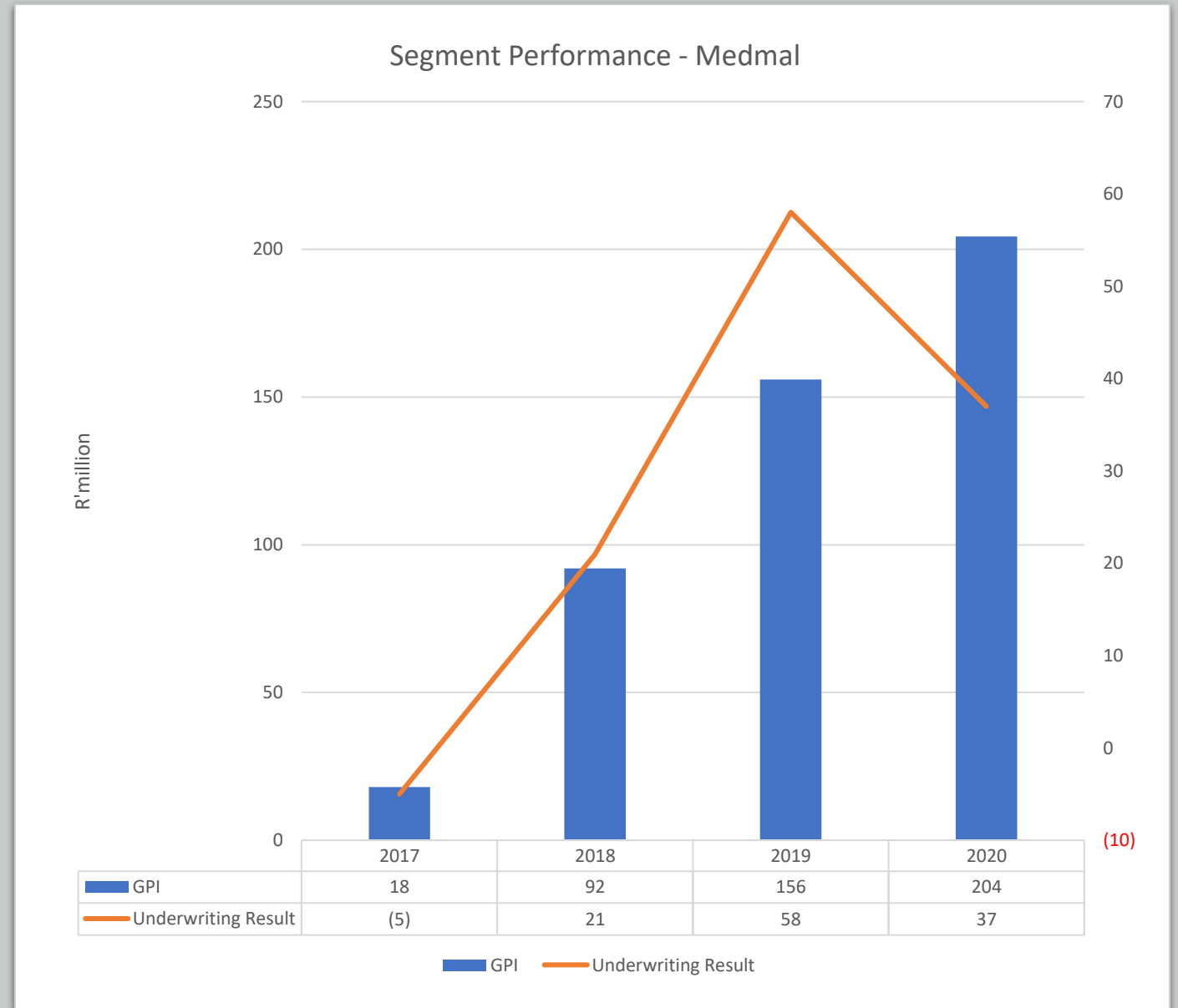
MEDICAL MALPRACTICE

ETHIQAL

- Launched in 2017 in response to Obstetricians closing their practices due to unavailability and cost of insurance
- Today, Ethiqal has a dominant position in Obstetrics
- Expanded into other specialist fields, with GWP exceeding R200m in 2020
- Providing a response to a medical crisis has given Ethiqal significant brand equity in the medical profession
- Ethiqal is the only insurer offering Occurrence Based cover
- Ethiqal's largest competitors do not support brokers, giving Ethiqal the opportunity to target new distribution channels

ETHIQAL BUSINESS PLAN

- Small share of the overall market (~15%) and strong brand present opportunities for growth:
 - Specialist fields (orthopaedics, urology and neurology)
 - GPs and allied health services such as physios and dentists
 - Leverage Doctor Network through Healthcare business
 - Dedicated focus on the broker market





PROPERTY & CASUALTY

- 70 partners provide access to vast distribution network
- Specialist divisions make up 51% of P&C segment, leading to higher margins and less competition
 - Warranty
 - Construction
 - Aviation
 - Heavy Commercial Vehicles
 - Taxis and Buses
 - Guarantees

admin+

DUEPOINT

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 **MOBiLiTY**TM
Insurance Underwriting Managers
An Authorized Financial Services Provider License No. 41102

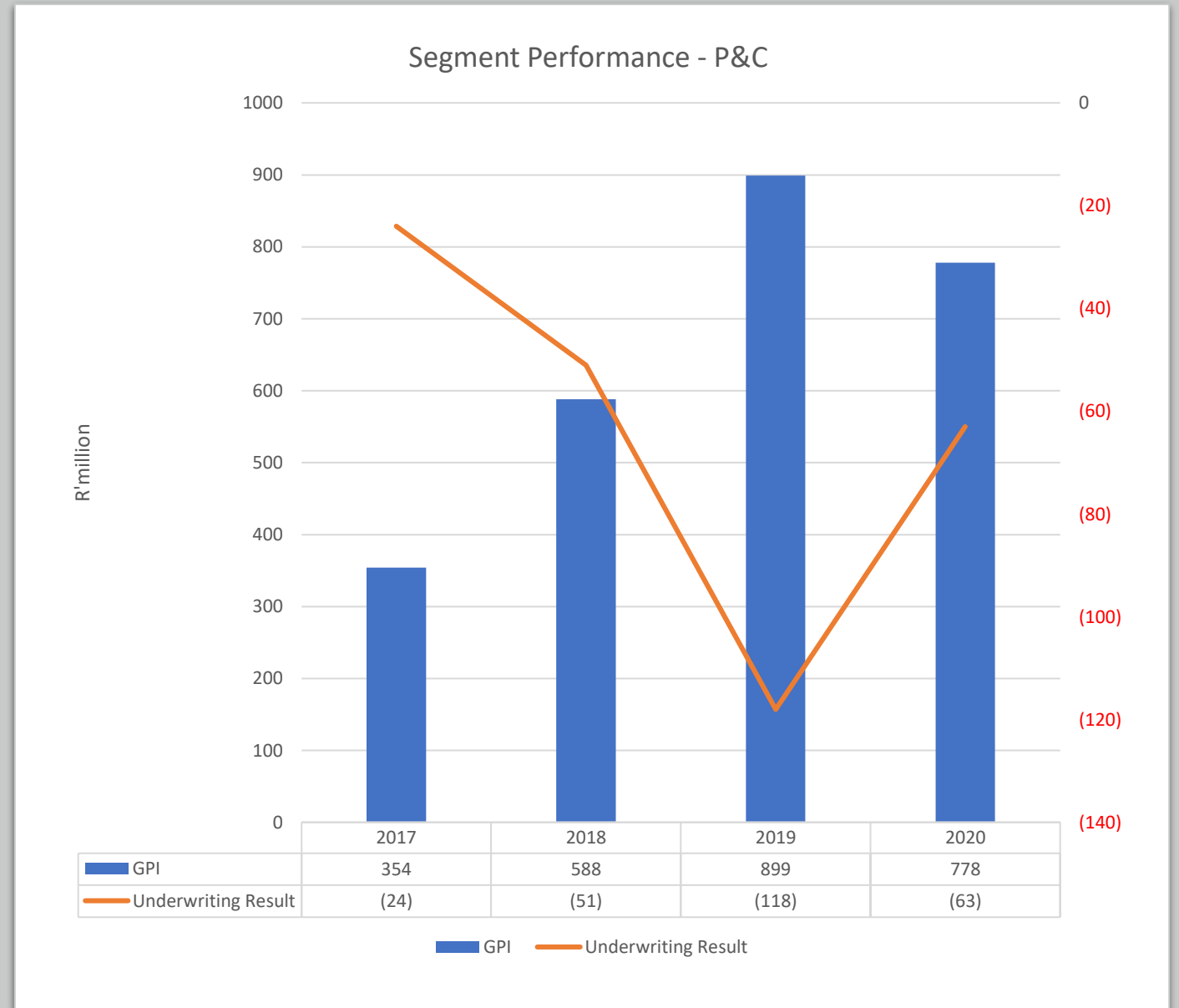
 insure
AFRICA


GUARANTEE ACCEPTANCES

 **BROKERSERV**
Insurance Administration Solutions

PROPERTY & CASUALTY BUSINESS PLAN

- General market focus is on small to medium brokers that lack critical mass to meet large insurer criteria for off-platform mandates
- Implementing proprietary technology solution will allow SME brokers to operate off-platform business on a scalable basis
- Off-platform business is a R26bn opportunity
- Specialist claims adjacencies lower cost of claims and generate additional revenue streams





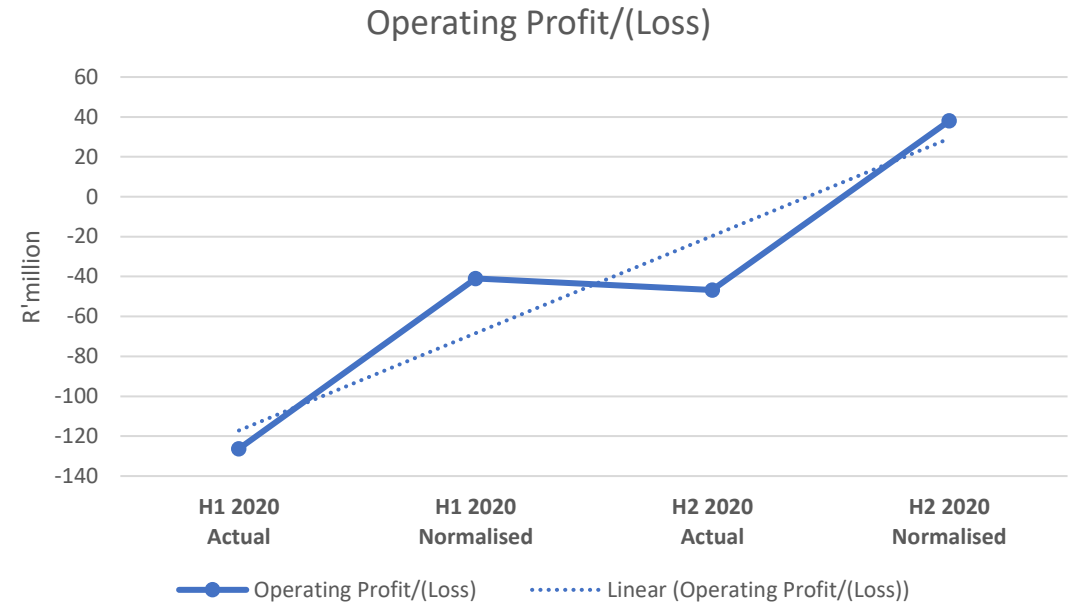
LIFE

- Life business has exited under-performing funeral parlour and burial society business to focus on cross-sell via existing channels. The last of the funeral parlour and burial society business was exited with effect from 1 Dec 2020
- With 640,000 medical policyholders and 480 group schemes there is significant scope for growth
- 17,000 members across Africa provide opportunity to bundle products
- Our approach to growth has been deliberately conservative as focus has been on remediation
- Cross-sell opportunities mean we can grow profitably off a very low base as existing partners provide administration capability



CONSTANTIA HISTORIC GROUP PERFORMANCE

	FY2020 R'MILLION	H1 2020 R'MILLION	H2 2020 R'MILLION
Gross Premium Income	2 110,0	1 114,9	995,1
Underwriting Result before Operating Expenses	111,7	9,4	102,3
Operating result	(173,1)	(126,3)	(46,8)



- 2020 H2 shows a significant turnaround in performance, with all key indicators showing positive traction
- Underlying performance recovered substantially
- Positive trend has continued well into 2021 financial year



NORMALISED OPERATING RESULT

CRIH - Calculating the normalised Operating Result 30 June 2020 - R'000	Operating result	1H2020	2H2020
Reported operating result at 30 June 2020	(173)	(126)	(47)
Primary Asset (Covergrow) Losses	52	24	28
Impairment of IGM outstanding debtor & unlisted shares	13		13
Contract alignment + savings	14	7	7
Legal and transaction costs	9		9
Once-off expenses: Restructure costs	27	10	17
Non-recurring losses: Run-off from cancelled books	55	44	11
Normalised operating result at 30 June 2020	(3)	(41)	38

- R171m in non-recurring legacy costs incurred in FY2020
- Last of legacy costs reduction effective from 1 Nov 2020 will result in annualised savings of R24m
- Additional savings from operating efficiencies expected to materialise from mid-2021
- Potential to reduce solvency relief costs by R36m



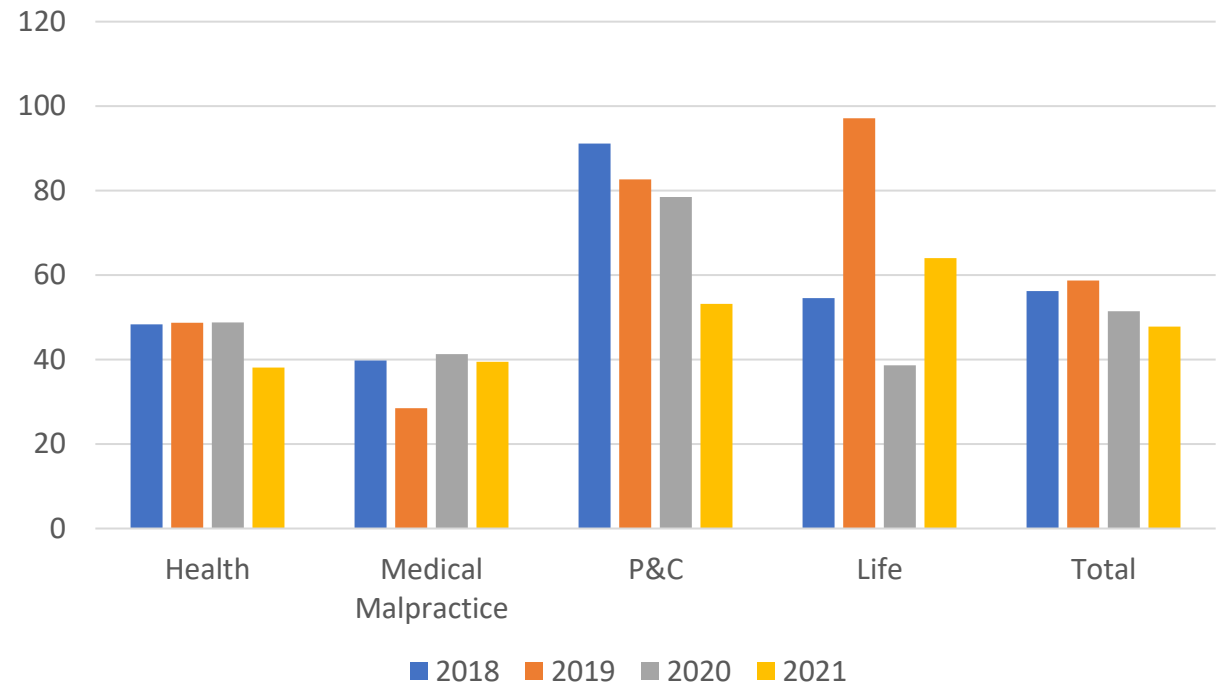
UNDERWRITING INTERVENTIONS

Sustained improvement in loss ratios

	2018 %	2019 %	2020 %	2021 YTD %
Health	48,3	48,7	48,8	38,1
Medical Malpractice	39,8	28,5	41,3	39,5
P&C	91,1	82,6	78,5	53,2
Life	54,5	97,1	38,6	64,0*
Total Loss Ratio	56,2	58,7	51,4	47,8

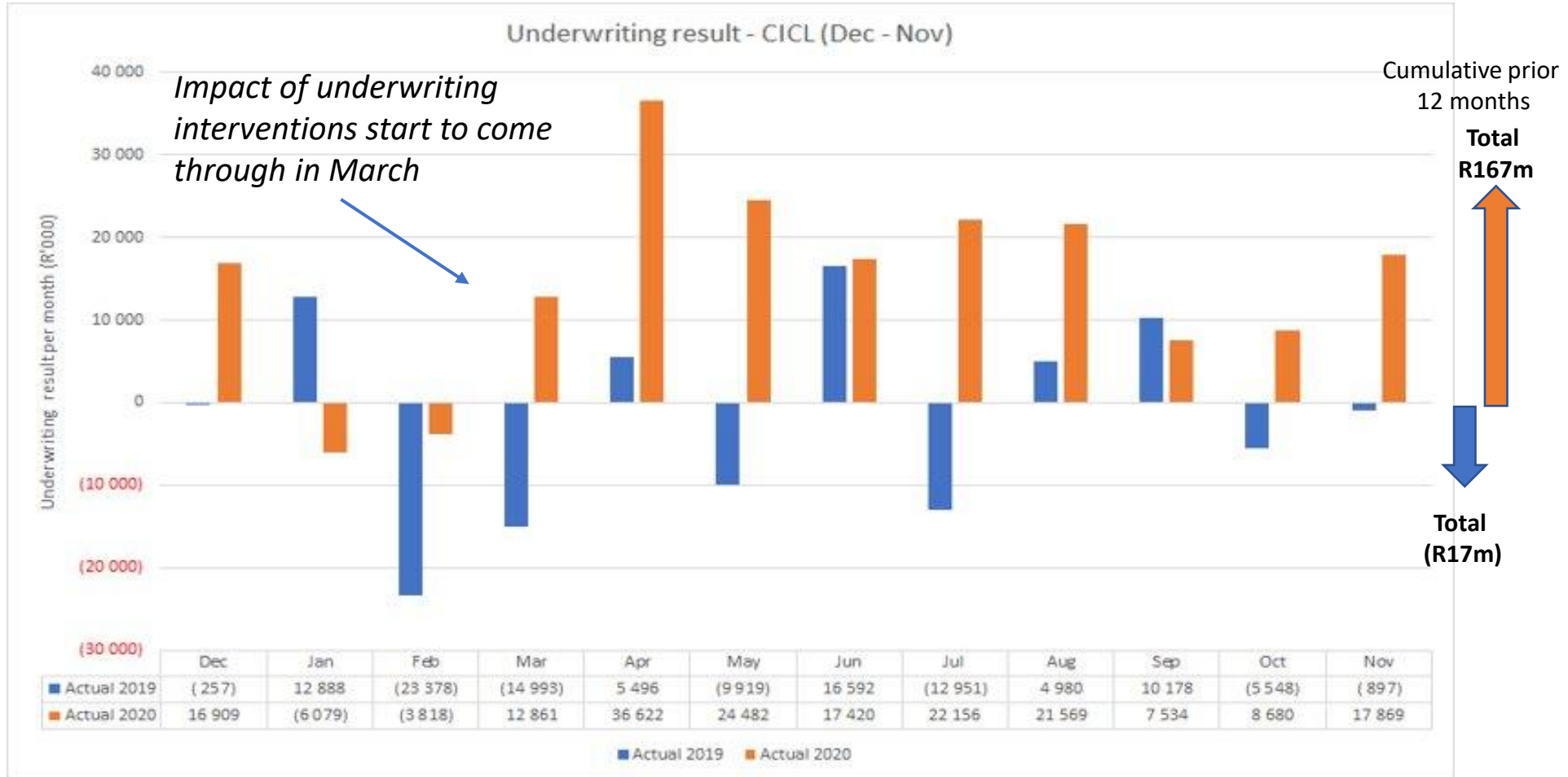
* Includes funeral risk that was terminated and off risk from 1 December 2020. Including the funeral parlors, the loss ratio is 122,6%

Gross Loss Ratios





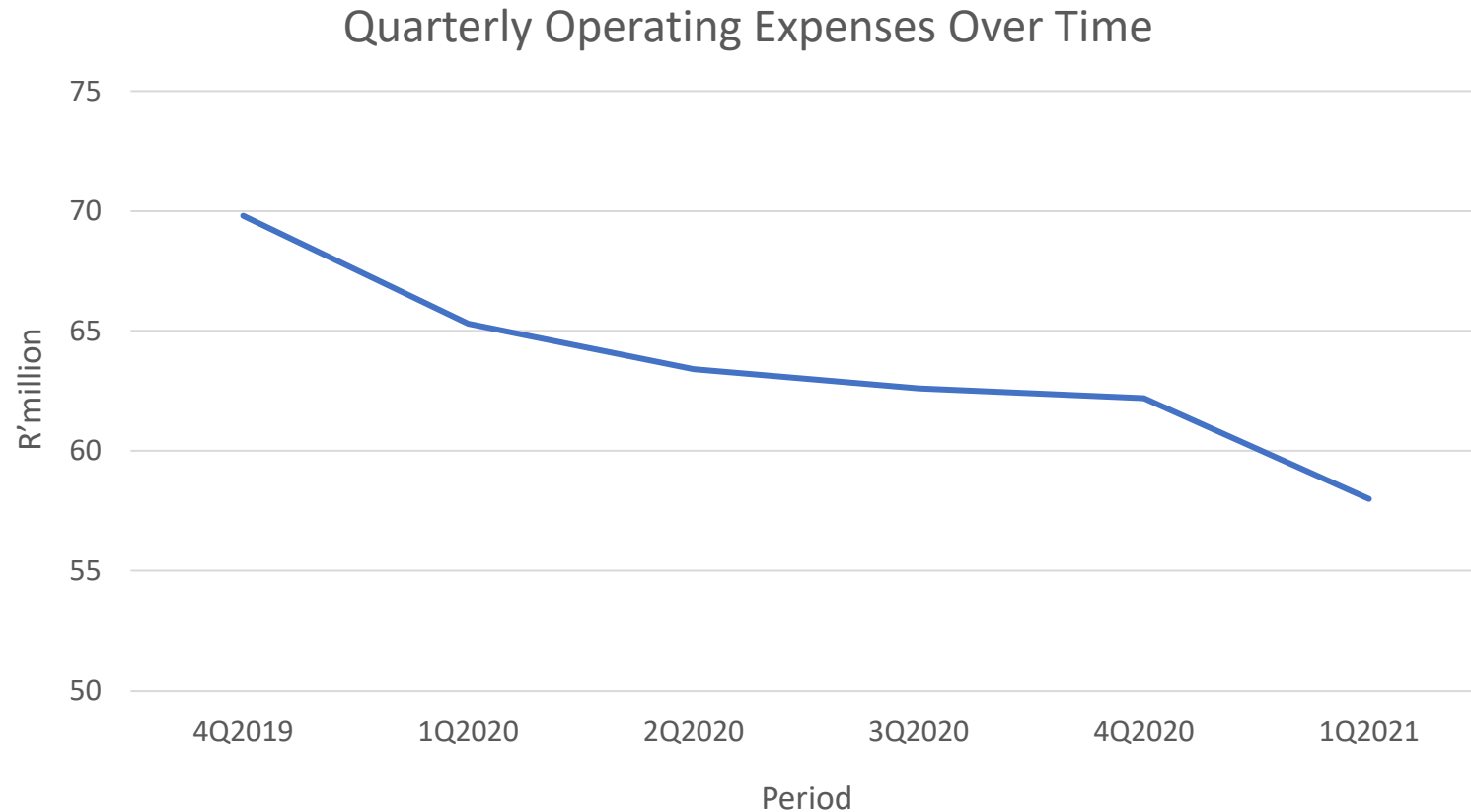
IMPROVING UNDERWRITING PERFORMANCE



- 9 consecutive months of underwriting profits under new team
- Underwriting profits improved by R165m since leadership change



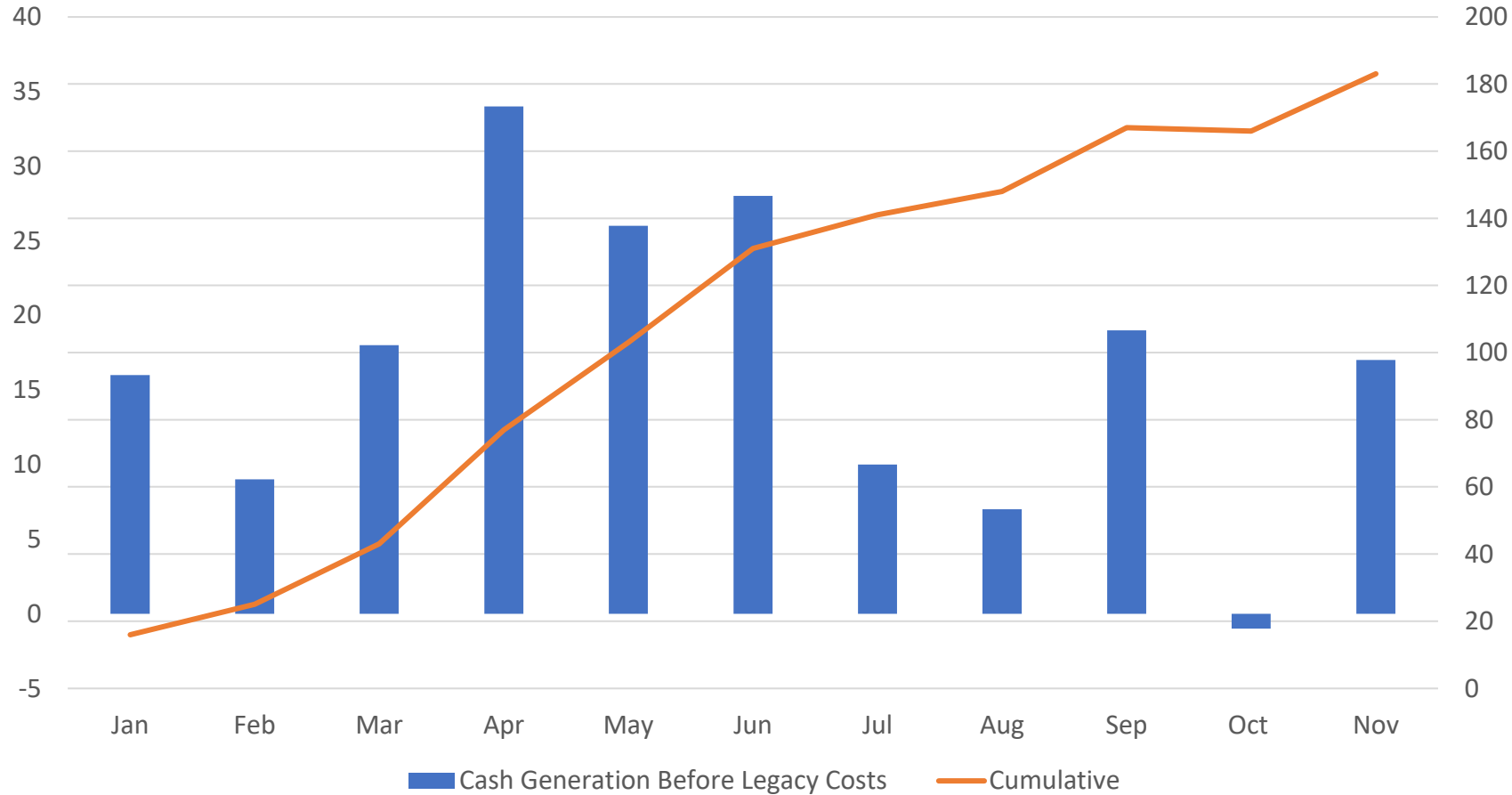
REDUCING EXPENSES



- Decisive action taken in March '20 to remove waste
- Restructured with 20% reduction in workforce in June '20
- Legacy costs of R2m per month declined from Nov '20 as punitive contracts unwind
- Technology solution will lead to further savings once rolled out in Q1 2021 – successful pilot completed in Nov 2020



POSITIVE CASH GENERATION



- Excluding non-recurring outflows, business generated R167m in positive cash flow since the leadership change
- Oct-20 includes large re-insurance premium payments of R17m



SUMMARY

- Constantia is a multi-licensed, well-diversified pan-African insurance group with significant prospects for growth
- Return to underwriting profitability and cash generation
- Exceptional turnaround achieved by new leadership team since February 2020
- Operational cash flows are sufficient to support company liquidity
- Various initiatives are being explored to support growth capital needs
- Attractive growth prospects and an experienced management team should deliver solid performance for the foreseeable future



Private Investments

Conduit Capital Limited



CENTURY 21

Century 21 is the franchisor of the world's principal residential real estate sales organisation

- ②1 Founded 2006
- ②1 December 2020 YTD sales up 45% on prior year
- ②1 49 franchises across the country, large growth opportunity
- ②1 Fixed costs, high operating leverage

CENTURY 21

South Africa



ASOC

ASOCapital provides companies with flexible funding solutions to facilitate holistic re-structuring and re-capitalization

ASOC Fund 1 end of life 2021 with an expected 1-year extension





CONDUIT VENTURES

Leymic Holdings is an investment holding company with interests in motor and non-motor insurance claims solutions and technologies

Rikatec is an insure-tech company that specialises in information management systems, digital solutions, big data and advanced analytics





Questions



Thank you
