



Interim Results F2021 Presentation

Conduit Capital Limited



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DEFINITIONS:

“**Underwriting profitability**” included throughout the presentation reflects amounts before operating expenses

“**Actual Cash Generation**” reflects amounts before legacy cash outflows

“**Period Under Review and Year to Date (YTD)**” is 1 July 2020 to 31 December 2020



OVERVIEW

- Conduit Capital is an investment holding company invested in the insurance industry
- Conduit supports the insurer (Constantia Insurance Company) through investments to build a diversified insurance business
- The insurer's target combined ratio is 95% or better over the long-term
- Investments are made in public or private companies that increase our capital base and allow Constantia to write more business and generate more float for investment
- Private investments include Century 21 South Africa; Africa Special Opportunities Capital's Fund 1; and Conduit Ventures



KEY HIGHLIGHTS

For the six months to December 2020:

- Returned to underwriting and operating profits in the insurance segment
- Achieved a 99.8% combined ratio (97.1% combined ratio excluding once-off costs and discontinued business)
- Generated R137 million in cash from underwriting activities, before expenses and outflows associated with discontinued business
- Stabilised the business and restored prospects for profitable growth



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.



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

For the period under review:

- Returned to underwriting and operating profits
- Underwriting profits amounted to R187m since leadership change in February 2020 to December 2020
- Combined ratio improved to 99.8% (97.1% adjusted) - improved by 11.5% against the comparative period
- Ten consecutive months of underwriting profits



PERFORMANCE

	Six months ended 31 December 2020				Six months ended 31 December 2019			
	Gross R'000	Net excl. solvency reinsurance R'000	Net underwriting results R'000	Combined ratio %	Gross R'000	Net excl. solvency reinsurance R'000	Net underwriting results R'000	Combined ratio %
Health	513 573	510 090	38 491	92.5	490 345	490 345	(6 400)	101.3
Medical Malpractice	104 900	98 341	18 617	82.3	95 541	88 541	13 379	86.0
P&C	309 110	220 401	(22 559)	107.3	441 816	407 328	(79 298)	117.9
Funeral & Assistance	27 217	27 020	(9 010)	133.1	87 205	58 552	(11 733)	113.5
Unallocated head office expenses	-	-	(6 685)	-	-	-	(22 346)	-
Total	954 800	855 852	18 854	98.0	1 114 907	1 044 766	(106 398)	109.5
Cost of solvency reinsurance	-	-	(17 075)	-	-	-	(19 910)	-
Net insurance result	-	-	1 779	99.8	-	-	(126 308)	111.3



CONSTANTIA HISTORIC GROUP PERFORMANCE

R'million	FY2020	1H 2020	2H 2020	1H 2021
Gross Premium Income	2 110.0	1 114.9	995.1	954.8
Underwriting Result before Operating Expenses	111.7	9.4	102.3	100.8
Operating Expenses	(298.5)	(163.3)	(135.2)	(95.2)
Operating result	(173.1)	(126.3)	(46.8)	1.8

- The first half of F2021 shows a major turnaround in underwriting and operating performance
- Positive trend has continued well into 2021 financial year



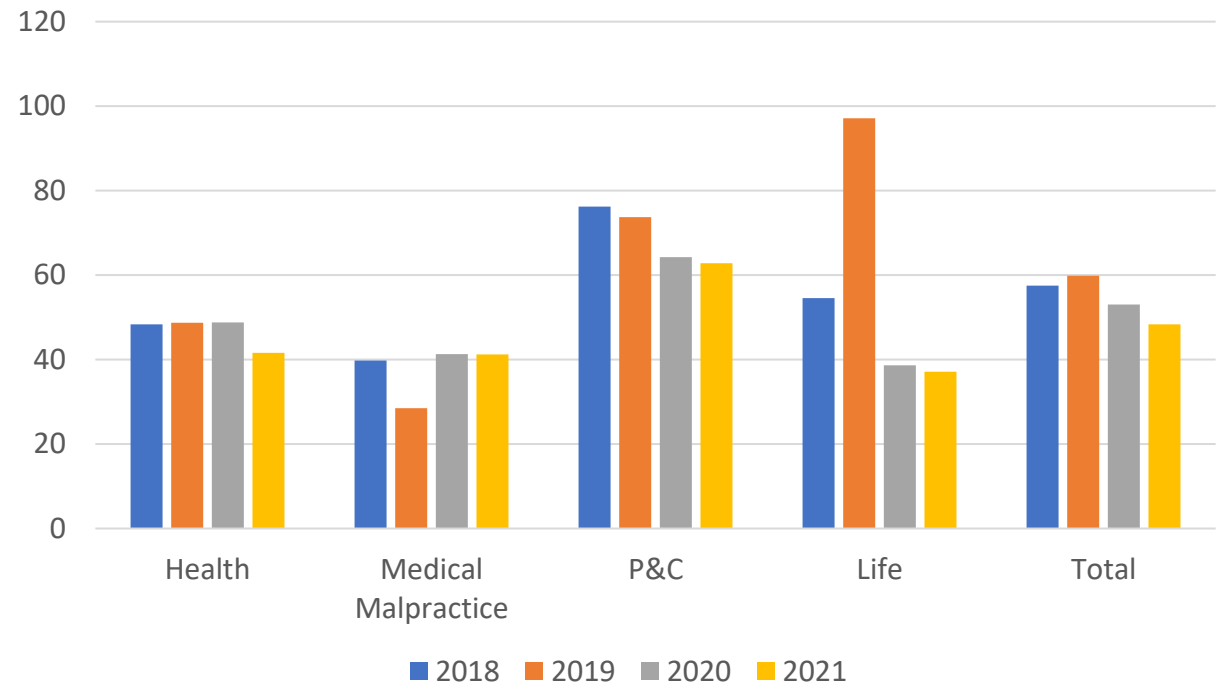
UNDERWRITING INTERVENTIONS

Sustained improvement in loss ratios

	2018 %	2019 %	2020 %	2021 YTD %
Health	48,3	48,7	48,8	41,6
Medical Malpractice	39,8	28,5	41,3	41,2
P&C	76,2	73,7	64,2	62,8
Life	54,5	97,1	38,6	37,1*
Total Loss Ratio	57,5	59,8	53,0	48,3

* Excludes some funeral risk that was terminated and moved off risk from 1 December 2020. Including the funeral risk, the gross loss ratio was 83.8% and the overall loss ratio was 49.6%.

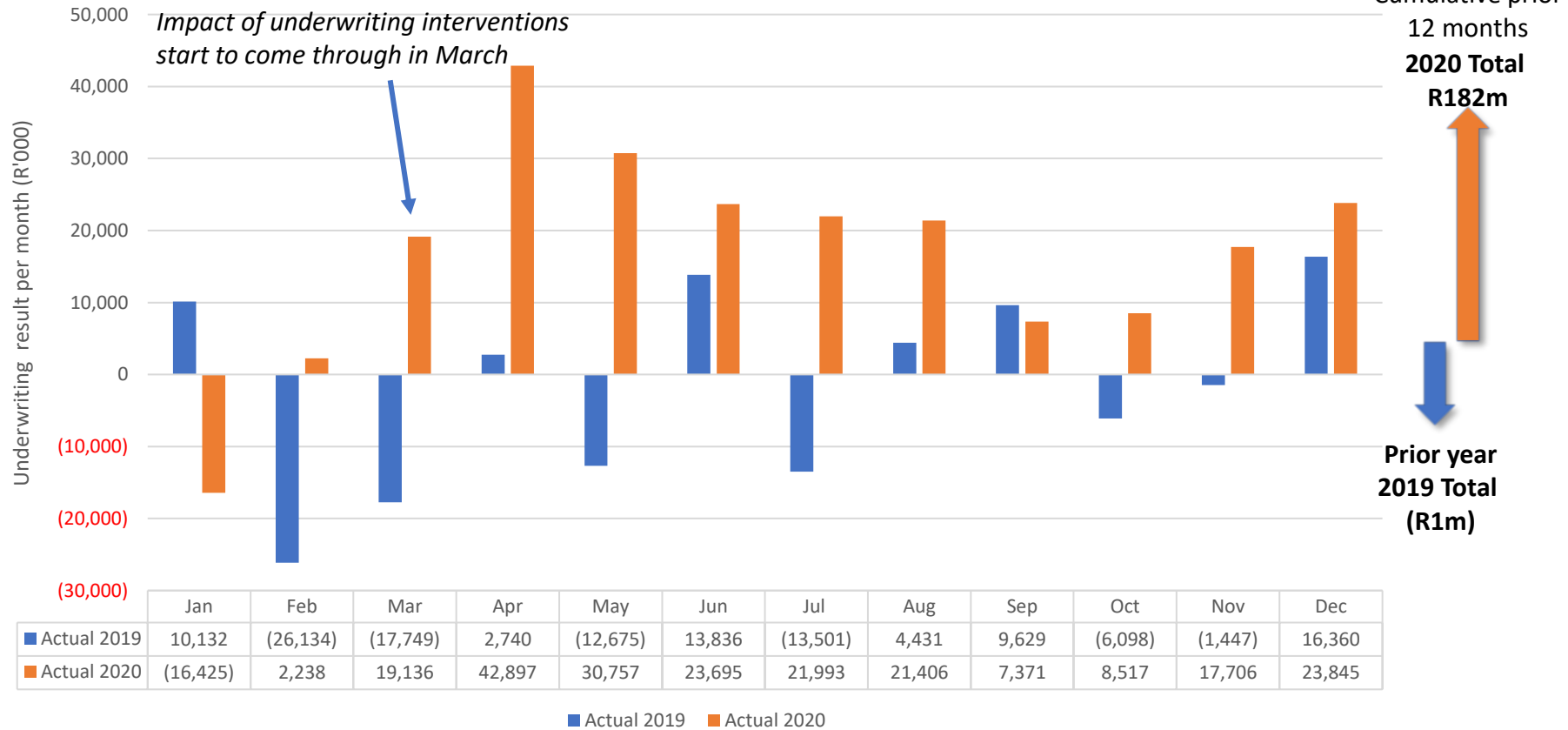
Gross Loss Ratios





IMPROVING UNDERWRITING PERFORMANCE

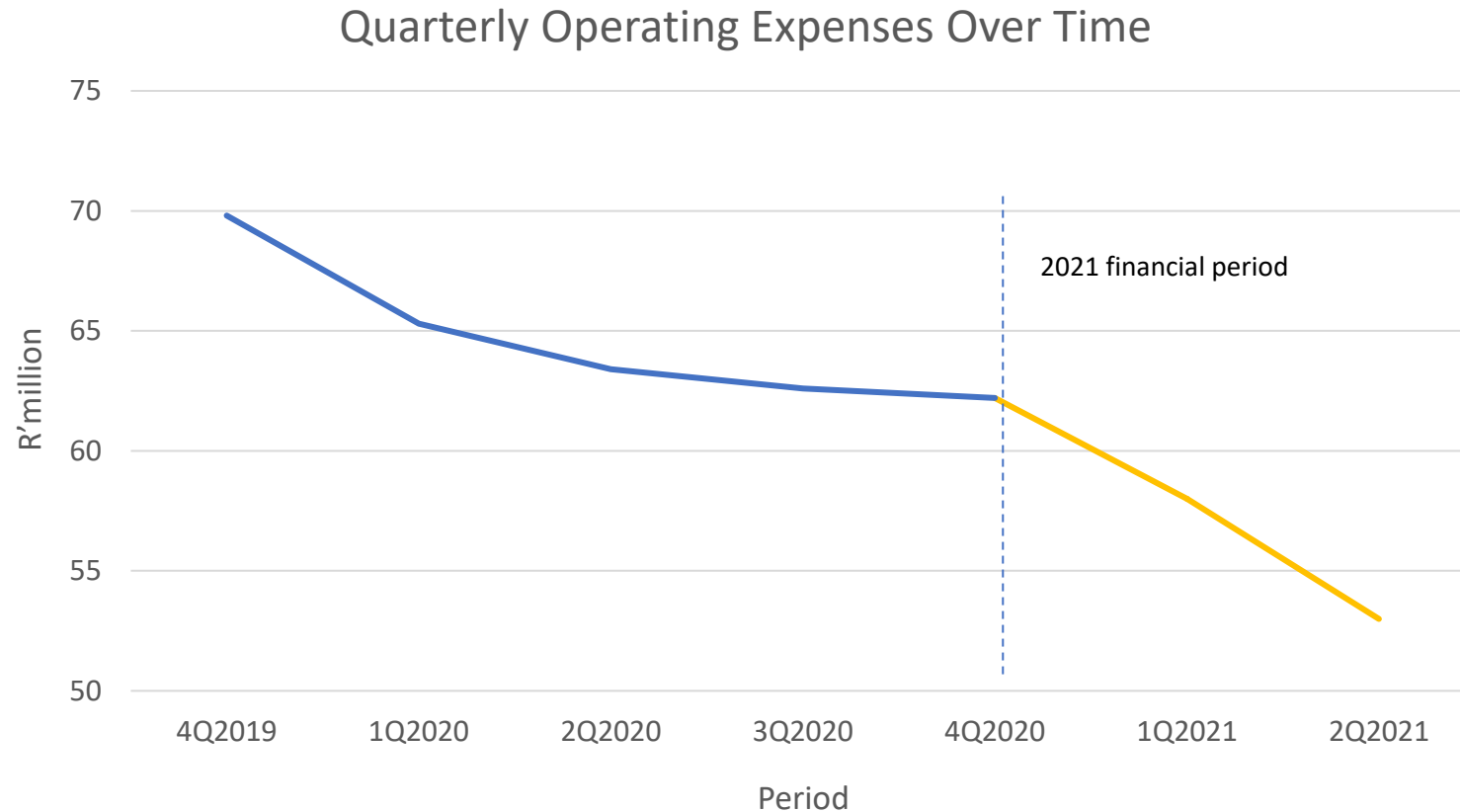
Underwriting result - CICL (Jan - Dec)



- Ten consecutive months of underwriting profits under new team
- Underwriting profits improved by R195m since leadership change



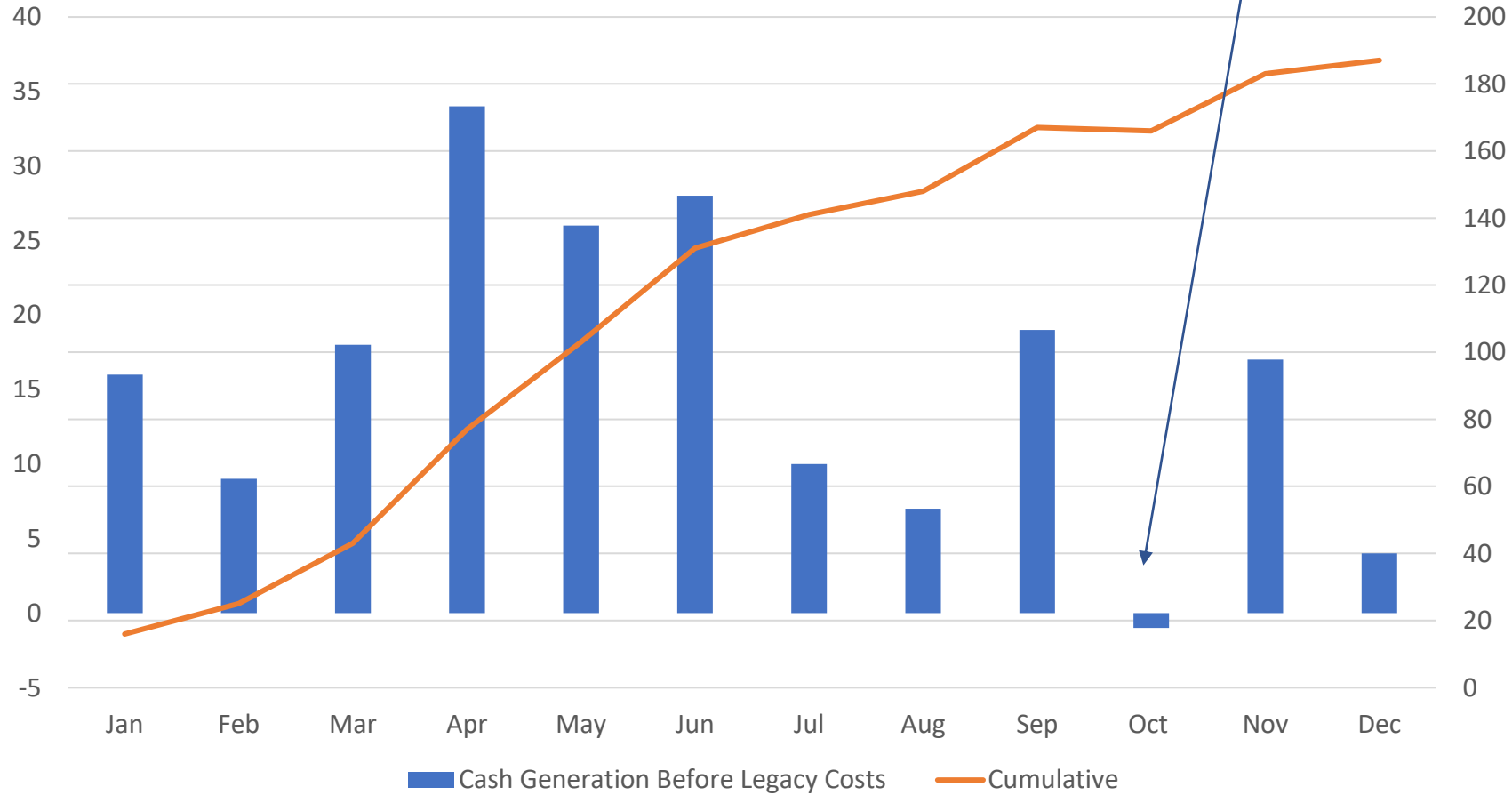
REDUCING EXPENSES



- 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



Oct-20 includes large re-insurance premium payments of R17m

Excluding non-recurring outflows and discontinued business, Constantia generated R219m in positive underwriting cash flow since the leadership change

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



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



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

 **AZRIEL**
AVIATION AFRICA
ASCEND • ADVANCE • ACHIEVE

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

 **insure**
AFRICA


GUARANTEE ACCEPTANCES

 **BROKERSERV**
Insurance Administration Solutions



LIFE

- Life business 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 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
- Cross-sell opportunities mean we can grow profitably off a very low base as existing partners provide administration capability



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 2021/22, expected proceeds circa R56 million





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
