
CONDUIT CAPITAL LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit" or "the Company")

TRADING STATEMENT

Conduit shareholders are referred to the 2019 Integrated Annual Report wherein shareholders were advised to expect volatility in the Company's earnings due to the nature of its business, that being insurance underwriting and mark-to-market movements in its listed investment portfolio. Conduit is committed to its goals of investing in its business and supporting its investments for the long-term.

The value of the Conduit equity portfolio decreased on a temporary mark-to-market basis during the six months under review, as the South African equities market and business confidence in general remain under strain. These temporary losses (or gains) are required to be expensed in the Company's income statement in terms of IFRS.

Conduit's wholly-owned insurance companies delivered solid growth in premium and underlying capacity. The negative underwriting result in the Life portfolio and a small number of motor books in the broader Property & Casualty business affected the overall underwriting result adversely. This was offset by excellent performance in the remainder of the Property & Casualty, Health and Medical Malpractice portfolios and an acceptable result in most other lines.

Earnings or Loss Per Share ("EPS") and Headline Earnings or Loss Per Share ("HEPS") include:

- a. up-front investment to increase the capacity of the Group by way of attracting appropriately skilled people and systems to materially scale the insurance business;
- b. underwriting losses incurred in certain insurance portfolios;
- c. the cost of solvency reinsurance; and
- d. the impact of the temporary reduction in the value of Conduit's equity portfolio on a mark-to-market basis.

Accordingly, a review by management of the financial results for the six months ended 31 December 2019 has indicated that:

1. the loss per share is expected to be between 43.5 cents and 44.1 cents, compared to the earnings per share of 3.3 cents for the six months ended 31 December 2018;
2. the headline loss per share is expected to be between 42.1 cents and 42.7 cents, compared to the headline earnings per share of 3.3 cents for the six months ended 31 December 2018; and
3. net asset value per share ("NAVPS") is expected to be between 61.4 cents and 62.0 cents, compared to the NAVPS of 201.4 cents as at 31 December 2018.
4. Adjusted to exclude temporary mark-to-market losses on the equity portfolio, the insurance business is expected to report a pre-tax operating loss of between 17.7 cents and 18.3 cents per share, which is in line with the comparable period, but represents an improvement of between 20.1% and 22.7% compared to the second half of the prior fiscal year.
5. Adjusted to exclude temporary mark-to-market losses on the equity portfolio, adjusted NAVPS would be between 84.9 cents and 85.5 cents, compared to the NAVPS of 105.1 cents at 30 June 2019.

The Company is confident in its strategy to build a diversified insurance business of scale in South Africa, and believes its listed investment portfolio remains significantly undervalued in the context of a challenging and low confidence environment within the South African economy. Intense corrective action has been taken during the six months under review, including a fundamental redesign of the business operating model, a major reduction in operating expenses and new leadership under Constantia Insurance Company Limited CEO Peter Todd. We believe the insurance business is positioned to deliver a combined ratio closer to the target of 95% by the early part of the next fiscal year. Shareholders are, however, reminded that insurance outcomes are naturally uncertain.

Shareholders' attention is drawn to the various announcements regarding the recapitalisation of Constantia Insurance Company for approximately R1 billion, which transaction is moving forward and expected to be completed on or around the end of the current fiscal year.

The financial information on which this trading statement is based has not been reviewed or reported on by the Group's auditors.

Conduit's financial results for the six months ended 31 December 2019, including further information on the performance of the Company, as well as details of an investor conference call, will be released on SENS on 31 March 2020.

Johannesburg
26 March 2020

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