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

TRADING STATEMENT

COVID-19 and Operational Change

The fiscal year to June 2020 has been one of considerable change for the Group. In terms of underwriting and operating performance, the second half of the year reflected a major improvement on the first. This was mostly due to a change in leadership and reorganisation of Constantia Insurance Group ("Constantia"), our major subsidiary, and the benefit of a lower claims environment during the COVID-19 pandemic, notwithstanding premium relief offered to qualifying customers. Investments also improved in the fourth quarter of the fiscal year.

Since this change more than R25 million in annual costs have been eliminated and the loss ratio across the business has stabilised. Since February 2020 through August 2020, Constantia has generated cumulative underwriting profits and cumulative positive cash generation. The fiscal year 2020 operating loss of the business (excluding investment result) improved by 30% - 35% from the prior year, whereas the 2H2020 operating loss reflected a 45% - 50% improvement on the 1H2020 result.

Further detail will be communicated to shareholders in the results release and accompanying presentation.

Transactions

As previously announced the Group is in the process of acquiring the business of Legal Shield Holdings by way of a reverse merger, and the property known as Herboth's Blick. Both these transactions are in process and are expected to close before the end of the calendar year. Shareholders are referred to the previously published presentations explaining these transactions which can be found on our website at <https://www.conduitcapital.co.za/presentations.php>.

Trading Update

In terms of the Listings Requirements of JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on will differ by more than 20% from that of the previous corresponding period.

Accordingly, a review by management of the financial results for the year ended 30 June 2020 has indicated that:

1. the loss per share is expected to be between 72.81 cents and 84.79 cents, compared to the loss per share of 92.8 cents for the year ended 30 June 2019, an improvement of between 8.6% and 21.5%; and
2. the headline loss per share is expected to be between 64.98 cents and 76.42 cents, compared to the headline loss per share of 88.7 cents for the year ended 30 June 2019, an improvement of between 13.8% and 26.7%.

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

- a. a lower claims environment due to the COVID-19 induced lockdowns, offset by premium relief to qualifying customers;
- b. negative underwriting results from books that have been corrected and/or terminated during the first half of the financial year, with the turnaround resulting in operating cash inflows of in excess of R50.0 million during the second half of the financial year;
- c. the cost of solvency reinsurance; and
- d. the impact of the overall reduction in the value of Conduit's equity portfolio on a mark-to-market basis.

The Company is confident in its stated 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 an extremely challenging and low confidence South African economy. The transactions as mentioned above are major developments in the evolution of Conduit and are expected to create a platform for strong growth well into the future off of an increasingly solid base.

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 are expected to be released on SENS on or about 31 October 2020.

Johannesburg
23 September 2020

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