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Alexander Forbes 'back up to scratch'

Alexander Forbes CEO Andrew Darfoor says the financial services company is back in the game and making progress on its turnaround strategy, even as its share price slumped during the six months to September.

Andrew Darfoor, CEO of Alexander Forbes

Cash generated from its operations was a robust 103% of operating profit at the end of September, which enabled the group to pay out a dividend of 6% higher at 18c per share.

"[The cash flow plus growth strategy] is about paying dividends from more earnings," Darfoor said after the release of the results on Monday. "Sceptics don't believe we can deliver growth. Our response is we stabilised profit streams " normalised profit is up 1%."

He also said operating profit in Alexander Forbes' retirement segment rose 16% compared with the previous matching period, while group risk products and short-term insurance grew 31% and 11%, respectively.

"We have minimised expenses and improved our efficiency," said Darfoor.

The CEO's comments came as the group's share price plunged 19.9% between the end of December 2016 and Monday.

"The share price is not reflecting the progress we have made," he said.

Rahima Cassim, portfolio manager at Ashburton Investments, said the market had been burned badly by the old management team.

"It will take time for trust to be rebuilt," she said.

The interim results are Darfoor's third set of financials after his September 2016 appointment following predecessor Edward Kieswetter's departure in February.

When Kieswetter left, former chairman Sello Moloko said the board was worried about the group's deteriorating results, pointing to the market's concerns about its negative operating leverage. This measures margins relative to costs.

In the six months to September 2015, Alexander Forbes' operating margin had declined to 21.5% from 23.1% before. This has improved to 25.3% in the period under review.

"The new management team is not necessarily creating value with this turnaround strategy," said Cassim. "They are fixing what should have been working to begin with, so the market is not affording them a premium rating " this early."

Source: *Business Day*