

MMI Holdings Reset and Grow strategy on track

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Commitment to Reset and Grow strategy has positive impact on business results.

MMI Holdings Limited (JSE: MMI) reported steady growth for the first half of the 2019 financial year at its interim results announcement today. The Group delivered normalised headline earnings of R1.6bn for the six months ended 31 December 2018.

In September 2018, MMI Group CEO Hillie Meyer announced a three-year Reset and Grow turnaround strategy to streamline MMI's operations, maximise efficiencies and increase earnings across the Group's various businesses. Speaking at the results announcement today, Meyer said that MMI is on track with delivering on this strategy: "We are satisfied with our progress so far towards our three-year goal of increasing earnings to between R3.6 billion and R4 billion for the 2021 financial year." He also announced that dividend payments are to be reinstated at 35 cents per ordinary share, following the successful completion of a share buy-back programme.

Amidst a challenging operating environment, which included declining equity markets and sluggish economic growth, MMI

improved both new business flows and the value of new business materially from the comparative period.

Highlights for the reporting period include:

Earnings

The R1.6 billion of diluted normalised headline earnings represented an increase of 2% over the prior period. This improvement is due to tight control of operational expenses, strong underwriting results, and improved earnings from fixed rate and annuity products.

Diluted normalised headline earnings per share increased by 6% to 105 cents, benefiting from the impact of the share buy-back programme recently completed.

New business

New business volumes increased by 19% to R28.8 billion. This followed strong single premium inflows, especially in Momentum Corporate, during the six months. The value of new business (VNB) increased by 12% to R335 million while net earned premiums from Momentum Short-term Insurance (MSTI) increased by 19%. MMI Health showed a 2% increase in medical scheme membership since December 2017.

Embedded value

The Group delivered an annualised return on embedded value per share of 9% over the six months from 30 June 2018. Embedded

value per share increased by 5% to R26.60 over the six months.

B-BBEE rating

In January MMI announced that it was the first major insurance company to achieve Level 1 Broad-Based Black Economic Empowerment status under the revised Financial Sector Code. The rating applies to all companies within the Group, including the client-facing brands Metropolitan, Momentum, Multiply, Guardrisk, and Eris Property Group.

Performance of business areas

Momentum Life, Momentum Corporate, MSTI and Guardrisk experienced pleasing earnings growth. **Momentum Life** grew normalised headline earnings by 35% to R462 million thanks to favourable risk experience and better than expected take-up of voluntary premium increases by policyholders. A growing agency sales force and improved agent productivity resulted in higher new business flows. **Momentum Corporate** grew normalised headline earnings by 9% to R319 million, with both the Employee benefits and the Health business showing earnings growth. MMI's **Non-life Insurance** business grew normalised headline earnings by 29% to R135 million. This growth was bolstered by strong earnings growth for Guardrisk, which was up 13% on the prior period and improved results from MSTI. Both Guardrisk and MSTI experienced favourable claims experience during the six months. **Metropolitan Retail's** new business volumes and earnings declined. This was expected, since the business's focus was on stabilising the distribution channel and improving the quality of new business.

Good progress has been made with rolling out country-wide improvements to the Metropolitan branch footprint, which aims to bolster sales in the long term.

“Given the recent performance of stock markets and the tough economic environment, we don’t expect these results to be repeated in the next six months. In fact, a more modest result will be in line with our targets for the full financial year,” Meyer said. “It is encouraging to witness the commitment of our employees and to know that there is a renewed sense of purpose at MMI. This gives me confidence that we will achieve our Reset and Grow target of generating profits between R3.6 billion and R4 billion by 2021.”