

# Momentum Metropolitan reports strong earnings growth

*Reinvent and Grow strategy on track*



# Agenda

---

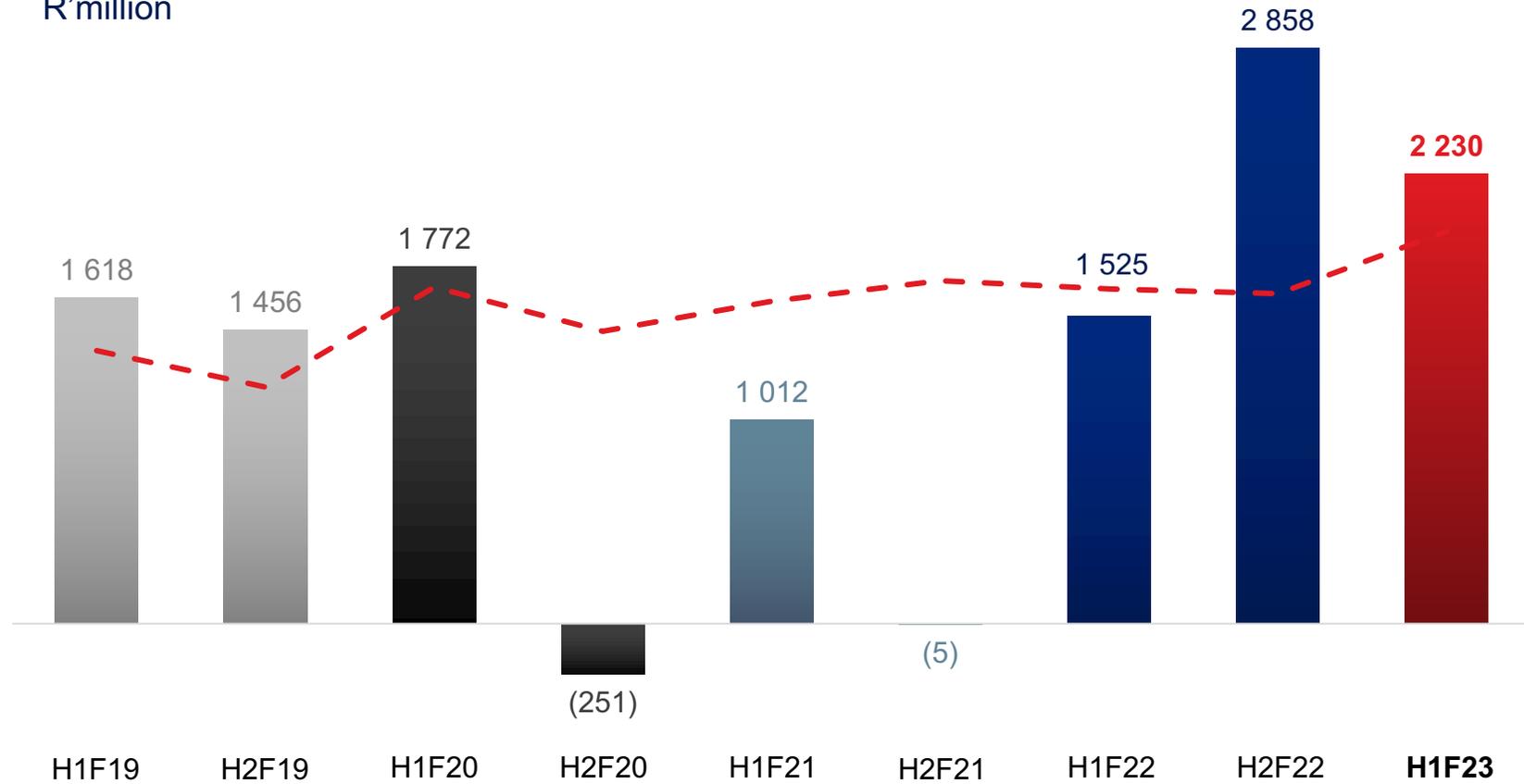
- 1 **Overview:** Hillie Meyer (Group CEO)
  - 2 **Guardrisk update:** Herman Schoeman  
(CEO: Guardrisk Group & Non-Life Insurance)
  - 3 **Financial overview:** Risto Ketola (Group FD)
- 



## Salient features

# Quality earnings in challenging environment

R'million

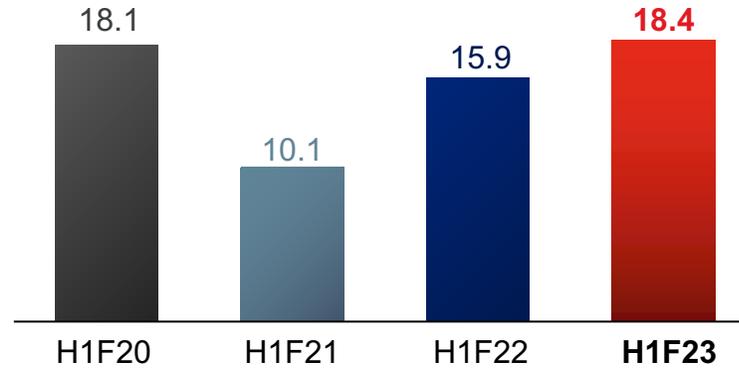


- - - Dotted line represents underlying earnings (excluding fluctuations not under management control)

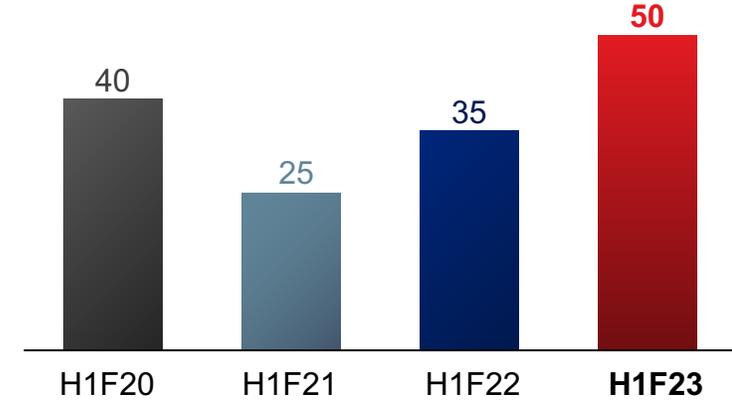
## Salient features

# Disciplined capital management bearing fruit

Return on equity (%)



Dividend per share (cents)



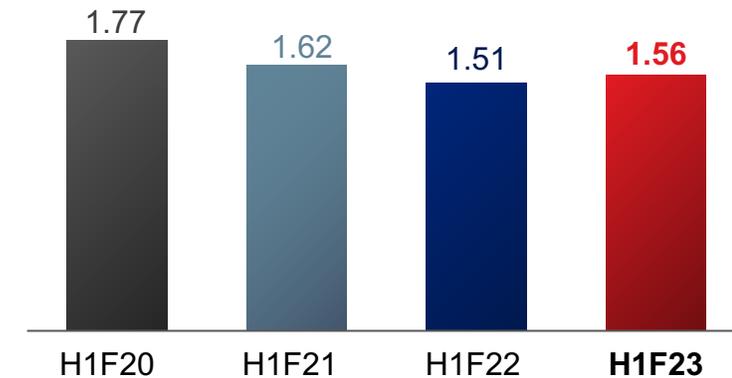
Share buyback

**R750 million share buyback completed**

**EV uplift of R583 million**

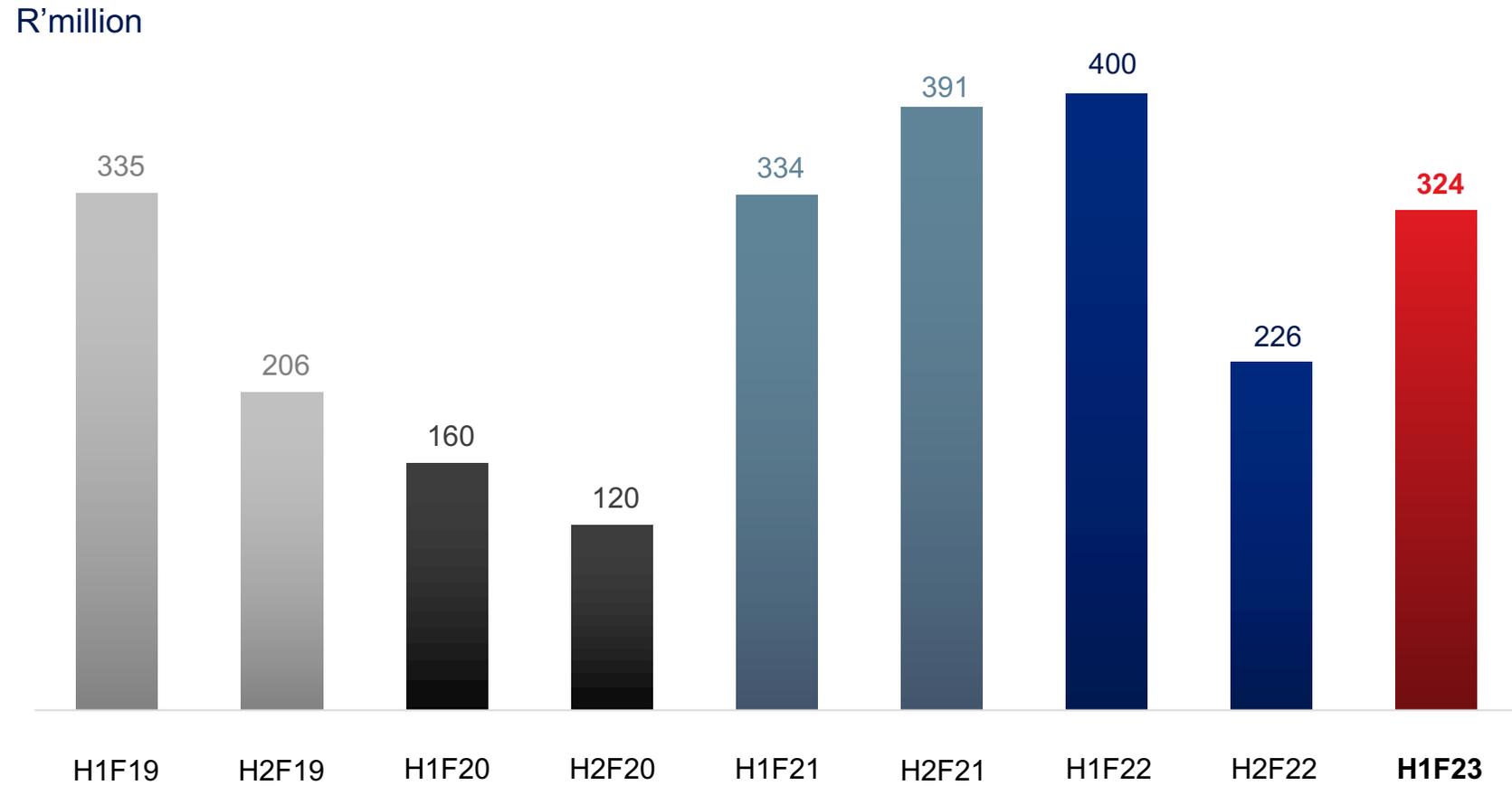
**Further R500 million share buyback approved**

Capital cover  
Momentum Metropolitan Holdings

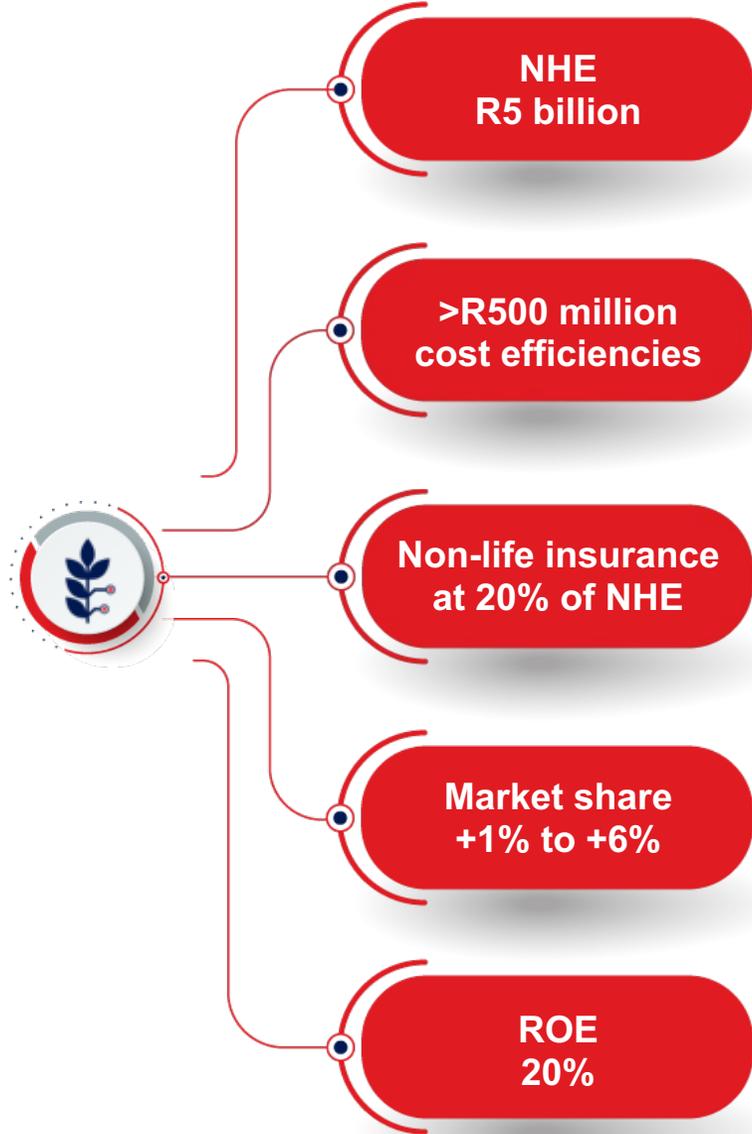
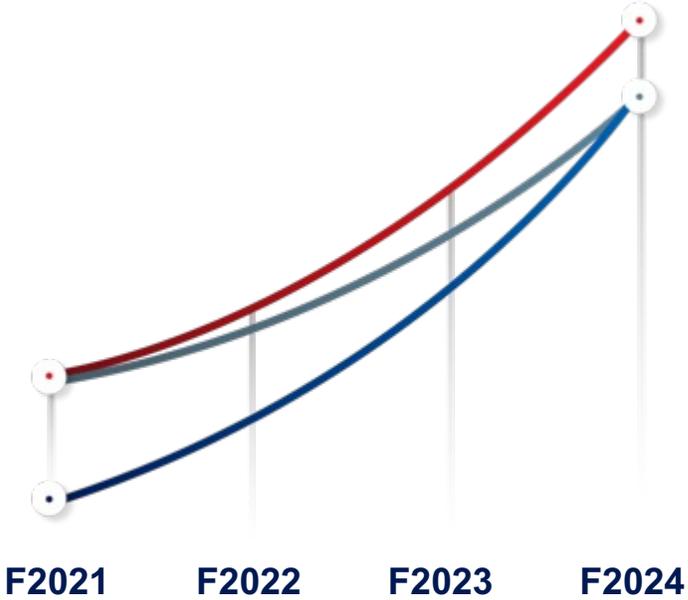


## Salient features

# Value of New Business (VNB) below target



# REINVENT AND GROW

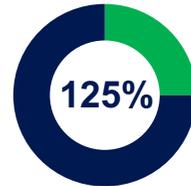


## Progress indicators

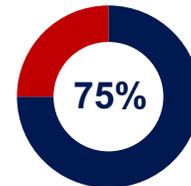
---



On track to achieve F2024 target



On track to exceed F2024 target



Not on track to achieve F2024 target



## Reinvent and Grow progress

EE targets cascaded to business unit level

90% of new senior managers from ACI groups

## Transformation



*B-BBEE scorecard*  
**Maintain Level 1**



*Improve black senior executive representation*  
**30% ➤ 50% in 2025**

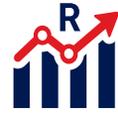


Black = ACI

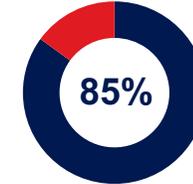
## Reinvent and Grow progress

Exited Kenya to further  
optimise portfolio

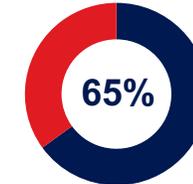
## Momentum Metropolitan Africa



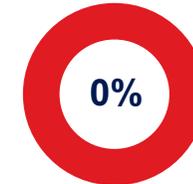
*Grow sales (PVNBP)*  
R2.8bn ➤ **R4bn**



*Increase NHE*  
R250m ➤ **R500m**



*Improve VNB*  
-R3m ➤ **R35m**



## Reinvent and Grow progress

Myriad launched world-first mobile underwriting solution

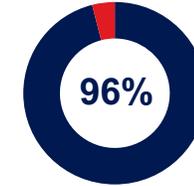
Leading market share in IFA protection market\*

### Momentum Life **Myriad**



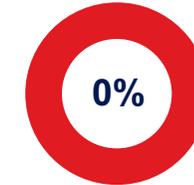
*Grow IFA market share*

16% ➤ 20%



*Increase new business margin*

2.8% ➤ 5%



## Reinvent and Grow progress

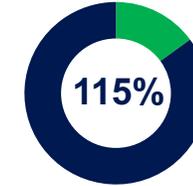
Already exceeded F2024 market share target

Significant improvement in service levels

### Momentum Life **Investo**



*Grow retirement annuity market share*  
**15% ➤ 17%**



*Digitise to realise efficiencies*  
**Reduce cost base by 20%**



## Reinvent and Grow progress

Breached **R100bn**  
AUM in unit trusts

Our DFM assets at  
**R15bn**

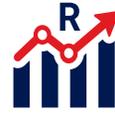
Annuity sales  
increased to **R5bn** p.a.

## Momentum Investments **Retail Investments**



*Re-platform system*

**Digitise to realise efficiencies**



*Grow GWP*

**R35bn** > **R45bn**



## Reinvent and Grow progress

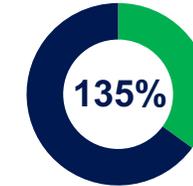
Increasing NHE while reducing CTI ratio

Successful integration of Seneca acquisition

### Momentum Investments **Institutional business**

---

 *Grow net cash flows*  
Net inflow ➤ **R8bn**



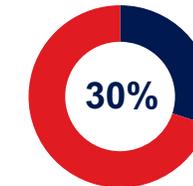
 *Reduce cost-to-income ratio*  
85% ➤ **75%**



### Momentum Investments **UK business**

---

 *Grow net new business*  
Net inflow ➤ **\$400m**



## Reinvent and Grow progress

Increased APE by **13.9%** p.a. over past 4 years

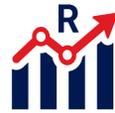
Investments sales increased by **17.5%** p.a. over past 4 years

Leading market share in IFA protection market\*

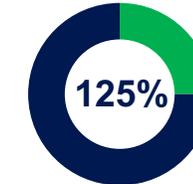
## Momentum advice channels **Momentum Distribution Services**



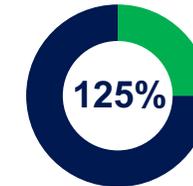
*Transform*  
**Advice-led specialised distribution**



*Grow APE*  
**10% p.a.**



*Reduce acquisition cost (partly through digitisation)*  
**> 5% p.a.**



## Reinvent and Grow progress

R6bn assets in Consult solutions

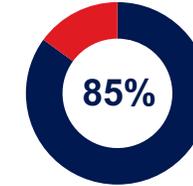
>20% increase in GWP for short-term insurance

## Momentum advice channels **Consult by Momentum**



*Grow adviser footprint*

300 ➤ 450



*Double AUM in Consult solutions*

R3.5bn ➤ R7bn



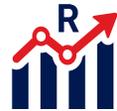
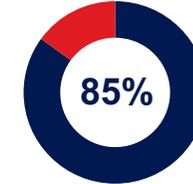
# Reinvent and Grow progress

Attractive efficiency gains

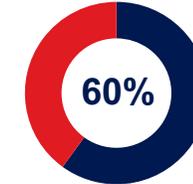
## Momentum advice channels **Momentum Financial Planning**



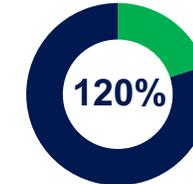
*Grow planners*  
818 ➤ 1 360



*Grow APE*  
10% p.a.



*Reduce acquisition cost  
(partly through digitisation)*  
> 5% p.a.



## Reinvent and Grow progress

Increasing contribution to APE through direct distribution

2022 FIA Product Provider winner

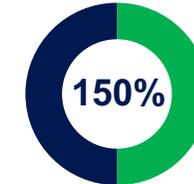
### Momentum Corporate **FundsAtWork**



*Increase AUM*  
**R60bn** ➤ **R80bn**



*Increase digital member engagement*  
**50 000** ➤ **250 000**



## Reinvent and Grow progress

Exceeded F2024 cost-to-income ratio target

Continuation of positive PHI and Group Life results

### Momentum Corporate **Financial metrics**



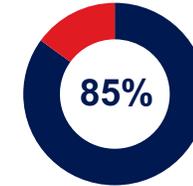
*Reduce cost-to-income ratio*

**78%** ➤ **70%**



*Improve group insurance margin*

**Negative** ➤ **5%**



## Reinvent and Grow progress

Market leader in low-income health solutions

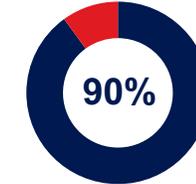
Launched virtual doctor capability  
>35 000 consultations per month

## Momentum Metropolitan Health **Grow membership**



*Open schemes*

260 000 ➤ 360 000



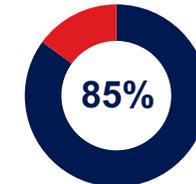
*Public sector*

750 000 ➤ 850 000



*Corporate schemes*

140 000 ➤ 150 000



*Digitisation to realise efficiencies*

**Reduce cost base by R150m**



## Reinvent and Grow progress

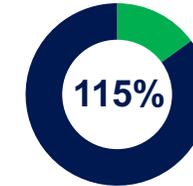
Telechannel increased APE contribution from 9% to 13% over past 4 years

Broker channel sales increased by 58% over past year

## Metropolitan Life



*Increase gross new business APE*  
**R2bn > R3bn**



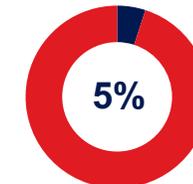
*Policy migration and automation*  
**Annual savings of R90m**



*Digitisation to realise efficiencies*  
**Reduce acquisition cost per policy by 10%**



*Increase Metropolitan GetUp contribution*  
**5% of new business**



## Reinvent and Grow progress

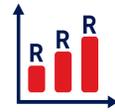
UW profits now at 30% of revenue

Six new micro-insurance cells

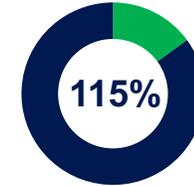
## Guardrisk Group



Double 2018 NHE  
**R510m**



Increase UW profits  
**26%** ➤ **33% of revenue**



Establish **micro-insurance** initiative



## Reinvent and Grow progress

### Guardrisk Non-life (including GGI)

---



### Guardrisk Life

---



## Reinvent and Grow progress

Excellent client retention

Double digit sales growth year to date

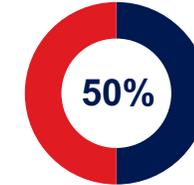
Data migration tracking revised plan

Launched free, fully digital rewards programme

## Momentum Insure



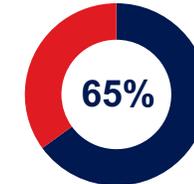
*Complete AFI integration by mid 2022*  
**Cumulative savings of R160m p.a. by F2024**



*Grow GWP*  
**8% p.a.**



*Double NHE*  
**R330m**



*Distinctive client value proposition*  
**Anchored in "Safety"**



## In conclusion

- 1** Competitively positioned

---

- 2** Focus on execution

---

- 3** Reinvent and Grow on track

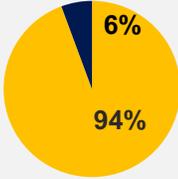
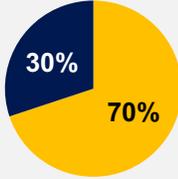


# Guardrisk

---



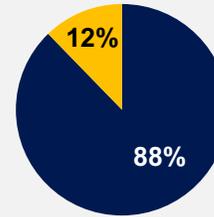
# Guardrisk ~ a growth story

	2014	2022
<b>Annual GWP</b> <i>(14% annualised growth)</i>	Total ➤ <b>R9.3 billion</b>	<b>R26.4 billion</b> ➤ <b>3x increase</b>
<b>Valuation</b> <i>(2.8x increase)</i>	<b>R1.6 billion</b>	<b>R4.5 billion</b> <i>(Accumulated dividends paid R1.3bn)</i>
<b>Revenue mix</b>	 <ul style="list-style-type: none"> <li>Other: 94%</li> <li>Underwriting profit: 6%</li> </ul>	 <ul style="list-style-type: none"> <li>Other: 70%</li> <li>Underwriting profit: 30%</li> </ul>
<b>Contribution to Group NHE</b>	<b>4%</b>	<b>10%</b>
<b>Capital efficiency</b> <i>(SCR as % of premium)</i>	<b>85%</b>	<b>19%</b>

# The right to win

**Cell captive demand continuing**

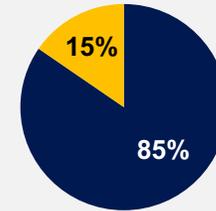
Non-life market 2014



■ Cell Captive market ■ Other



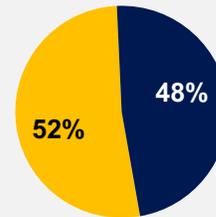
Non-life market 2022



■ Cell Captive market ■ Other

**Guardrisk growth in market share**

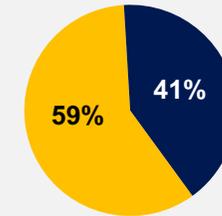
Cell captive market 2014



■ Guardrisk ■ Competitors



Cell captive market 2022

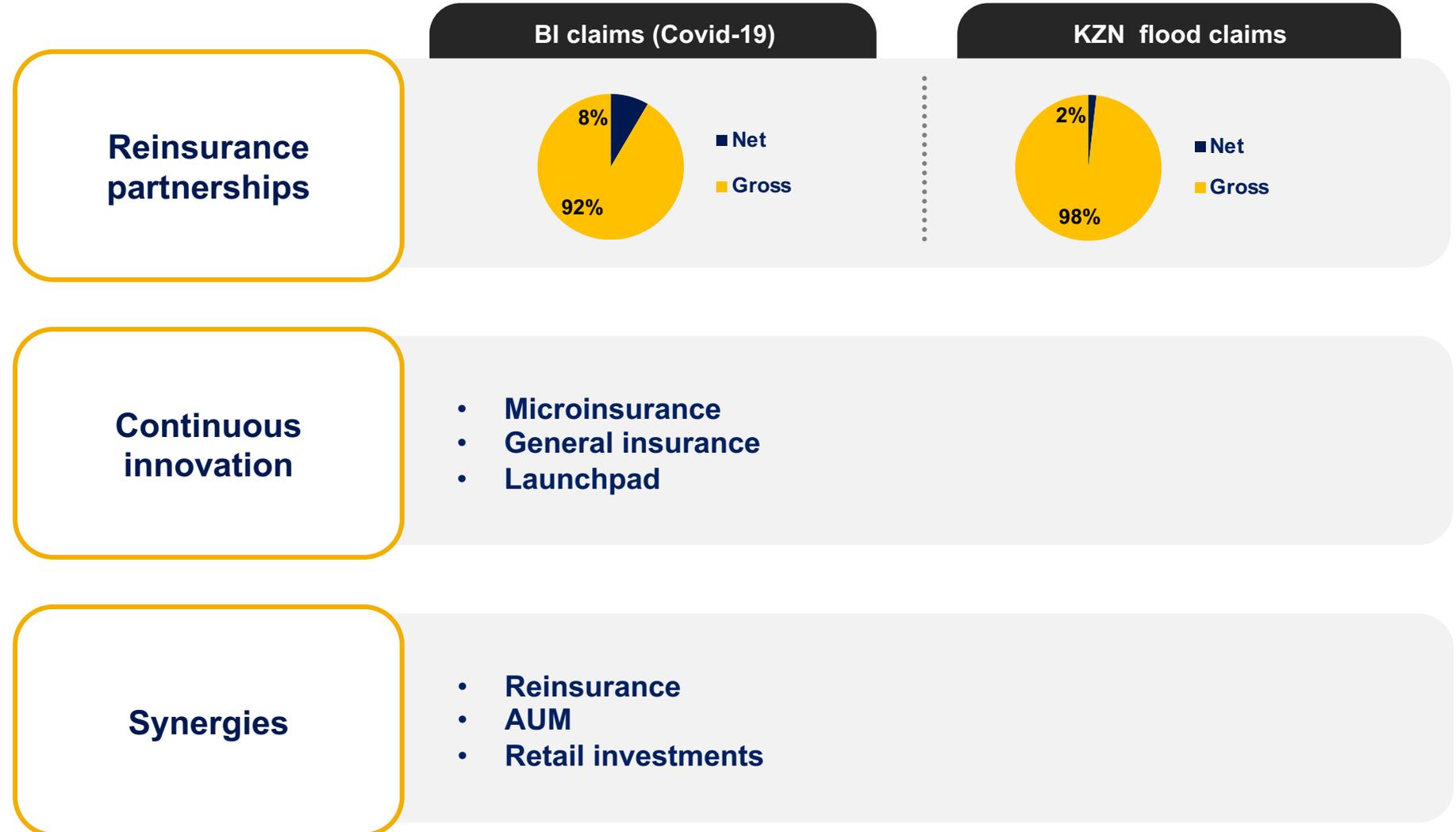


■ Guardrisk ■ Competitors

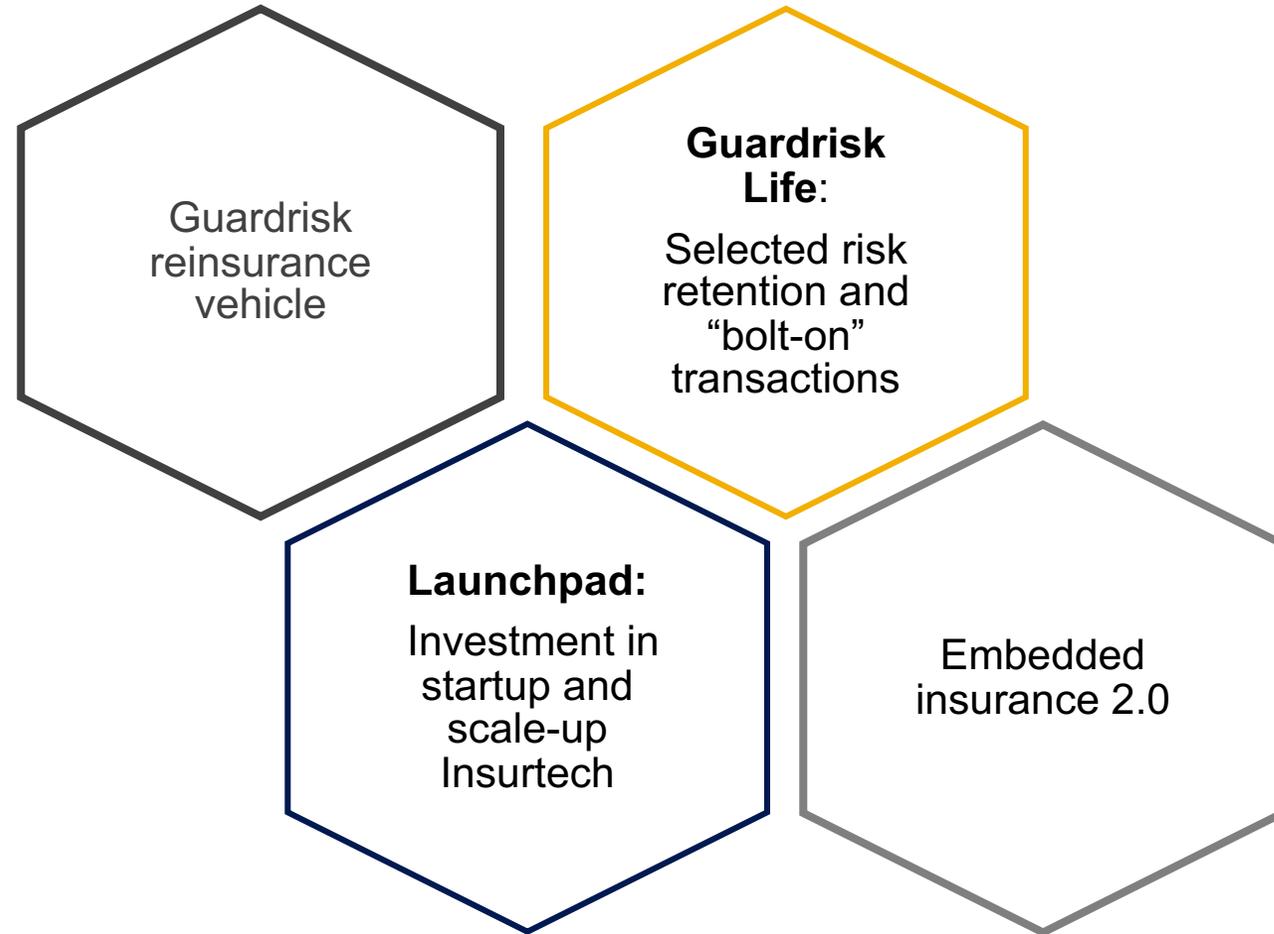
**Regulatory environment**

- Recognition in insurance laws
- Conduct standards
- SCR embedded

# The right to win



# Revenue sustainability beyond F2024



# Financial results

---

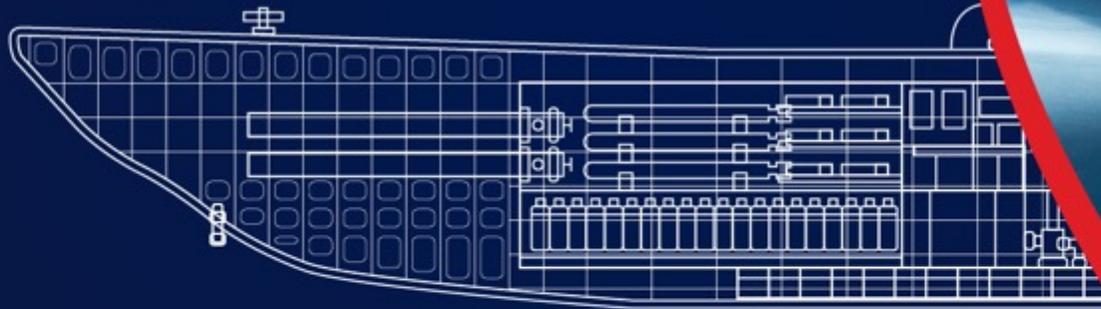
- 1 Financial overview
  - 2 Other topical matters
  - 3 Conclusion
- 





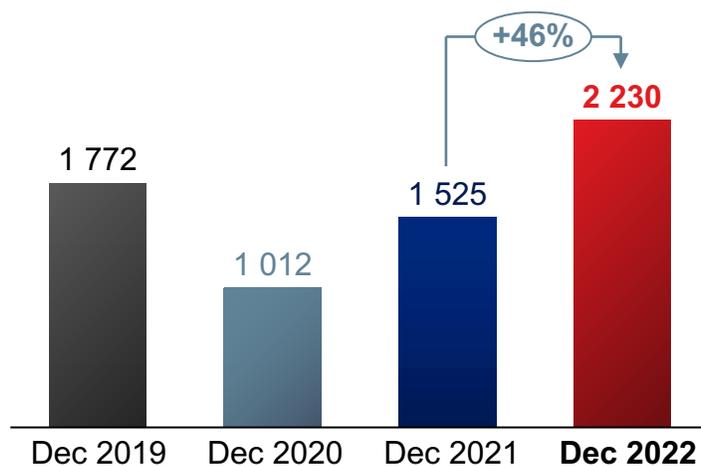
# Financial overview

---

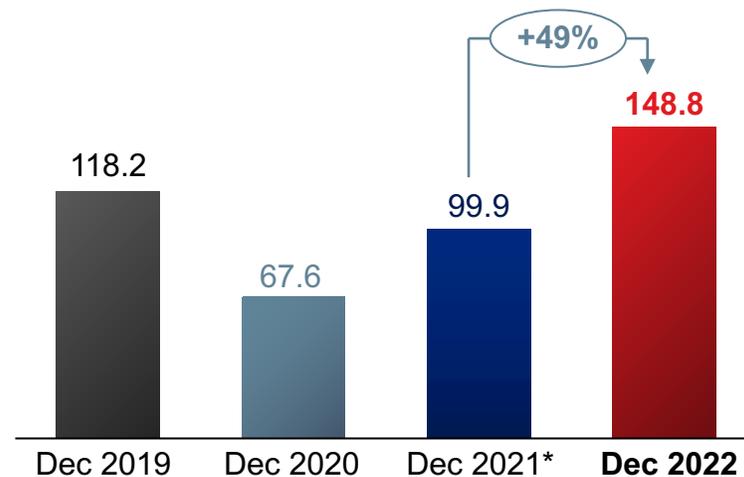


# Key financial measures

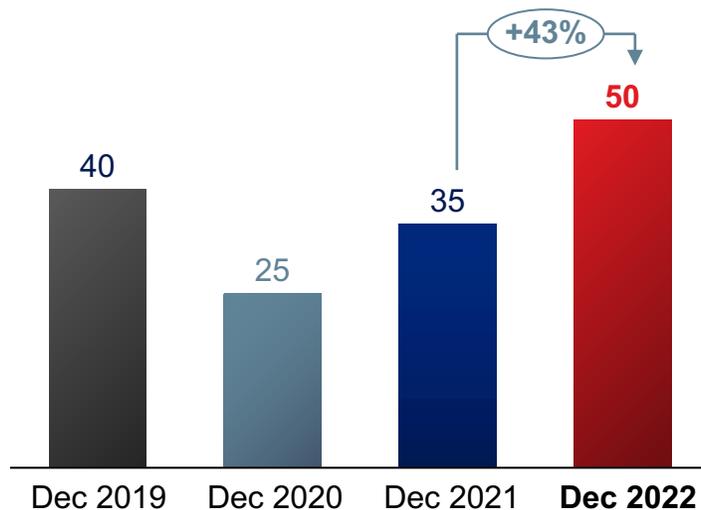
Normalised headline earnings (R'million)



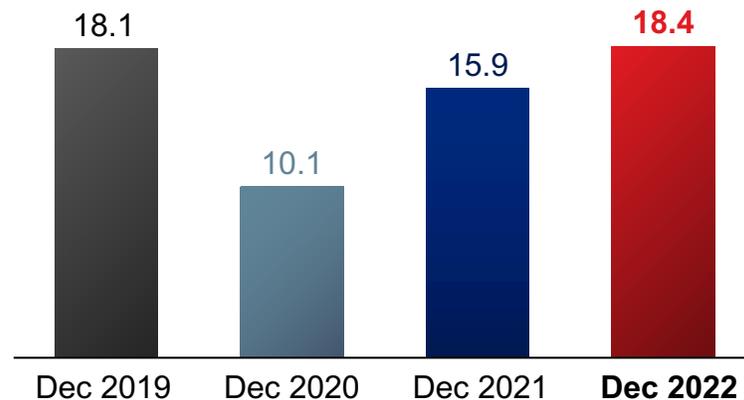
Normalised headline earnings per share (cents)



Dividend per share (cents)



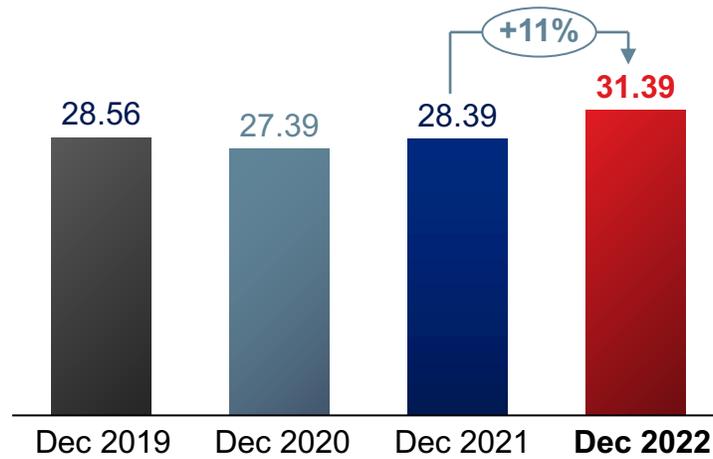
Return on equity (%)



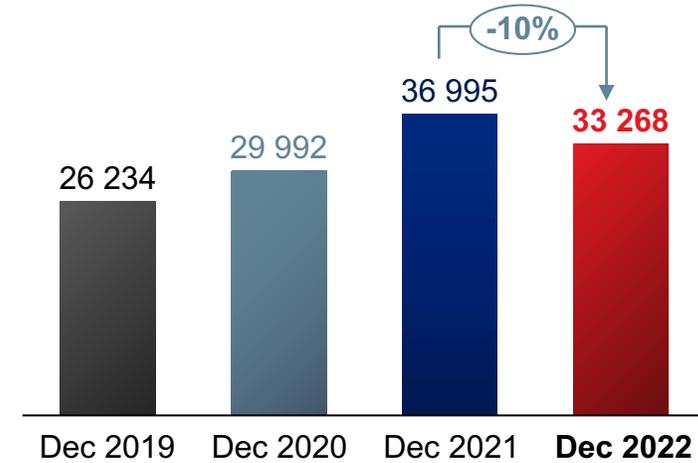
\*Dec 2021 Normalised headline earnings per share (cents) have been restated as a result of an error in the calculation of the weighted average number of shares.

# Key financial measures

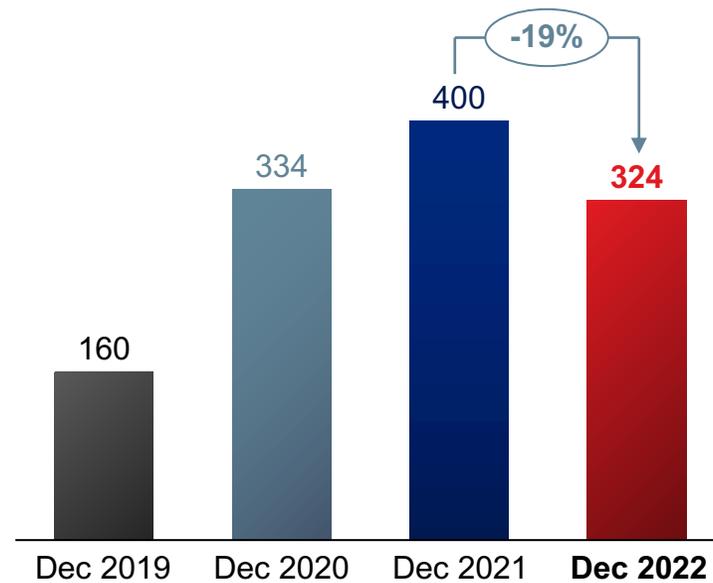
Diluted embedded value per share (R)



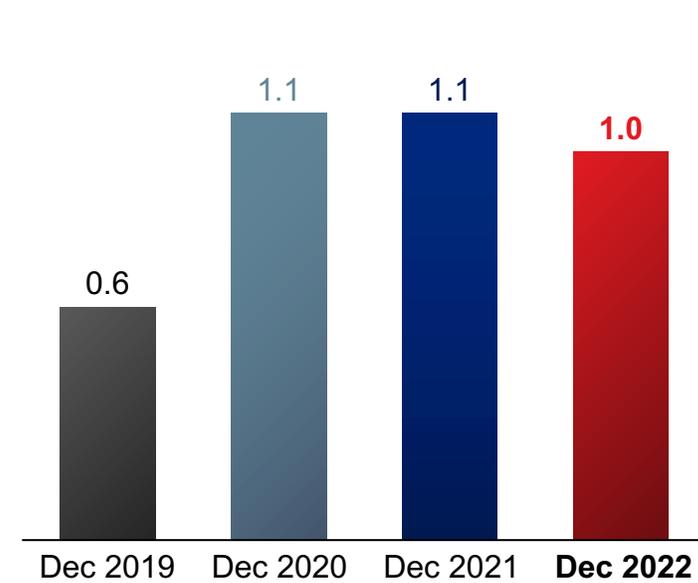
Present value of new business premiums (R'million)



Value of new business (R'million)

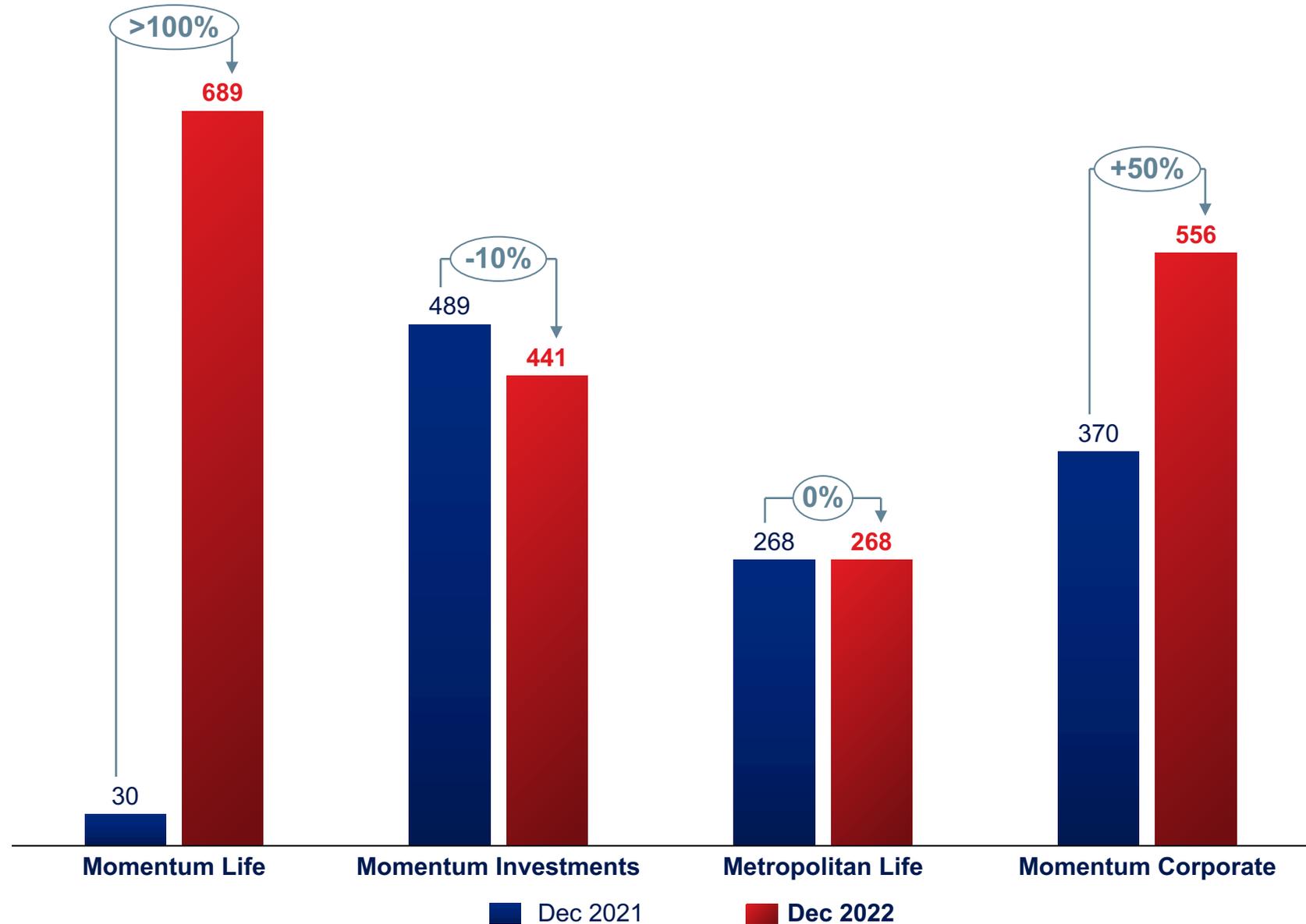


New business margin (%)



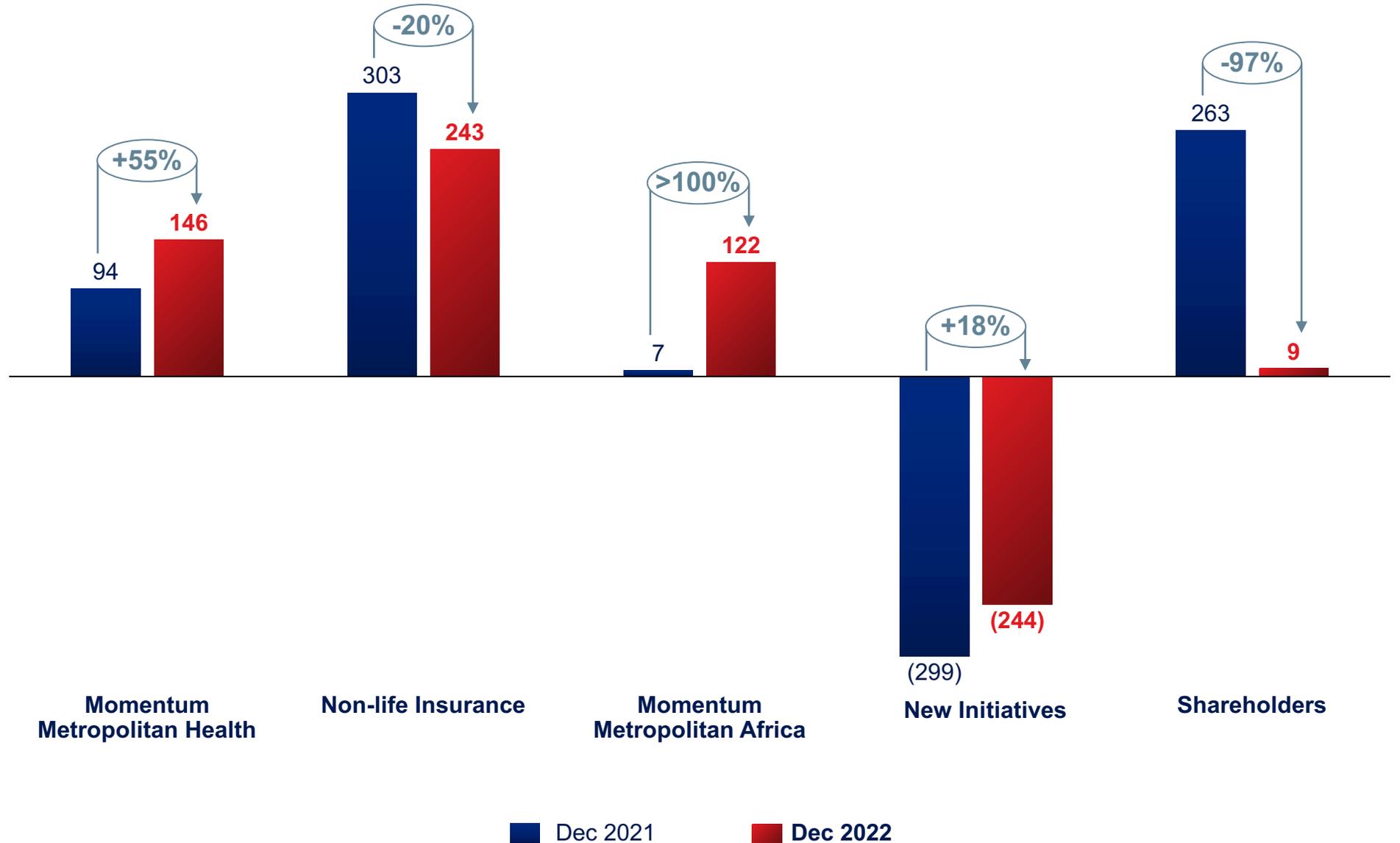
# SA life businesses

## Normalised headline earnings (R'million)



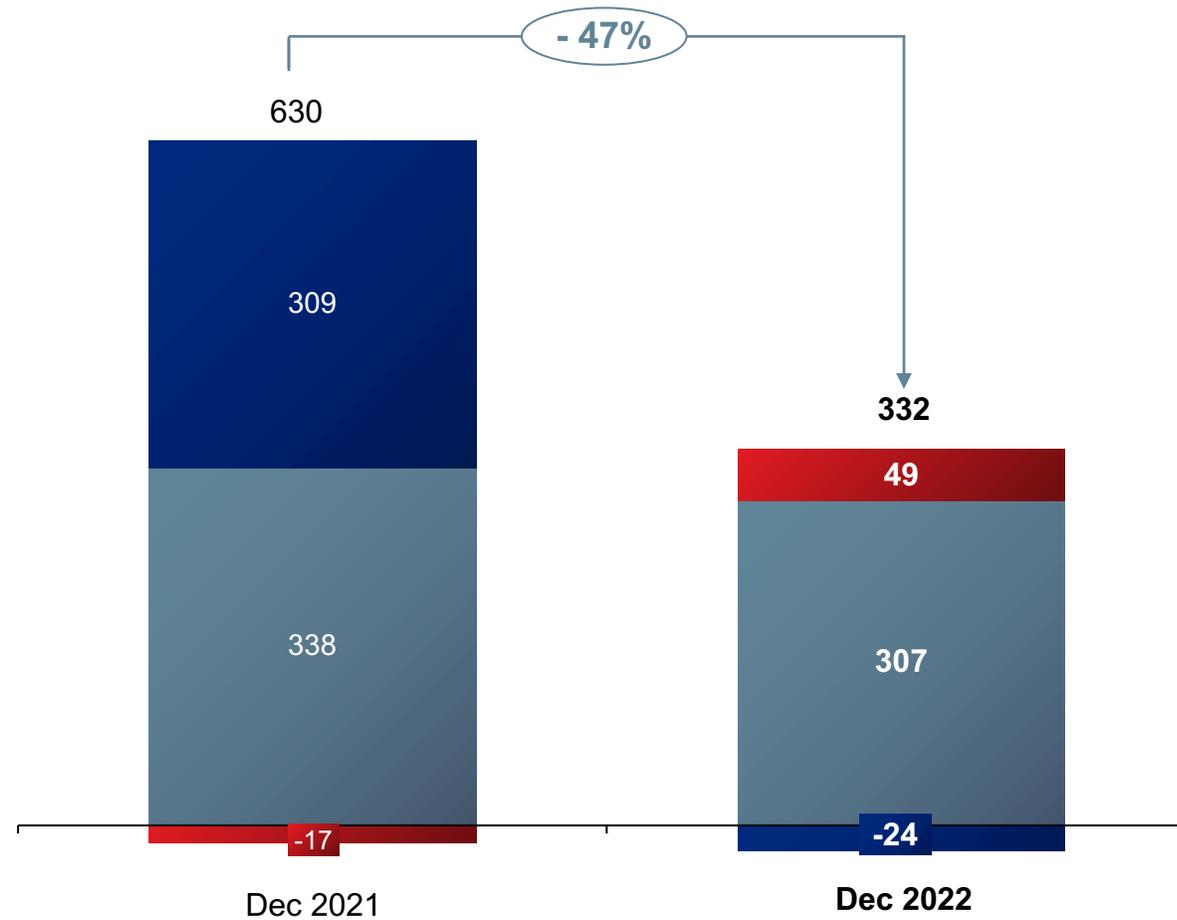
# Other businesses

## Normalised headline earnings (R'million)



# The Group's investment return

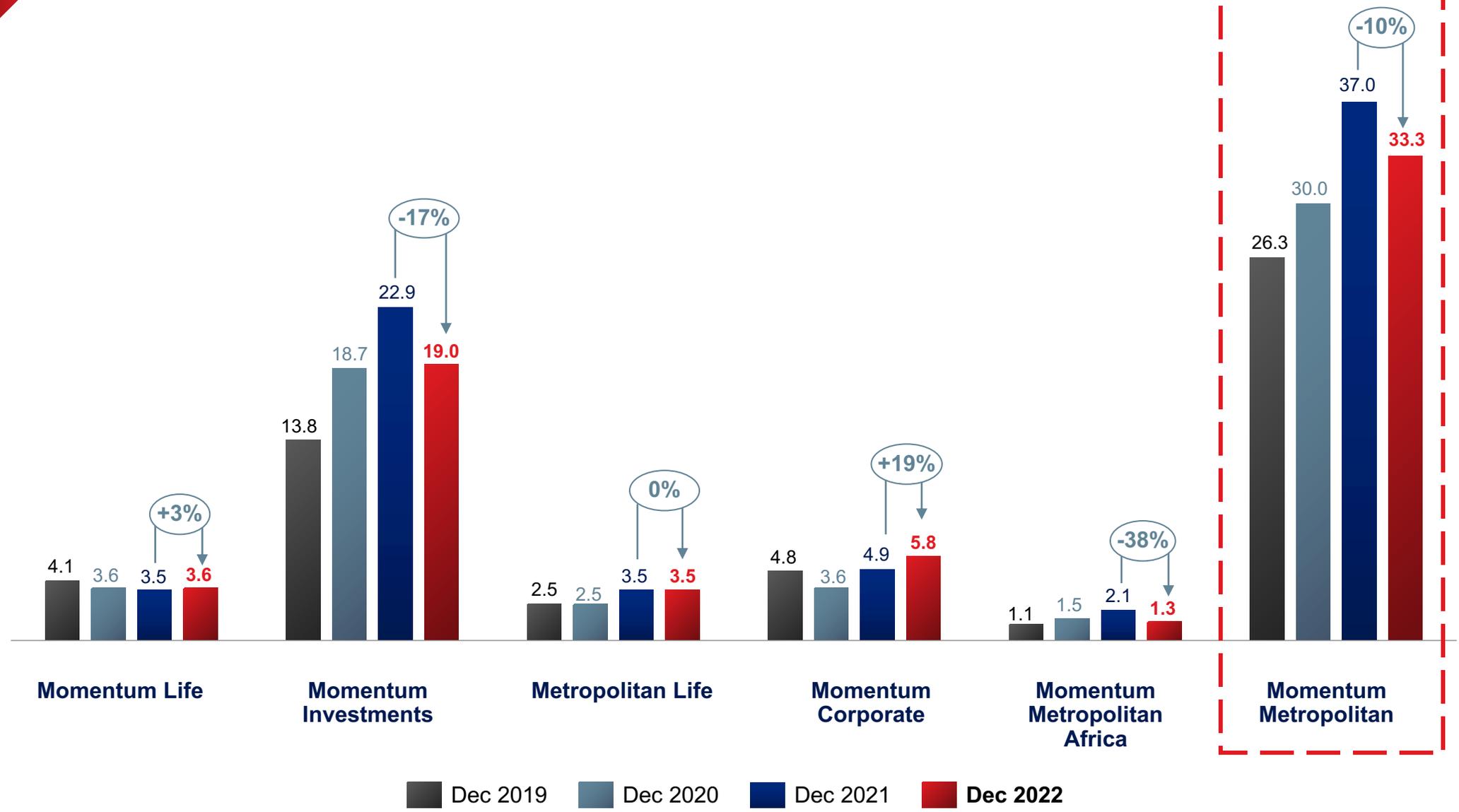
## Investment return (R'million)



 Shareholders investment income    Business unit investment return    Shareholders fair value gains

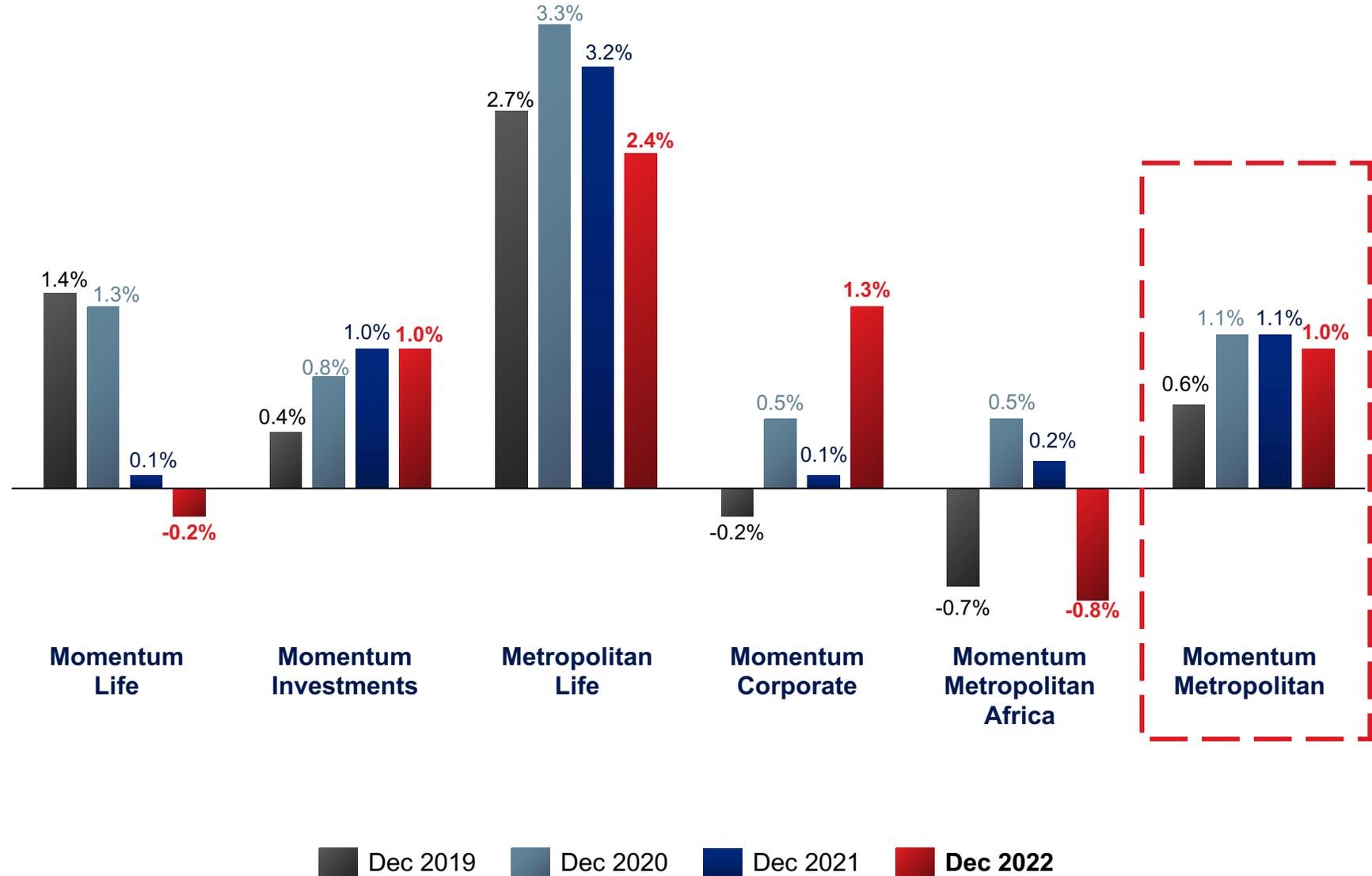
New business volumes down 10%

### Present value of new business premiums (R'billion)



New business margin slightly lower than prior period

### New business margin

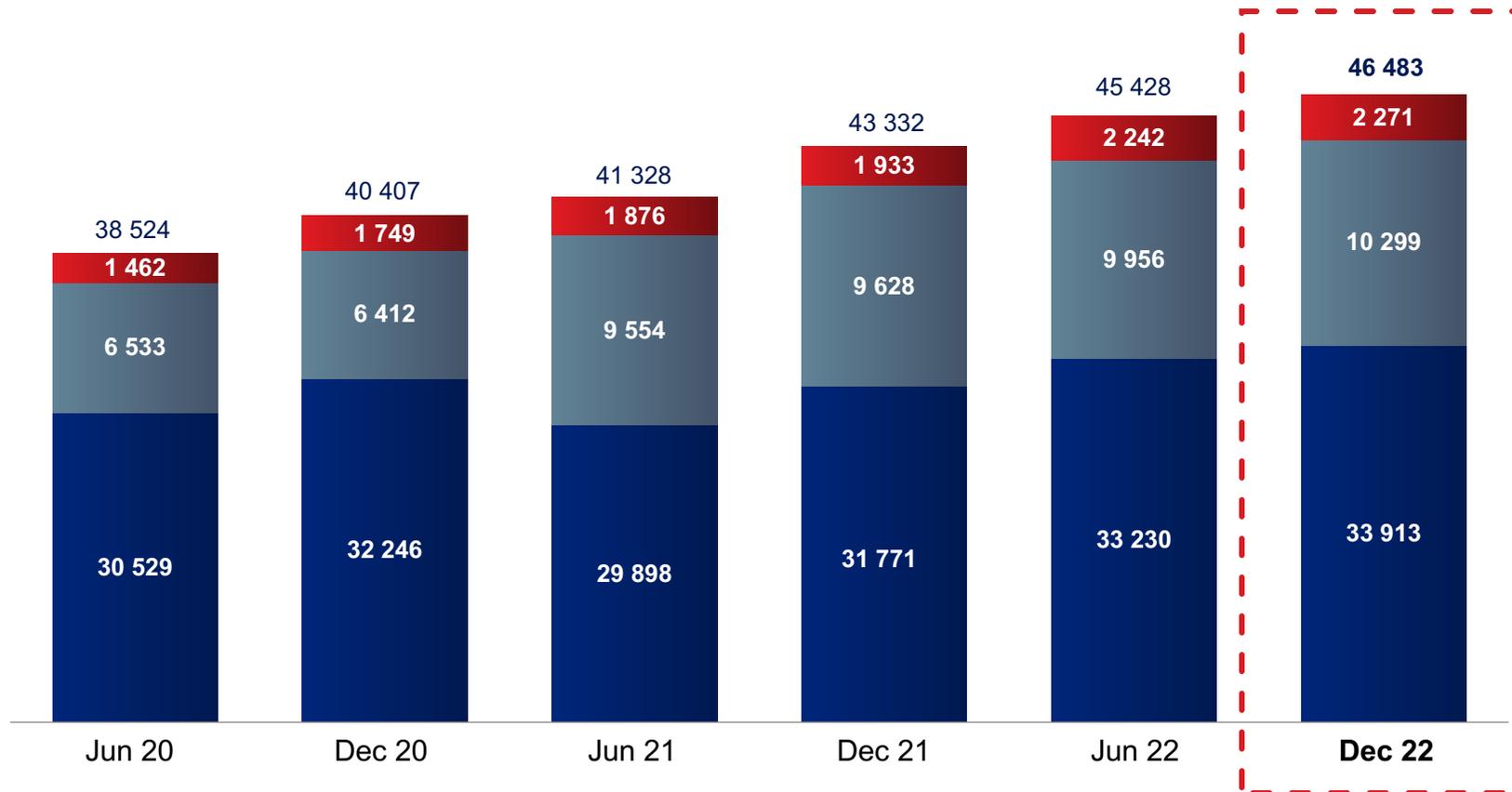


**Good  
embedded  
value  
growth**

**R31.39**  
EV per share

**15.6%**  
ROEV per share

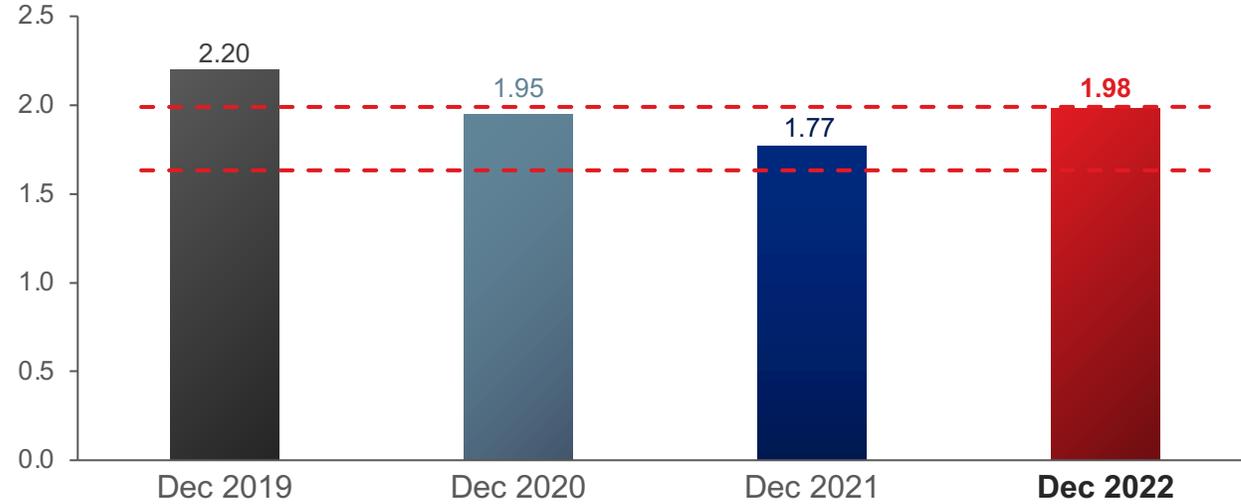
### Embedded value (R'million)



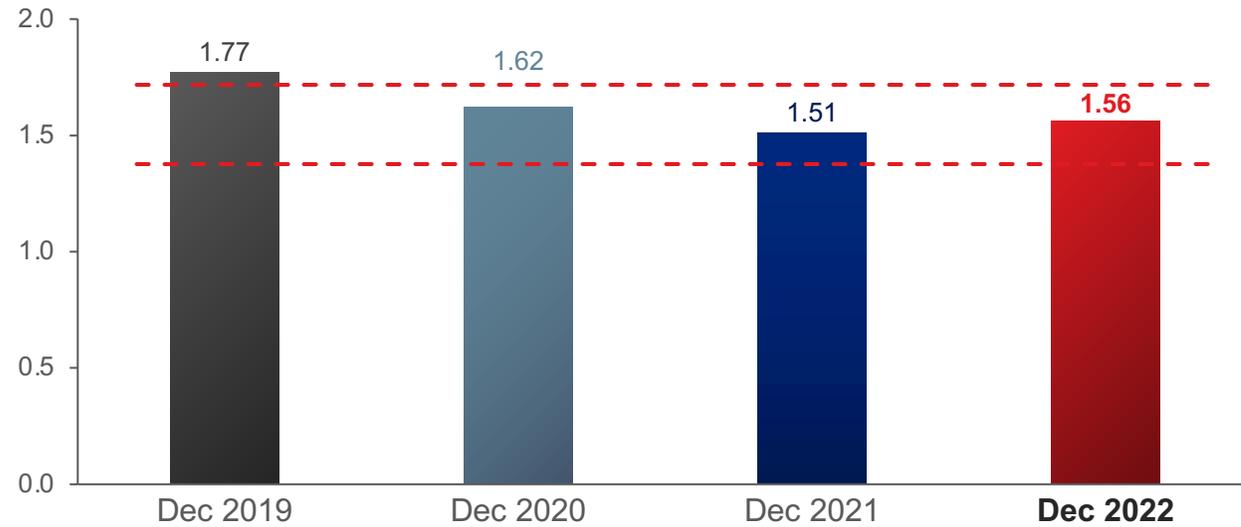
■ Non-covered: New Initiatives    
 ■ Non-covered: Established business    
 ■ Covered business

Capital cover remain toward the upper end of specified target ranges

### Momentum Metropolitan Life



### Momentum Metropolitan Holdings



--- Target range

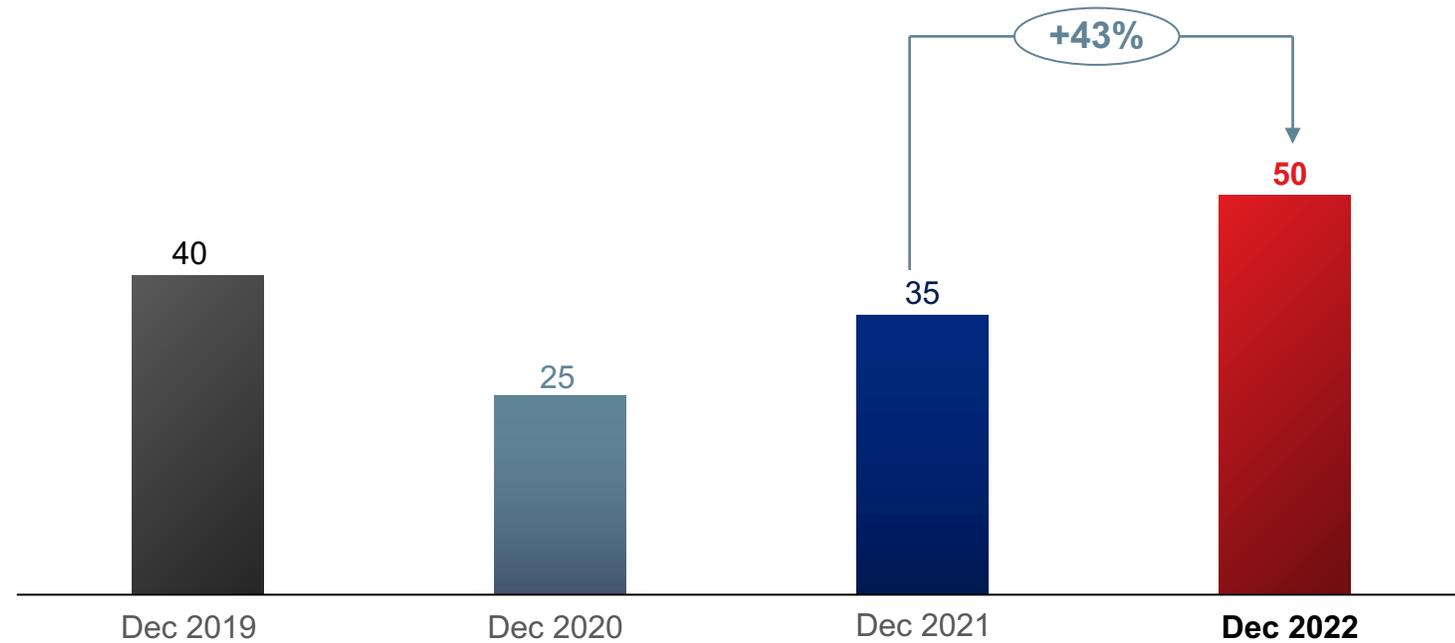
## Interim dividend increased

Interim dividend is **35%** of NHE

Interim dividend pay-out target range remains at **33% to 50%** of NHE

**R500m** will be utilised to **buy back** shares over the next 4 months

### Interim dividend per share (cents)



## Other topical matters

---

1 Cash generation

2 Share buybacks

3 IFRS 17



# Cash generation

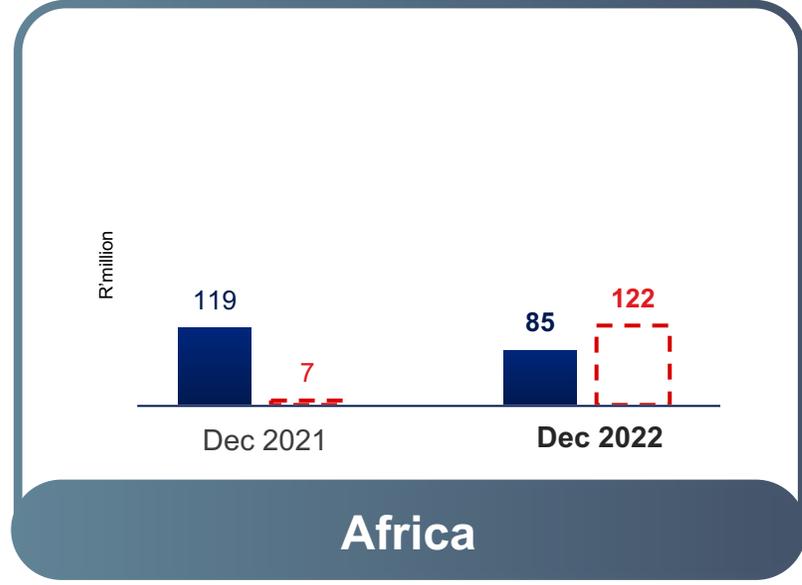
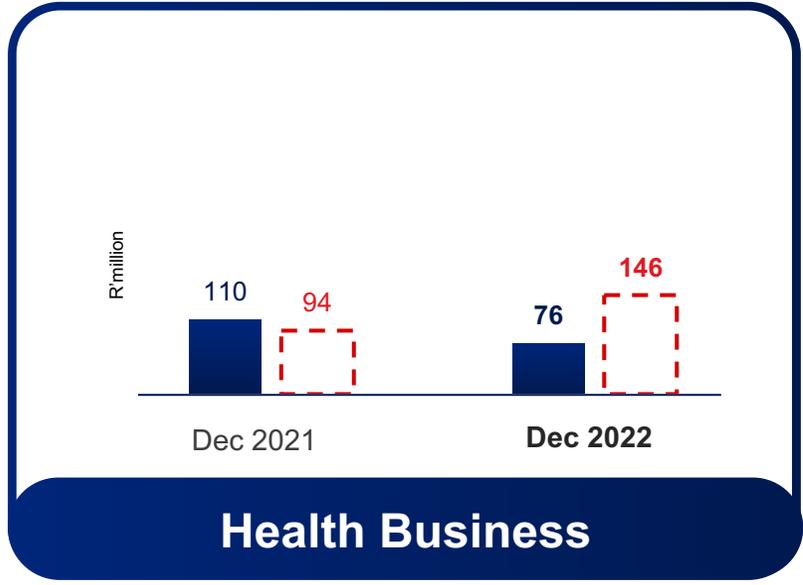
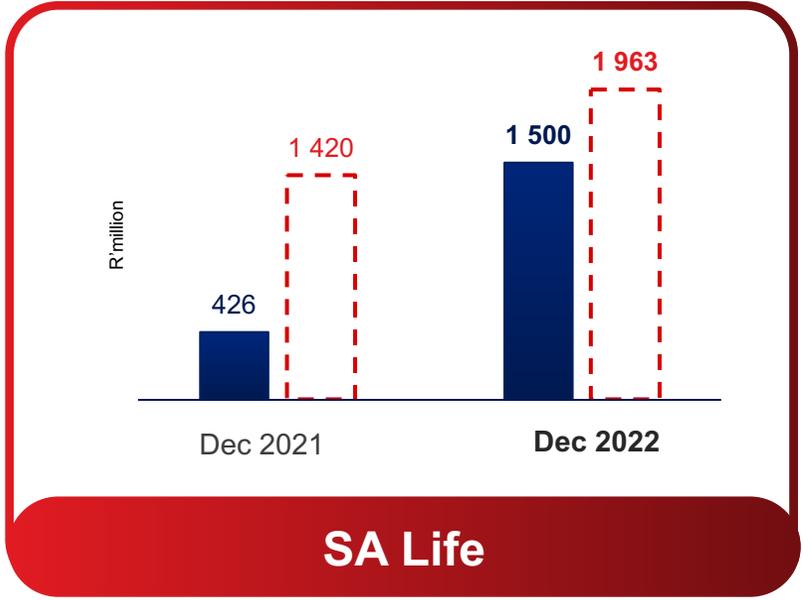
---



# The four cash generating entities



# Remittances to MMH from the four cash generating entities



■ Cash remittances to MMH      - - Normalised headline earnings

**Cash  
generation for  
the six months  
ending  
31 Dec 2022**

**Net capital flow**

	<b>R'million</b>
SA Life	1 500
Guardrisk	158
Health	76
Africa	85
Other	28
M&A disposal	11
India	-
Momentum Insure	(200)
MM Finance company	(153)
Preference shares	(53)
<b>Cash generated to MMH</b>	<b>1 452</b>
Ordinary dividend	(749)
<b>Net of dividend payment</b>	<b>703</b>
Approved buyback	(500)
<b>Net of buyback &amp; dividend</b>	<b>203</b>



**Share buybacks**

---

**Pro-forma  
impact of the  
buyback  
programme  
on EV**

**Value created from buyback**

**Completed tranche: R583 million EV uplift**

	<b>Jun '22 Actual</b>	Buyback	Pro-forma
Embedded value (R'million)	45 428	(750)	44 678
Shares (million)	1 526	(45)	1 481
Diluted EV per share (Rands)	29.77	0.40	30.17

**Proposed tranche: R279 million EV uplift**

	<b>Dec '22 Actual</b>	Buyback	Pro-forma
Embedded value (R'million)	46 483	(500)	45 983
Shares (million)	1 481	(25)	1 456
Diluted EV per share (Rands)	31.39	0.19	31.58



# IFRS 17

---

## Key expected IFRS17 impacts

### Earnings

- Small **negative** impact on overall earnings level
- New business strain under IFRS17 will be **lower**

### Equity

- **Net increase** in equity (prudence in IFRS4 liabilities released)
- **Lower** return on equity in the future

### Embedded value

- **Insignificant impact** on embedded value and value of new business
- VNB on risk products to be higher, lower on savings business

### Capital management

- Cash flow generation **unaffected**
- Dividend level **unaffected**
- Solvency position **insignificant impact**

### Business strategy

- Business strategy remains **unchanged**
- **No immediate** impact on product management and pricing



**In conclusion**

---

## In conclusion

- 1 Good earnings performance reflects focus over the past few years.

## In conclusion

**1** Good earnings performance reflects focus over the past few years.

---

**2** Privileged to be able to implement a buyback and to pay decent dividends concurrently.

## In conclusion

- 1** Good earnings performance reflects focus over the past few years.

---

- 2** Privileged to be able to implement a buyback and to pay decent dividends concurrently.

---

- 3** Several exciting projects and initiatives on the go; the next eighteen months will be defining for the Group.

## In conclusion

- 1 Good earnings performance reflects focus over the past few years.
- 2 Privileged to be able to implement a buyback and to pay decent dividends concurrently.
- 3 Several exciting projects and initiatives on the go; the next eighteen months will be defining for the Group.
- 4 The difficult macro-environment and negative sentiment impacting sales more than earnings – have to continue to win market share.

## In conclusion

- 1 Good earnings performance reflects focus over the past few years.
- 2 Privileged to be able to implement a buyback and to pay decent dividends concurrently.
- 3 Several exciting projects and initiatives on the go; the next eighteen months will be defining for the Group.
- 4 The difficult macro-environment and negative sentiment impacting sales more than earnings – have to continue to win market share
- 5 ***Congratulations*** to our staff and ***thank you*** to our clients and advisers.

## In conclusion

- 1** Good earnings performance reflects focus over the past few years.

---

- 2** Privileged to be able to implement a buyback and to pay decent dividends concurrently.

---

- 3** Several exciting projects and initiatives on the go; the next eighteen months will be defining for the Group.

---

- 4** The difficult macro-environment and negative sentiment impacting sales more than earnings – have to continue to win market share.

---

- 5** ***Congratulations*** to our staff and ***thank you*** to our clients and advisers.