

MMI beds down merger, now focused on growth

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MMI Holdings Limited (MMI) today reported a strong set of annual results driven by strong operational performance from all client facing divisions in an environment that continues to be characterised by subdued economic growth.

Nicolaas Kruger, MMI CEO says he is pleased with the group's performance. 'Our embedded value has increased to R35 billion with a very satisfactory return on embedded value of 17% over the year ended 30 June 2013. The value of new business also increased strongly by 19% to R711 million, demonstrating the strength of the diverse product ranges and distribution footprint of the group.'

The strong operational performance of the divisions is demonstrated by the 19% increase in core headline earnings from the operating divisions, totalling R2.5 billion. After incorporating investment income on shareholder funds, which was curtailed following the payment of a R1 billion special dividend in October 2012, and allowing for increased expenditure on growth initiatives, total core headline earnings increased by 10% to R3.2 billion.

MMI, which will complete its third year of the Metropolitan and Momentum merger in December 2013, declared a 12% increase in annual dividend to 127 cents per share. The group has developed a consistent dividend track record in the context of volatile investment markets, increasing capital requirements and changing legislation. The group's balance sheet remains strong and efficient with a capital buffer of R3.8 billion as at 30 June 2013.

'As we approach the end of our third year of the merger, we can safely say that the merger has been successfully bedded down. We have moved from being largely focused on integration to becoming externally focused with a number of exciting growth strategies,' continues Kruger.

MMI is a diverse financial services group made up of retail insurance and savings, investments, employee benefits, health and international divisions. The two retail divisions, which cover all South Africa's income segments, are the largest contributors to MMI's earnings. Momentum Retail, focusing on the middle to upper income market segment reported a 17% increase in the value of new business to R203 million and an 11% increase in operating profit to R1.2 billion. Metropolitan Retail, focusing on the lower to middle income market reported the largest value of new business in the group at R239 million, while its operating profit of R509 million reflected a 16% increase on the previous year.

Kruger says, 'retail insurance and savings are a highly competitive market and both Metropolitan Retail and Momentum Retail have put strategies in place that support the long-term sustainability of their businesses. Momentum Retail's focus is now firmly on quality

business and embedding client-centricity. Metropolitan Retail continues to invest in a strong sales force to provide appropriate advice to their market and recently achieved second place in the TNS Sunday Times Top Brands long-term insurance category.'

Momentum Employee Benefits continues to entrench its position as the leading disability insurer. The division reported a very strong 33% increase in operating profit to R330 million and a significant 64% increase in the value of new business to R213 million. The strong performance of the division was underpinned by an increase in operational efficiencies and good risk experience.

Metropolitan International is a strategic growth area for the group and is steadily becoming a more meaningful part of MMI. Metropolitan International reported an impressive growth of 89% in operating profit to R108 million together with a 65% increase in the value of new business to R56 million. The division recently concluded the acquisition of 70% of Mauritian Eagle in Mauritius and is geared to enhancing its partnerships in the twelve African countries in which it has a presence.

Momentum Investments increased assets under management to R364 billion. In the year under review, Momentum Investments reported a 40% increase in operating profit to R175 million, now also including the group's 50% stake in Eris Properties for the first time.

Metropolitan Health, one of the largest health care administrators in the country with over three million lives under administration, saw a 14% increase in operating profit to R151 million.

'The strong operational performance of our divisions proves the success of the merger. We have achieved total annual expense savings of R346 million to date, and we have another 12 months to achieve the remaining R154 million expense savings to meet the R500 million we promised when we merged. We are confident the total expense savings target will be met and possibly even surpassed,' says Kruger.

'The success of the amalgamation of the long-term insurance licences of Metropolitan and Momentum, approved in May 2013, is just one area which will realise further cost savings through the streamlining of governance processes in the group. Divisions also continue to take advantage of efficiencies that arise as a result cross divisional collaboration,' says Kruger.

'The establishment of the Momentum/Unisa Household Financial Wellness Index is a ground breaking initiative to financially empower South Africans, make them more aware of their financial vulnerabilities and to effect change. While the Index gives a snapshot view of where South Africans stand on a macro level of financial wellness, Momentum is taking this further by enabling individuals to find out where they personally stand on the financial wellness scale. Momentum has created various individualised solutions that will empower consumers on their financial wellness journey.' says Kruger.

MMI's strategic growth areas remain product, geographic, segment and channel diversification; with client-centricity at the centre of everything we do as a primary value driver for clients and shareholders,' concludes Kruger.

