

Trading update for nine months to 31 March 2017

Published: Jun 6, 2017 7:00:00 AM South Africa Standard Time

MMI Holdings Limited (MMI Holdings) has issued its trading update for the nine months to 31 March 2017 reporting a modest improvement in core headline earnings growth, from -5% in the six months to 31 December 2016 to -3% as a result of better underwriting experience in the latest quarter. Diluted embedded value per share was R26.25 at 31 March 2017.

MMI Holdings says the difficult economic environment has weighed negatively on the operational performance of the business. In addition, stock market performance has been flat, with the JSE All Share Index remaining practically unchanged from July 2016 to March 2017. This has put significant pressure on revenue growth for the MMI Holdings businesses where asset-based fee income is a major component of revenue.

Recurring premium new business across MMI's operating units (Metropolitan Retail, Momentum Retail, International and Corporate & Public Sector) increased by 8%, while single premium new business decreased by 14%. The tough environment caused overall new business volumes to decrease by 6% on a Present Value of New Business Premium basis. New business margin for

the nine months was 1.1% and overall covered value of new business was R320 million for the period. New business growth in Rest of Africa and domestically through Metropolitan Retail remained strong, but was offset by lower growth in Momentum Retail and in Corporate & Public Sector.

Some of the positive developments during the quarter include accelerating growth in Momentum Short-term Insurance where the unit has been averaging 2,000 policy contract sales a month for the last three months. Momentum Short-term Insurance has also achieved an Ombudsman for Short-term Insurance overturned ratio of 4,29% which was significantly lower than the industry average of 27,27%. Indian joint venture, Aditya Birla Health Insurance, has shown strong early growth, families covered by Momentum Health have increased to nearly 150,000, and there has been a noticeable improvement in corporate underwriting results.

MMI Holdings expects the difficult operating environment to persist in the short term. The group will continue applying strong discipline in capital allocation decisions and to find increasingly efficient ways of doing business in the absence of meaningful revenue growth in core operations. The group expects to achieve its targeted R750 million annual cost savings by the 2019 financial year, with the client-centric operating model enabling efficiency gains across the group.