

MMI delivers solid operating performance

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MMI Holdings Limited (MMI) has delivered a solid set of results for the financial year ended 30 June 2015.

Nicolaas Kruger, MMI group chief executive officer, says he is pleased with the group's performance given the current challenging economic environment.

MMI reported a 17% increase in profits from operating divisions to R3.5 billion, while the group's value of new business increased strongly by 22% to R954 million. New business expressed as the present value of premiums rose by 21% to R50 billion, on the back of very good fourth quarter sales.

Total core headline earnings increased by 6% to R3.8 billion, with growth being impacted by an increase in investments made into strategic growth initiatives that underpin MMI's client-centric strategy.

Return on embedded value was 10%, representing an embedded value profit of R3.8 billion that contributed to a total embedded value of R40.3 billion as at 30 June 2015.

MMI has paid over R12.1 billion in dividends to shareholders in the past five years since the merger between Momentum and Metropolitan. This includes a dividend of R2.4 billion for the year to 30 June 2015, 9% higher than the previous year.

“MMI’s client-centric strategy and our purpose to enhance the lifetime financial wellness of people, their communities and their businesses will ensure that we are resilient in the face of a challenging economic environment. We are executing plans and processes to optimise structures, distribution channels and solutions, focusing on innovation and collaboration,” says Kruger.

Momentum Retail, which focuses on the financial wellness needs of the middle and upper income market segments, remains the largest contributor with an operating profit of R1.5 billion, achieving profit growth of 12%. “Momentum Retail continues to show good mortality and morbidity experience. We continue to invest in our middle market segment where we are currently under-represented. We have opened offices in the centres of Johannesburg and Pretoria and are empowering new graduates by training them to be financial planners for this business” says Kruger.

“Metropolitan Retail delivered an operating profit of R738 million, representing a 26% increase on the previous year, supported by good expense management and positive mortality experience,” says Kruger. Metropolitan Retail, which focuses on the financial wellness needs of the lower income market segment, has implemented a new remuneration model for financial planners. This model is aimed at improving our planners’ productivity and sustainability over time.

Momentum Employee Benefits has entrenched its reputation as a stellar performer in MMI, with Guardrisk making a very strong contribution. Momentum Employee Benefits contributed R660 million to operating profit, a 28% improvement on the previous year's contribution.

Our International division has laid a solid foundation for creating value in future, increasing its operating profit by 25% for the year to R152 million.

Metropolitan Health has increased operating profit by 22% to R209 million for the year. Recently acquired healthcare group CareCross and Occupational Care South Africa (OCSA) have made positive contributions to the operating profit.

Momentum Short-term Insurance has increased its number of contracts by 49% to 56 425 during the year under review. Efforts to build brand awareness are paying off, with a significant increase in premiums of 52%. Our relatively high claims ratios will be managed down systematically over time.

“The profit contribution of the Momentum Investments division reduced by 8% to R181 million, reflecting the impact of volatile investment markets. The Investments division aims to deliver a consistent and predictable return profile for investors by diversifying their investments between various asset strategies and asset managers. As part of this outcomes-based investment strategy, MMI will partner with independent asset managers such as the soon-to-be-launched Aluwani Capital Partners (the third largest black-owned asset manager in South Africa) and the newly created

asset management initiative with RMI for the more active, equity-based asset strategies,” says Kruger.

“MMI remains in a strong financial position and geared to be compliant with the Solvency Assessment and Management requirements scheduled to come into effect in 2016. We have also set aside R1.7 billion for various strategic initiatives, within and outside of South Africa,” says Kruger.

“We operate in a challenging economic environment. In times like this, the need to enhance the financial wellness of clients becomes even more important. MMI’s client-centric strategy will enable us to provide valuable financial wellness solutions for our clients, whilst creating value for shareholders and other stakeholders,” concludes Kruger.