

Rand Merchant Investment Holdings Limited  
(Incorporated in the Republic of South Africa)  
(Registration number: 2010/005770/06)  
ISIN: ZAE000210688  
Share code: RMI  
(RMI or the Company)

Audited summary results announcement and cash dividend declaration for the year ended 30 June 2021

Enduring value created  
Compound shareholders' return since listing in 2011  
15.7% per annum

Growth in total shareholders' equity since listing in 2011  
9.2% per annum

Normalised earnings  
+15% to R3 545 million  
(2020: R3 086 million)

#### About RMI

RMI is an investment holding company listed on the JSE Limited (JSE) with a proud track record of investing in dynamic, disruptive financial services businesses, underpinned by our core values and culture of partnership, excellence, impact and creativity.

#### Sources of normalised earnings

RMI regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items and accounting anomalies. The total normalised earnings of RMI's investee companies for the year under review are listed in the table below:

R million	2021	2020	% change
OUTsurance (excluding Hastings)	2 535	2 218	14
- OUTsurance (including Hastings)	2 779	2 411	15
- Hastings included in OUTsurance	(244)	(193)	26
Hastings	2 066	1 720	20
RMI Investment Managers and AlphaCode investments	142	(10)	+100
Discovery	3 406	3 747	(9)
Momentum Metropolitan	1 007	1 521	(34)

RMI's consolidated normalised earnings for the year under review are listed in the table below:

R million	2021	2020	% change
OUTsurance (excluding Hastings)	2 296	2 008	14
- OUTsurance (including Hastings)	2 513	2 180	15
- Hastings included in OUTsurance	(217)	(172)	(26)
Hastings	585	486	20
RMI Investment Managers and AlphaCode investments	142	(10)	+100
Discovery	850	933	(9)
Momentum Metropolitan	269	407	(34)
Funding and holding company costs	(597)	(738)	19
Normalised earnings	3 545	3 086	15
Normalised earnings per share (cents)	231.4	201.5	15

## Overview of results

RMI's operating environment during the 2021 financial year was once again dominated by the COVID-19 pandemic, with elevated mortality experience materially impacting on the group's life insurance operations. Notwithstanding the adverse impact of COVID-19, the group delivered a strong overall operational performance, with pleasing growth in normalised earnings being achieved by OUTsurance and Hastings, its two large P&C investments. This, together with the positive impact of the lower interest rate environment on the group's funding costs and excellent performance by RMI Investment Managers, enabled the group to deliver a 15% increase in normalised earnings to R3.5 billion.

Normalised earnings, including OUTsurance's stake in Hastings, increased by 15% to R2.8 billion. Excluding its share in Hastings, OUTsurance's normalised earnings increased by 14% to R2.5 billion, driven by strong equity market returns and an excellent 18% increase in gross written premiums to R20.6 billion. Youi contributed most to the gross written premium growth due to good organic growth in the direct personal lines operation coupled with the positive contributions from the Youi CTP and Youi BZI initiatives. OUTsurance's claims ratio increased from 51.1% to 51.7% due to the more restrictive lockdown conditions in the prior year, lower average premiums in the current year due to the impact of work-from-home patterns, an increase in the property claims ratio resulting from power surge and dip claims and increased geyser replacements due to colder weather conditions.

Normalised earnings from Hastings increased by 20% to R2.1 billion for the year ended 30 June 2021. The claims ratio for the six months ended 30 June 2021 was 63.4%, compared to 75.6% in the comparative period. Claims frequencies increased from the lows in 2020 but remain below 2019 levels as a result of the ongoing pandemic. Reserving caution continues to be applied as a result of increased pandemic related uncertainty on bodily injury claims. Gross written premiums decreased by 7% to £480.9 million compared to the comparative period of £514.9 million, with the reduction reflecting a mix change towards lower risk market segments. Live customer policies increased by 4% year-on-year to 3.1 million policies with continued strong retention ratios and stable retail income. Home insurance policies increased by 27% to 300 000 in-force policies. New products, pricing models and sources of data have been added since 2021, laying the foundations for continued profitable growth.

RMI Investment Managers is largely in the consolidation phase of its business model evolution and has, therefore, focused its efforts on optimising the existing portfolio by truly partnering its boutique investment managers in a supportive but non-interfering manner. Despite the extremely difficult operating environment, the affiliates managed to remain resilient during these turbulent times. Pleasingly, the diversified nature of the affiliate portfolio and asset classes represented, demonstrated its value and resulted in better than expected financial performance on the back of good assets under management (AUM) growth and strong performance fee earnings. AUM increased by 24% (R32.9 billion) in 2021, reflecting the strong bull market in SA equities (up 25%), global equities (up 16%) and SA bonds (up 14%). Total net inflows across the portfolio amounted to R5 billion for the period, with R5.8 billion invested into retail portfolios, resulting in a 37% increase in total retail AUM (R51 billion at year-end), whereas alternative strategies (hedge fund and private equity) increased by 38% with R35 billion under management.

The Royal Investment Managers portfolio performed marginally below expectations, largely due to the difficult year where the impact of COVID-19 affected some businesses more than others. During the year, Royal Investment Managers finalised terms with Balondolozzi Investment Services to convert its 30% equity stake acquired in December 2017 into a quasi-debt instrument on favourable terms.

The AlphaCode investments have delivered results in line with expectations, taking the impact of COVID-19 on the operating environment into account.

The investment portfolio performed well with a number of the businesses achieving significant milestones:

- Merchant Capital was named South Africa's best small business funder in the UK-based Wealth & Finance magazine's 2020 Fintech Awards;
- Entersekt was awarded 'Most Innovative Company in 2020' by Fast Company;
- Prodigy Finance was named as one of the UK's top fintech companies by Traxn.com.

Discovery's normalised earnings decreased by 9% to R3.4 billion for the year ended 30 June 2021, mainly due to a negative R2.4 billion COVID-19-related impact on Discovery Life and pre-tax foreign currency losses of R389 million, compared to pre-tax foreign currency gains of R578 million included in the comparative year. Normalised profit from operations increased by 7% to R6.5 billion for the year under review.

- Discovery Health remained the largest contributor to this number with a 7% increase in normalised operating profit to R3.4 billion, driven by continued operational excellence, growth in lives and providing support to members and society;
- A successful execution of the management plan at VitalityLife contributed to a strong recovery in results with a contribution of R644 million to normalised profit from operations; and
- The loss incurred by Discovery Bank decreased by 7% to R1.1 billion. The focus remained on strong, high-quality client and deposit growth while deliberately pursuing a prudent, quality-focused credit strategy.

Overall, group new business annualised premium income increased by 11% to R21.3 billion and retention levels across the group were strong. Despite its robust capital position and in line with the prior year, due to the continued uncertainty and potentially volatile economic environment caused by the COVID-19 pandemic, Discovery has not declared an ordinary final dividend for the period.

Momentum Metropolitan recorded a 34% decrease in diluted normalised earnings to R1.0 billion for the year under review. This was largely attributable to the prolonged negative impact that COVID-19 had on mortality claims experience, including the anticipated impact of the ongoing third and possible fourth wave in the 2022 financial year. The group increased its COVID-19 provision by R2.2 billion in the 2021 financial year, of which R2.1 billion related to mortality. Together with a R702 million negative mortality variance, total mortality losses amounted to R2.8 billion. The South African insurance businesses paid R10.7 billion in mortality claims (gross of reinsurance and tax) during the 2021 financial year, compared to an average of R5.6 billion per annum over the three years preceding the pandemic. Excluding the impact of COVID-19 on mortality, disability, termination and business interruption experience, as well as investment variances impacted by yield curve movements, the group's normalised earnings would have been R3.5 billion. Investment returns increased by R934 million and were supported by the recovery of investment markets, fair value gains from the revaluation of the group's investment in venture capital funds and the recovery of previously written-off loans. This was partly offset by lower returns on the shareholder investment portfolio due to the lower short-dated interest rates compared to the comparative year. The present value of new business premiums increased by 31% to R65.9 billion, driven by an excellent performance from Momentum Investments and Metropolitan Life which continued to deliver exceptional growth in protection new business throughout the year. The value of new business growth to R725 million was outstanding and was driven by strong new business volumes, excellent expense management across the group, a sustained focus on improving the quality of new business written and an improved mix towards higher margin products. This resulted in a significant improvement in new business margins from 0.6% to 1.1%. Momentum Metropolitan has declared a final ordinary dividend of 15 cents per ordinary share. The total dividend for the 12 months ended 30 June 2021 is 40 cents per ordinary share, which is flat relative to the ordinary dividend declared in the prior period.

The net funding and holding company costs decreased by 19% to R597 million. This decrease is mainly due to the decline in the prime lending rate, with a significant portion of the funding still being at a variable rate. RMI has also reduced its spending on the AlphaCode initiative compared to the prior period and benefitted from the timing difference between the movement in the IFRS 2 cash-settled share-based payment liability and the hedge against this liability.

#### Outlook and future value creation

OUTsurance's world-class service proposition is enabled by the dedication of its employees, a business culture that strives for operational excellence with a pivotal focus on treating customers fairly. Customer complaint ratios continue to decline across all service interactions. OUTsurance again delivered the lowest Insurance Ombudsman complaint and overturned ratios of all the major insurers, a position it has held over the past six years. Following a foundational year in 2021, OUTsurance and Youi are well-positioned to deliver on their growth ambitions, which are expected to deliver a strong growth cadence with improved profitability over the medium term. OUTsurance will continue to invest in local growth and opportunities to deliver a world-class insurance service to the communities it serves.

Hastings continues to make good progress on its strategic initiatives, including:

- Improvements in customer service through systems enhancements, digital improvements and process and supplier changes, leading to continued high customer NPS scores;
- New products, pricing models and sources of data have been added during the first half of 2021, laying the foundations for continued profitable growth;
- New functionality continues to be added on its mobile app, supporting increased usage with customer engagement and feedback also remaining positive;
- Claims transformation initiatives continue to make good progress, including optimising and digitalising repair journeys for customers; and
- New internal home claims management capabilities are due to launch later in 2021.

Hastings is well-prepared for the recently introduced whiplash reforms, with early results being monitored closely, and the FCA's review of general insurance pricing practices, due to be implemented by the end of 2021.

RMI Investment Managers' view is that the portfolio is largely complete, however, they remain opportunistic and continue to explore the addition of affiliates to either solve for additional exposure or under-exposure in certain asset classes or to further add value to the portfolio. The RMI Investment Managers team continues to actively engage in strategic dialogue with its affiliates with a focus on implementing its shareholder value map, which offers affiliates access to comprehensive strategic support including operational, governance and financial support, succession planning, talent management and board representation. In addition, the team continues to play a strategic advisory role in helping its affiliates raise retail assets and foster meaningful and trusted client relationships. Many of the affiliates have also benefited from marketing support provided by the team. This has enabled the affiliates to expand their branding, marketing and public relations efforts in order to enhance their brand presence and credibility in the market. RMI Investment Managers will ensure that its reputation as a trusted, value-adding but non-interfering shareholder of choice for the independent asset management industry remains a core philosophy. The team and its partners in Momentum Metropolitan and RBH remain excited and committed to working with its affiliates to support their growth to scale.

AlphaCode has recognised the need for very-early-stage and seed funding in the South African entrepreneurial landscape and has launched its maiden seed fund. The fund is a fully-accredited Enterprise Supplier Development beneficiary and will provide funding of R1 to 2 million for early-stage financial services (and related) entrepreneurs. The fund works closely with the Incubate programme which offers an exciting pipeline of start-ups and provides a proven base of mentor and entrepreneurial support to investees.

Discovery's business model has proven to be highly relevant during the COVID-19 pandemic and the consolidating trends are likely to accentuate this relevance going forward. It is confident in its ability to capitalise on emerging opportunities and Discovery's Shared-value Insurance model positions it well to deliver continued growth and operational resilience despite the challenging macro environment. Discovery Life has provided for the expected future mortality impacts of COVID-19 given the expected retail claims. Group life provisions have been made up to the next policy renewal date to the extent that existing contracts are deemed to be onerous. The effect of continued interest rate and currency volatility in South Africa is expected to remain a feature of the reported results. Discovery is considering an additional capital contribution for Ping An Health and intends to follow its rights in this regard, given the excellent long-term prospects for private healthcare and private health insurance in China.

Momentum Metropolitan continues to improve its market share in most market segments. The Reset and Grow strategy, which was the cornerstone of the operational turnaround evident in its results over the past three years, has now come to an end. The group is in a significantly healthier position and has built a foundation and capabilities that improved its competitive position and created a strong foundation from where it can continue to grow.

It launched its Reinvent and Grow strategy for the next three years, indicating its intent. The key elements of the Reinvent and Grow strategy include:

- Significant focus on an investment in digital initiatives to generate efficiencies and to improve the ease of doing business for its clients and advisers;
- Further focus and growth of existing distribution channels, complimented by the development of alternative distribution opportunities
- Targeting normalised headline earnings for the group of between R4.6 to 5.0 billion by 2024;
- Dynamic and disciplined management of group capital, with the objective of improving the return on equity to 18% to 20% by 2024.

Considering the uncertainty in the operating environment, it would be inappropriate to provide firm guidance on near-term earnings expectations.

Momentum Metropolitan is navigating through this challenging period with a strong solvency position and with sufficient liquidity to withstand impacts from the continuously evolving environment. It will continue to selectively invest in its core operations to take advantage of the opportunities for growth brought about by the current crisis.

## Summary consolidated income statement

Audited R million	2021	2020	% change
Gross insurance premiums	20 570	17 349	19
Less: Reinsurance premiums	(1 658)	(774)	
Net insurance premiums	18 912	16 575	14
Gross change in provision for unearned premiums	(1 043)	(452)	
Reinsurance relating to provision for unearned premiums	182	30	
Net insurance premiums earned	18 051	16 153	12
Fee and other income	85	64	
Investment income	152	252	
Interest income on financial assets using the effective interest rate method	333	458	
Realised losses	(6)	-	
Net fair value gains/(losses) on financial assets	406	(421)	
Expected credit losses on financial assets	(2)	(20)	
Net income	19 019	16 486	15
Gross claims paid	(10 019)	(9 310)	
Reinsurance recoveries received	1 276	1 664	
Provision for non-claims bonuses	(509)	(500)	
Transfer to policyholder liabilities under insurance contracts	(249)	(34)	
Acquisition expenses	-	(41)	
Fair value adjustment to financial liabilities	(140)	(139)	
Marketing and administration expenses	(5 598)	(4 859)	
Profit before finance costs, results of associates and taxation	3 780	3 267	16
Finance costs	(626)	(689)	
Share of after-taxation results of associates	1 207	259	
Profit before taxation	4 361	2 837	54
Taxation	(1 139)	(1 031)	
Profit for the year from continuing operations	3 222	1 806	78
Profit for the year from discontinued operations	-	104	
Profit for the year	3 222	1 910	69
Attributable to:			
Equity holders of the company	2 893	1 592	82
Non-controlling interests	329	318	3
Profit for the year	3 222	1 910	72
Earnings per share	189.2	104.1	82
Diluted earnings per share	188.5	102.7	84

## Computation of headline earnings

Audited R million	2021	2020	% change
Earnings attributable to equity holders	2 893	1 592	82
Adjustment for:			
Impairment of intangible assets by associates	138	192	
(Gain)/loss on dilution and disposal of equity accounted investments	(84)	62	
Profit on sale of subsidiary	(41)	(111)	
Derecognition of intangible assets and property and equipment	10	38	
Adjustments within equity accounted earnings	9	-	
Loss on disposal of property and equipment	4	1	
FCTR reversal on sale of foreign subsidiary	(4)	12	
Impairment of owner-occupied building to below cost	3	152	
Loss on dilution of joint venture	1	-	
Impairment relating to held for sale entities	-	14	
Impairment of goodwill	-	2	
Loss on step-up of joint venture	-	2	
Headline earnings attributable to equity holders	2 929	1 956	50

## Computation of earnings per share

Audited R million	2021	2020	% change
Earnings attributable to equity holders	2 893	1 592	82
Headline earnings attributable to equity holders	2 929	1 956	50
Number of shares in issue (millions)	1 532	1 532	
Weighted average number of shares in issue (millions)	1 529	1 529	
Continuing and discontinued operations			
Earnings per share (cents)	189.2	104.1	82
Diluted earnings per share (cents)	188.5	102.7	84
Headline earnings per share (cents)	191.6	127.9	50
Diluted headline earnings per share (cents)	190.9	126.2	51
Continuing operations			
Earnings per share (cents)	189.2	98.9	91
Diluted earnings per share (cents)	188.5	97.5	93
Headline earnings per share (cents)	191.6	127.8	50
Diluted headline earnings per share (cents)	190.9	126.1	51
Dividend per share			
Interim dividend (cents)	22.5	45.0	(50)
Final dividend (cents)	22.5	-	+100
Total dividend	45.0	45.0	-

## Computation of normalised earnings

R million	2021	2020	% change
Headline earnings attributable to equity holders	2 929	1 956	50
RMI's share of normalised adjustments made by associates	610	1 153	
Amortisation of intangible assets relating to business combinations	289	305	
Restructuring costs	219	20	
Economic assumption adjustments net of discretionary margin and interest rate derivative	95	897	
Unrealised (gains)/losses on foreign exchange contracts not designated as a hedge	54	(47)	
Deferred tax raised on assessed losses	(38)	(69)	
Time value of money movement of swap contract in VitalityLife	(28)	24	
Adjustments for iSabelo	11	-	
B-BBEE cost	7	-	
Transaction costs related to VitalityLife interest rate derivatives	1	9	
Initial expenses related to Prudential Book transfer	-	14	
Group treasury shares	6	(23)	
Normalised earnings attributable to equity holders	3 545	3 086	15

## Computation of normalised earnings per share

R million	2021	2020	% change
Normalised earnings attributable to equity holders	3 545	3 086	15
Number of shares in issue (millions)	1 532	1 532	-
Weighted average number of shares in issue (millions)	1 532	1 532	-
Continuing and discontinued operations			
Normalised earnings per share (cents)	231.4	201.5	15
Diluted normalised earnings per share (cents)	231.1	199.9	16
Continuing operations			
Normalised earnings per share (cents)	231.4	201.4	15
Diluted normalised earnings per share (cents)	231.1	199.8	16

## Value of investments

R million	30 June 2021	30 June 2020	% change
Internal valuation of unlisted investments	46 295	41 223	12
OUTsurance (excluding Hastings)(1)	35 429	32 024	11
Hastings(2)	9 258	7 684	20
RMI Investment Managers and AlphaCode(3)	1 608	1 515	6
Market value of listed investments	28 631	24 293	18
Discovery(4)	20 811	17 231	21
Momentum Metropolitan(4)	7 820	7 062	11
Gross value of portfolio	74 926	65 516	14
Net liabilities of holding company(5)	(8 485)	(9 808)	13
Net value of portfolio(6)	66 441	55 708	19
Net value of portfolio per share (cents)	4 337	3 637	19

The valuations are based on:

- 1 Based on an internal discounted cash flow management model that has been independently verified.
- 2 A discounted cash flow valuation was performed as at 30 June 2021. The 30 June 2020 valuation represents the closing market price of Hastings on the London Stock Exchange (Hastings was subsequently delisted on 16 November 2020). The ZAR:GBP exchange rate as at year-end was used to translate the GBP valuation into ZAR.
- 3 The investments in RMI Investment Managers and AlphaCode are shown at the internal management valuation. RMI sold its stake in Luno in September 2020, the proceeds of which are included in the net liabilities of the holding company.
- 4 Market capitalisation on 30 June 2021.
- 5 The net liabilities of the holding company include all the liabilities and assets at holding company level other than the investments shown separately in the table above.
- 6 The information in the table above does not include a provision for CGT. The size of RMI's stakes in its underlying investee companies qualifies for certain tax exemptions when certain corporate actions are performed.

## Events after the reporting period

On 20 September 2021, RMI announced its intention to unbundle its shareholdings in Discovery and Momentum Metropolitan. A consequence of the unbundling is that RMI will require an equity raise of up to R6.5 billion via a pro rata rights issue to optimise the capital structure.

## Cash dividend declaration

Notice is hereby given that a gross final cash dividend of 22.5 cents per ordinary share, payable out of income reserves, was declared on 20 September 2021 in respect of the year ended 30 June 2021.

The dividend will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net dividend of 18.0 cents per ordinary share for those shareholders who are not exempt.

The company's tax reference number is 9469/826/16/9. Its issued share capital at the declaration date comprises 1 531 807 770 ordinary shares.

Shareholders' attention is drawn to the following important dates:

- Last day to trade in order to participate in this dividend will be Tuesday, 19 October 2021.
- Shares commence trading ex-dividend on Wednesday, 20 October 2021.
- The record date for the dividend payment will be Friday, 22 October 2021.
- Dividend payment date will be on Monday, 25 October 2021.

No dematerialisation or rematerialisation of share certificates may be done between Wednesday, 20 October 2021 and Friday, 22 October 2021 (both days inclusive).

By order of the RMI board.

Schalk Human  
Company secretary

Rosebank  
20 September 2021

## Directors

JJ Durand (chairman), HL Bosman (chief executive officer and financial director), JP Burger, P Cooper, (Ms) SEN De Bruyn, LL Dippenaar, PK Harris, (Ms) A Kekana, P Lagerstrom, (Ms) MM Mahlare, MM Morobe, RT Mupita, O Phetwe and JA Teeger.

## Alternates

DA Frankel, F Knoetze and UH Lucht

## Secretary and registered office

JS Human

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## Sponsor

(in terms of JSE Listings Requirements)

Rand Merchant Bank (a division of FirstRand Bank Limited)

Physical address: 1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

## Transfer secretaries

Computershare Investor Services Proprietary Limited

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## Full announcement

The contents of this short form announcement are the responsibility of the board of directors of the company.

Shareholders and/or investors are advised that this short form announcement represents a summary of the information contained in the full announcement, published on the Stock Exchange News Service (SENS) and is available for viewing on RMI's website at [www.rmih.co.za](http://www.rmih.co.za) or at <https://senspdf.jse.co.za/documents/2021/jse/isse/RMIE/RMI21.pdf>

PricewaterhouseCoopers Inc., the group's independent auditor, has audited the consolidated and separate annual financial statements from which this announcement has been derived, and has expressed an unmodified audit opinion on these financial statements. The auditor's report, with key audit matters, issued on the consolidated and separate annual financial statements can be accessed at [www.rmih.co.za](http://www.rmih.co.za).

Any investment decisions by shareholders and/or investors should be based on a consideration of the full announcement as a whole and shareholders and/or investors are encouraged to review the full announcement, which is available for viewing on the JSE's website and on the company's website as set out above.

The full announcement is also available for inspection, at no charge, at the registered office of the company (12th Floor, The Bank, Corner of Cradock and Tyrwhitt Avenues, Rosebank, Johannesburg, 2196) and at the offices of RMI's Sponsor, Rand Merchant Bank (a division of FirstRand Bank Limited) (1 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton) from 09:00 to 16:00 weekdays. Shareholders and/or investors may request copies of the full announcement from the company secretary at [schalk.human@rmih.co.za](mailto:schalk.human@rmih.co.za).

[www.rmih.co.za](http://www.rmih.co.za)