

MOMENTUM METROPOLITAN HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number: 2000/031756/06

JSE share code: MTM

A2X share code: MTM

NSX share code: MMT

ISIN code: ZAE000269890

(Momentum Metropolitan or the Group)

MOMENTUM METROPOLITAN LIFE LIMITED

Incorporated in the Republic of South Africa

Registration number: 1904/002186/06

Company code: MMIG

(Momentum Metropolitan Life)

Short form announcement: Unaudited interim results for the six months ended 31 December 2021 and dividend declaration

Short form announcement

	Basic			Diluted		
	1HF2022	1HF2021	Δ%	1HF2022	1HF2021	Δ%
Earnings (R million)	697	909	(23)%	697	909	(23)%
Headline earnings (R million)	1 316	809	63%	1 316	809	63%
Normalised headline earnings (R million) ¹				1 525	1 012	51%
Operating profit (R million) ²				785	890	(12)%
Investment return (R million)				740	122	>100%
Earnings per share (cents)	48.4	62.8	(23)%	48.4	62.8	(23)%
Headline earnings per share (cents)	91.4	55.9	64%	91.4	55.9	64%
Normalised headline earnings per share (cents) ¹				101.7	67.6	50%
Total dividend per share (cents)				35	25	40%
Present value of new business premiums (R million)				36 995	29 992	23%
Value of new business (R million)				400	334	20%
Value of new business margin (%)				1.1%	1.1%	
Diluted embedded value per share (R)				28.39	27.39	4%
Return on embedded value (annualised %)				10.8%	13.2%	

¹ Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations, B-BBEE costs and the amortisation of the discount at which the iSabelo Trust acquired the Momentum Metropolitan treasury shares. The adjustment for the impact of treasury shares removes mismatches that are unique to financial institutions that invest in their own securities on behalf of clients.

² Operating profit represents the profits (net of tax) that are generated from the Group's operational activities and reflects normalised headline earnings excluding the investment return on shareholder funds.

Net asset value

R million	1H2022	1H2021	Δ%
Total assets	590 611	520 716	13%
Total liabilities	(568 038)	(497 368)	14%
Total equity	22 573	23 348	(3)%

Momentum Metropolitan delivers double-digit sales growth

Focus on clients and advisers reaps rewards

Introduction

Momentum Metropolitan delivered a solid performance during the six months ended 31 December 2021, the first half of the financial year 2022 (F2022). The value of the Group's diversified financial services business model was evident, with strong positive contributions from Momentum Investments, Momentum Corporate and Guardrisk, ensuring that Group results remained resilient, despite some business units being adversely impacted by Covid-19 mortality claims and weather-related claims. The highlight of the reporting period is the strong recovery in headline earnings, as well as strong growth in new business premium volumes. We believe this is due to maintaining a proactive, external focus on our advisers and clients during the pandemic.

Group consolidated earnings

Normalised headline earnings increased by 51% to R1 525 million for the six months ended 31 December 2021, consisting of a 12% decline in operating profit, offset by investment returns increasing substantially.

The year-on-year decline of 12% in operating profit from R890 million to R785 million was largely attributable to net mortality losses of R378 million (net of reinsurance, releases from existing Covid-19 provisions, and tax), after the release of R1 113 million of existing Covid-19 provisions. Momentum Life and Momentum Metropolitan Africa were most severely impacted by Covid-19 related claims. Operating profit in Momentum Life and Metropolitan Life was further impacted by negative investment variances, resulting from changes in the shape (flatter curve) and level (decline at long durations) of the yield curve as well as an increase in market implied inflation. Operating profit in Momentum Investments was negatively impacted by the ongoing implementation expenses of replacing the legacy investment platform in Momentum Wealth. Momentum Corporate benefited from materially improved underwriting results. Non-life Insurance benefited from excellent underlying operational growth in Guardrisk, offset by the negative impact from wet weather claims in Momentum Insure.

The significant increase in investment returns from R122 million to R740 million resulted from the general recovery of investment markets, fair value gains from the revaluation of the Group's investment in venture capital funds and foreign exchange gains on the foreign currency-based assets.

Normalised headline earnings per share increased by 50% from 67.6 cents to 101.7 cents. Headline earnings per share increased by 64% from 55.9 cents to 91.4 cents. Whereas earnings per share of 48.4 cents declined from 62.8 cents, 23% lower relative to the prior period. This decline in earnings is largely attributable to a partial write-off of the goodwill recognised on the acquisition of the Alexander Forbes Short-term Insurance business.

³ Return on equity expresses normalised headline earnings as a percentage of net asset value, adjusted for the items outlined in footnote 1, and the adjusting items to determine headline earnings. Comparatives are reported for the first time.

The following table outlines the contribution from operating profit and investment returns to normalised headline earnings per business unit:

R million	1HF2022			1HF2021			Δ%		
	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings
Momentum Life	(44)	74	30	274	58	332	<(100)%	28%	(91)%
Momentum Investments	438	51	489	460	(20)	440	(5)%	>100%	11%
Metropolitan Life	232	36	268	298	30	328	(22)%	20%	(18)%
Momentum Corporate	302	68	370	(236)	24	(212)	>100%	>100%	>100%
Momentum Metropolitan Health	93	1	94	90	(4)	86	3%	>100%	9%
Non-life Insurance	123	180	303	241	17	258	(49)%	>100%	17%
Momentum Metropolitan Africa	(30)	37	7	190	114	304	<(100)%	(68)%	(98)%
Normalised headline earnings from operating business units	1 114	447	1 561	1 317	219	1 536	(15)%	>100%	2%
New Initiatives	(300)	1	(299)	(258)	1	(257)	(16)%	0%	(16)%
Shareholders segment	(29)	292	263	(169)	(98)	(267)	83%	>100%	>100%
Normalised headline earnings	785	740	1 525	890	122	1 012	(12)%	>100%	51%

More details on the Group's earnings performance, including a detailed analysis of the impact of Covid-19 on the Group and segmental information on the performance of the Group's businesses, can be found in the Group's full results announcement and condensed consolidated interim financial statements for the six months ended 31 December 2021, available on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

Group new business performance

The excellent new business performance in our retail businesses was a highlight for the Group.

Key metrics	1HF2022	1HF2021	Δ%
Recurring premiums (R million)	2 299	1 791	28%
Single premiums (R million)	26 684	21 597	24%
PVNBP (R million)	36 995	29 992	23%
Value of new business (R million)	400	334	20%
New business margin (%)	1.1%	1.1%	

The Group's present value of new business premiums for the six months was R37.0 billion, an improvement of 23% from the prior period. Momentum Life saw lower protection new business volumes; this was slightly offset by improved volumes on long-term savings new business volumes. Momentum Investments delivered solid growth in structured products, annuities and on Momentum Wealth's investment platform business. Metropolitan Life saw good growth in annuity single premiums and recurring premium protection new business, most notably in the higher-margin funeral product range. Momentum Corporate delivered pleasing new business volume growth in recurring premium group risk products together with good growth in annuities. Momentum Metropolitan Africa also saw pleasing new business volume growth, driven by corporate savings new business in Lesotho and Botswana, together with strong retail annuity and protection business sales in Namibia.

The 20% improvement in value of new business to R400 million was driven by strong new business volumes and good expense management across the Group. The Group's new business margin was 1.1%.

Return on equity and embedded value

Return on equity for 1HF2022 was 15.9%, up from 10.1% in the prior period. The improvement follows the Group's financial performance improvement and is evidence of the benefits of the diversified set of businesses in the Group's corporate portfolio.

Group embedded value per share was R28.39 on 31 December 2021. The return on embedded value per share was an annualised 10.8% for the first half of F2022, assisted by an improvement in operating experience variance and strong investment markets.

Solvency

The Group remains well capitalised. The regulatory solvency positions of all the Group's entities remain within their target ranges. For Momentum Metropolitan Life, the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover improved from 1.73 times SCR at 30 June 2021 to 1.77 times SCR at 31 December 2021. The group SCR cover for Momentum Metropolitan Holdings remained unchanged at 1.5 times SCR.

Dividends

An interim ordinary dividend of 35 cents per ordinary share was declared, representing a 40% increase from the 25 cents per share interim ordinary dividend declared in the prior period. The interim ordinary dividend represents a dividend cover of 2.9 times normalised headline earnings.

The dividend is payable out of income reserves to all holders of ordinary shares recorded in the company's register on Record Date. The dividend will be subject to local dividend withholding tax at a rate of 20% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. This will result in a net final dividend of 28 cents per ordinary share for those shareholders who are not exempt from paying dividend tax. The number of ordinary shares at the declaration date was 1 497 475 356.

The income tax number of Momentum Metropolitan is 975 2050 147.

Publication of declaration data	Wednesday, 9 March 2022
Last date to trade cum-dividend	Tuesday, 29 March 2022
Trading ex-dividend	Wednesday, 30 March 2022
Record date	Friday, 1 April 2022
Payment date	Monday, 4 April 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 March 2022 and Friday, 1 April 2022, both days included.

Reinvent and Grow strategy

The implementation of our Reinvent and Grow strategy commenced in earnest during the first half of F2022. The main elements of the strategy which will receive our focus, include:

- Mastering digitalisation, which will result in a significant change in the way we interact with clients and advisers, improving both efficiencies and user experience. All our business units have embraced the challenge to rethink products and processes and several digital transformation initiatives are underway. A recent highlight was the roll-out of our VIA adviser engagement platform used in the Momentum retail ecosystem, which will serve as a platform for further improvements in adviser experience in the future.
- Ensuring that the strategic objectives deliver revenue and efficiency improvements that will contribute to our objective of improving the Group's return on equity to between 18% and 20% by F2024.
- Achieving above-average growth from Non-life Insurance, which will be an important contributor to achieving our financial objectives. New business volumes in Momentum Insure were put under pressure, as a result of executing a merger in the midst of the Covid-19 pandemic. We are confident that the mitigating actions put in place will support the business in getting back on a growth path.
- Launching several initiatives across the Group to create alternative distribution opportunities that are better suited for digital-native consumers.
- Refreshing our existing distribution channels, including consolidating on the recent improvements in the Metropolitan Life agency channel to ensure that we develop these into sustainable competitive advantages.

Outlook

We are satisfied with the underlying operational performance of the Group, and we are encouraged by the growth in new business volumes. The sales growth speaks to our improved ability to meet adviser and client needs.

Looking ahead, we remain cautious about the pace of economic recovery across our operations, as disposable income remains under pressure because of depressed economic activity and the impact of international political turbulence. The timing and magnitude of future Covid-19 waves also remain uncertain. We foresee an ongoing hybrid way of work, and our spatial planning suggests long-term cost savings from reduced need for office space. However, we are also looking forward to connecting in a physical office environment with our employees, to the extent that Covid-19 allows. We want to get optimal productivity back on track – particularly in areas such as client service where delivery suffered due to people working from home.

We are navigating through this challenging period with strong solvency and liquidity positions and a strong governance framework around capital allocation decisions. This financial strength enables our portfolio of businesses to focus on delivering on the strategic objectives under their control and not be constrained by any external shocks that might arise. This allows us to remain focused on delivering the objectives of our Reinvent and Grow strategy, especially the various digital transformation-related initiatives that is receiving increased attention.

While earnings could remain volatile in some of the Group's businesses, the benefits of a diversified corporate portfolio are clear. We continue to estimate that in the absence of extraneous shocks, the underlying level of normalised headline earnings for the Group is around R800 million to R900 million per quarter. We also believe that the Reinvent and Grow financial targets for F2024 (normalised headline earnings of R4.6 billion to R5.0 billion and ROE of 18% to 20%) remain realistic, despite the modest macroeconomic backdrop.

Short form statement

This announcement is the responsibility of the directors. The information in this short form announcement, including the financial information on which the outlook is based, has not been reviewed and reported on by Momentum Metropolitan's external auditors. Financial figures in this announcement have been correctly extracted from the condensed consolidated interim financial statements. It is only a summary of the information contained in the full announcement and does not contain complete details. Any investment decision should be based on the full SENS announcement accessible from Wednesday, 9 March 2022, via the JSE link and on the Company's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

The condensed consolidated interim financial statements can be found on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>. A printed copy of the full SENS announcement may also be requested from the Group Company Secretary's Office, Gcobisa Tyusha, Tel: +27 12 673 1931 or gcobisa.tyusha@mmltd.co.za and is available for inspection by appointment while observing the necessary Covid-19 restrictions, at the Company's registered office, weekdays Monday to Friday during office hours from 09:00 - 16:00.

The JSE link is as follows: <https://senspdf.jse.co.za/documents/2022/jse/isse/MTME/1H22Result.pdf>

SENS issue: 9 March 2022

Equity sponsor

Merrill Lynch South Africa (Pty) Ltd t/a BofA Securities

Debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)