momentum
group

# Quarterly Financial Information

## Operating update for the three months ended 30 September 2024

MOMENTUM GROUP LIMITED
*(previously 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 Group or the Group)

MOMENTUM METROPOLITAN LIFE LIMITED
Incorporated in the Republic of South Africa
Registration number: 1904/002186/06
LEI: 378900E0A78B7549C212
Company code: MMIG
(Momentum Metropolitan Life)

# OPERATING UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2024

## Overview of key metrics[1]

The table below sets out certain key metrics for the three-month period ended 30 September 2024:

| Key metrics | 1QF2025 | 1QF2024 | Δ% |
|---|---|---|---|
| Recurring premiums (R million) | **1 073** | 995 | 8% |
| Single premiums (R million) | **15 681** | 15 205 | 3% |
| New business (PVNBP, R million) | **20 645** | 19 683 | 5% |
| Total direct expenses (R million) | **3 235** | 2 985 | 8% |
| Assets under administration for Momentum Wealth (R billion) | **280** | 240 | 17% |
| Health members under administration ('000) | **1 279** | 1 259 | 2% |

[1] In line with previous quarterly operating updates, this update serves to inform stakeholders about the Group's operational performance against key measures such as sales volumes and provides guidance and commentary on key factors influencing the Group's earnings for the three months ended 30 September 2024.

## MOMENTUM GROUP'S IMPACT STRATEGY STARTS WITH STEADY PERFORMANCE

The positive impetus highlighted in the year-end results continued into the first quarter of the F2025 financial year. The Group's operational performance was supported by the satisfactory new business performance of most business units. From an earnings perspective, most business units continued to deliver encouraging results. The favourable moves in key economic indicators are starting to reflect in our business experience, it is however too soon to indicate a significant change.

The Group's sales, as measured by the present value of new business premiums (PVNBP), increased by 5% to R20.7 billion on a year-on-year basis. This was supported by continued growth in life annuities new business volumes from Momentum Investments. Africa's PVNBP improved by 25%, following good retail sales growth in Namibia and Botswana and higher corporate sales in Lesotho. While Momentum Retail's sales volumes were flat, the new business mix shifted toward higher-margin protection products. There was a marginal decline in Metropolitan Life's sales volumes and Momentum Corporate experienced lower single premium sales volumes over the quarter. The Group's value of new business (VNB) improved from the prior period, supported by a shift in new business volumes towards higher-margin products across many of the business units.

This operating update is the first of the new Impact strategy period. Our Impact strategy aims to set the Momentum Group apart as a financial services company that excels at advice, cares for our clients by providing simple products and services, is enabled by technology, and has excellent vertically integrated product and asset management capabilities. Progress on key initiatives started as part of the Impact strategy include:

- Continued progress with Metropolitan Life and Momentum Insure, where turnaround strategies are in place to address underperformance. This has resulted in enhanced product commerciality and higher quality of new business in Metropolitan Life. In Momentum Insure, disciplined management of underwriting, aided by a favourable claims environment, led to an improved claims ratio, below the business's long-term target range of 58% to 62%.
- To significantly improve the overall self-capture rate and enrich client experience, we enhanced the alteration capability in Myriad. We are focusing on entrenching FastTrack, offering immediate acceptance to qualifying lives and enhancing processes, and have made positive progress towards the next upgrade in FastTrack capabilities.
- Curate Investments, our newly established vertically integrated single manager business offering a range of local and global unit trusts, was launched in August 2024. We now have an attractive fund offering for financial advisers and discretionary fund managers (DFMs) that provides access to a range of carefully selected portfolios and funds, tailored to meet diverse investor needs across risk profiles and financial goals.
- Our partnership in India, Aditya Birla Health Insurance (ABHI), continues to grow strongly with increased attention on improving the combined ratio.
- Core to our strategy are plans to reduce our controllable cost base. In the first quarter, we focused on identifying targeted interventions to achieve cost savings and improve operations through streamlined processes and innovation. Going forward, the focus will be on disciplined execution to achieve these savings.

Direct expense growth across the Group was above inflation, primarily driven by higher personnel costs. This follows higher expenses arising from long-term incentive plans (LTIPs) on the back of the rise in the Group's share price.

The regulatory solvency positions of the Group's regulated entities remain strong, with most entities near or above the upper end of their specified target solvency ranges. In Momentum Metropolitan Life, the Group's main life insurance entity, the solvency cover ratio decreased from 2.10 times the solvency capital requirement (SCR) (pre-foreseeable dividend) at 30 June 2024 to 1.99 times SCR (pre-foreseeable dividend) at 30 September 2024. The solvency cover at 30 September 2024 was temporarily lower due to the redemption of subordinated debt with a nominal value of R750 million in September 2024. This was refinanced through the issue of new tranches of subordinated debt of the same nominal value in November 2024. Other than the subordinated debt redemption, the decrease in solvency cover mainly reflects the net effect of the payment of the final F2024 dividend and regulatory earnings generation over the quarter. Decreases in the nominal yield curve increased the life underwriting risk SCR and further lowered the solvency cover ratio.

We have received approval from the Prudential Authority for the R1 billion share buyback programme communicated at our F2024 year end results.

## NEW BUSINESS PERFORMANCE

The tables below show the new business volumes by business unit for the three-month period:

| R million | 1QF2025 | 1QF2024 | Δ% |
|---|---|---|---|
| Momentum Retail | **2 159** | 2 138 | 1% |
| Momentum Investments | **12 537** | 10 821 | 16% |
| Metropolitan Life | **1 744** | 1 803 | (3)% |
| Momentum Corporate | **3 334** | 4 223 | (21)% |
| Africa | **871** | 698 | 25% |
| **Total PVNBP** | **20 645** | **19 683** | **5%** |

| | 1QF2025 | | 1QF2024 | | Δ% | |
|---|---|---|---|---|---|---|
| R million | Recurring premiums | Single premiums | Recurring premiums | Single premiums | Recurring premiums | Single premiums |
| Momentum Retail | **272** | **642** | 266 | 688 | 2% | (7)% |
| Momentum Investments | **78** | **12 200** | 67 | 10 541 | 16% | 16% |
| Metropolitan Life | **450** | **450** | 426 | 492 | 6% | (9)% |
| Momentum Corporate | **139** | **2 172** | 134 | 3 233 | 4% | (33)% |
| Africa | **134** | **217** | 102 | 251 | 31% | (14)% |
| **Total** | **1 073** | **15 681** | 995 | 15 205 | 8% | 3% |

## SEGMENTAL PERFORMANCE

### Momentum Retail

Momentum Retail's earnings were largely aided by favourable market variances and higher investment income. These were partially offset by lower earnings from long-term savings business and a slight deterioration in mortality experience where we saw an increase in claims on business with smaller reinsurance cover. Expenses were well controlled and remained in line with the prior period.

New business volumes (PVNBP) improved by 1%, resulting from a 11% year-on-year growth in protection new business, partially dampened by a 5% decline in long-term savings new business.

Value of new business (VNB) improved to R12 million, a turnaround from the loss reported in the prior period. This was largely aided by a reduction in acquisition expenses and a change in the new business mix toward higher-margin protection business.

### Momentum Investments

Momentum Investments' earnings were largely supported by the contractual service margin (CSM) release on the annuity book following strong new business in the prior period. Earnings were further aided by mortality profits and higher fee income from solid new business volumes on the Momentum Wealth investments platform business. This was partially offset by lower asset-based fee income from the UK asset management business. Expenses remained well controlled.

Momentum Investments' new business sales volume grew by 16% to R12.5 billion benefiting from strong growth in both the platform and annuity new business.

VNB increased significantly to R158 million, which was largely due to the increased new business volumes and slight improvement in the overall profitability of new business.

Assets under administration (AUA) across the Momentum Wealth investment platform improved by 17% to R280 billion on the back of positive net flows and favourable market performance over the period. Assets under management and administration in the multi-manager and single-manager asset management businesses improved, supported by good growth on the local institutional platform.

## Metropolitan Life

Metropolitan Life's lapse experience in the protection business improved year-on-year, despite the continued economic pressure on its client base. This indicates the improved quality of business written and the progress on the turn-around plan. Mortality experience deteriorated slightly compared to the prior period.

PVNBP declined marginally from the prior period to R1.7 billion. This was mainly due to lower single premium annuity business sales, somewhat offset by good growth in recurring premium sales from long-term savings business. Productivity per tied agent for the quarter was in line with expectations of 3.0 policies per week.

VNB was R4 million for the quarter, an improvement from the negative VNB reported in the prior period, largely reflecting Metropolitan Life's progress on the five-point turn-around plan.

The five-point plan continues to gain traction. The business made notable progress on:

- Enhancing product commerciality by re-pricing certain loss-making solutions and optimising product features, commission structures and market access fees.
- Closely managing the channel workforce with a focus on retaining experienced advisers and branch managers, vesting new-to-industry advisers, improving access to sufficient worksites and strengthening adviser performance management.
- Improving the quality of new business by delaying commission payments to receipt of first premium for high-risk cases and undertaking fraud prevention initiatives.
- Aligning the cost base to revenue by targeting loss-making channels and initiatives, and extracting savings from our migration and automation efforts.
- Continued implementation of the system migration project, ongoing renewal of policy administration systems, and various automation initiatives to improve back-office efficiency.

## Momentum Corporate

Momentum Corporate's earnings were supported by favourable market variances on the annuity and disability income businesses. The underwriting experience in the group insurance business came under pressure from higher claims and the impact of increasing pricing pressure in the market.

Momentum Corporate's PVNBP declined by 21% to R3.3 billion, largely driven by lower single premium structured investment inflows compared to the prior period. Recurring premium new business volumes improved marginally compared to the prior period. VNB declined to negative R10 million, predominately because of the business mix being weighted towards lower-margin savings business.

## Health

Health's earnings benefited from growth in fee income generated from membership growth, mainly from lower-margin products, and an increase in interest income. However, earnings were adversely affected by lower volumes in our higher-margin traditional scheme (Momentum Medical Scheme) and an increase in expenses from planned investment in strategic projects and transformation initiatives.

Membership growth of 2% was achieved in an otherwise flat market. This was driven by sustained growth in the public sector (5%) and Health4Me (13%) membership. Membership in the Momentum Medical Scheme declined by 2%, indicative of economic pressure impacting affordability in the retail client base. Membership of Health's corporate market declined by 30% following the exit of a large corporate client and declining employee numbers in the corporate client base.

## Guardrisk

Guardrisk's earnings improved due to good growth in management fee income from mining rehabilitation guarantee business in Guardrisk Non-life, solid underwriting profit growth in Guardrisk Life, a modest increase in underwriting profit in Guardrisk General Insurance, and higher investment income.

Earnings were further boosted by Zestlife's contribution for the quarter which was not included in the prior period.

Expenses increased above inflation, predominately due to higher personnel costs incurred to build capacity for reporting requirements and future growth.

## Momentum Insure

Momentum Insure saw encouraging earnings performance for the quarter, benefiting from an improved combined ratio and higher investment income. Insurance revenue, which aligns very closely to our traditional reference to gross written premiums (GWP), increased by approximately 1.5% from the prior period, mainly due to an expected reduction in our in-force book. This followed the corrective actions to reduce the claims ratio, and low new business volumes in F2024. However, the lower in-force policy count was offset by the business's ongoing ability to achieve its targeted premium renewal increases. New business volumes grew by 8% compared to the prior period.

The claims ratio continued to improve, coming in below the business's long-term target range of 58% to 62%. This strong performance was primarily driven by the ongoing positive effect of premium increases outpacing claims inflation, strategic underwriting actions implemented in F2024 to address higher claims frequencies, and a better-than-expected weather claims experience.

Persistency experience deteriorated marginally because of corrective underwriting and rating actions but remained within appetite and industry norm.

## Africa

Africa's earnings largely benefited from a lower claims ratio and favourable investment income on the back of good returns on shareholder assets, predominantly in Namibia. This result was partially offset by an increase in expenses. Africa's mortality experience remained in line with expectations for most countries.

PVNBP improved by 25% to R870 million, largely following higher retail sales in Namibia and Botswana and higher corporate sales in Lesotho. This was partly offset by a decline in retail sales in Lesotho and lower corporate sales in Botswana and Namibia. Although negative R9 million, VNB improved and was mainly supported by higher VNB in Lesotho, partially offset by a decline in Namibia's VNB, while Botswana remained flat.

## India[2]

India's earnings improved slightly compared to the prior period. This was largely aided by gross written premiums growing by 27% to R2.2 billion, offset by an increase in claims and management expenses. The combined ratio improved from 119% to 113%, following an improvement in the expense ratio from 44% to 40%. The improved expense ratio was largely due to the increased size of the in-force book and a change in the business mix toward group business. This followed recent guidelines by the Indian insurance regulator to limit the total expense ratio (administrative and commission) for standalone health insurers to a maximum of 35% of premiums. In response, ABHI has focused on balancing its business mix away from the more expensive retail distribution channel.

Given the compelling opportunity and the differentiated business model, our outlook on the growth potential of our health insurance business in India remains optimistic.

## OUTLOOK

We are encouraged by the new business sales performance the Momentum Group achieved over the period.

Our operating environment continues to face pressure from weak economic growth and an increasingly competitive landscape. However, we are cautiously optimistic about the early indications of economic recovery in South Africa with inflation easing and the start of the interest rate reduction cycle alleviating the pressure on disposable income.

We are committed to maintaining our competitive attractiveness to our clients and will continue our focus on driving sales volumes and providing innovative solutions to improve VNB outcomes. The Group is on a solid financial footing and is well positioned to meet the evolving needs of our clients.

We also believe that the Impact strategy financial ambitions for F2027 (normalised headline earnings of R7 billion, ROE of 20% and VNB margin of 1% to 2%) remain achievable. We remain focused on delivering on the Impact strategy objectives.

20 November 2024

CENTURION

***The information in this commentary, including the financial information on which the outlook is based, has not been reviewed and reported on by Momentum Group's external auditors.***

## CONFERENCE CALL

The executive management of Momentum Group will be hosting a conference call for shareholders, investors and analysts on 20 November 2024.

We kindly request callers to pre-register using the following link: https://www.diamondpass.net/4503370

A passcode and pin will be generated following registration. We advise callers to dial in 5 minutes before the conference call starts at 11:00.

The recorded playback will be available for three days after the conference call.

Access numbers for the recorded playback:

| | |
|---|---|
| South Africa | 010 500 4108 |
| UK | 0 203 608 8021 |
| USA and Canada | 1 412 317 0088 |
| Australia | 073 911 1378 |
| Other countries | +27 10 500 4108 |

Access code for the recorded playback: 46884

### Equity sponsor:

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

### Sponsor in Namibia:

Simonis Storm Securities (Pty) Limited

### Debt sponsor:

FirstRand Bank Limited

[2] Results for ABHI are reported with a three-month lag, the results for 1QF2025 reflect Momentum Group's stake of 44.1%. Results include support costs incurred by Momentum Group outside of the joint venture.