



Short-form SENS announcement

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

LEI: 378900E0A78B7549C212

Company code: MMIG

(Momentum Metropolitan Life)

Unaudited interim results for the six months ended 31 December 2022 and dividend declaration

Short-form announcement

	Basic			Diluted		
	1H2023	1H2022	Δ%	1H2023	1H2022	Δ%
Earnings (R million)	2 393	697	>100%	2 412	697	>100%
Headline earnings (R million)	1 875	1 316	42%	1 894	1 316	44%
Normalised headline earnings (R million) ¹				2 230	1 525	46%
Operating profit (R million) ²				1 898	895	>100%
Investment return (R million)				332	630	(47)%
Earnings per share (cents) ³	171.3	48.9	>100%	167.8	48.9	>100%
Headline earnings per share (cents) ³	134.2	92.4	45%	131.8	92.4	43%
Normalised headline earnings per share (cents) ³				148.8	99.9	49%
Interim dividend per share (cents)				50	35	43%
Present value of new business premiums				33 268	36 995	(10)%
Value of new business				324	400	(19)%
Value of new business margin				1.0%	1.1%	
Diluted embedded value per share (R)				31.39	28.39	11%
Return on embedded value per share				15.6%	11.0%	
Return on equity ⁴				18.4%	15.9%	

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.

³ 1H2022 has been restated for a correction in the calculation of the weighted average number of shares.

⁴ Return on equity expresses normalised headline earnings as a percentage of start of year net asset value, adjusted for the items outlined in footnote 1, as well as the adjusting items to determine headline earnings.

Net asset value

R million	1H2023	1H2022 ⁵	Δ%
Total assets	596 308	591 493	1%
Total liabilities	(570 483)	(568 920)	-
Total equity	25 825	22 573	14%

Momentum Metropolitan reports strong earnings growth

Reinvent and Grow strategy on track

Introduction

We are pleased with Momentum Metropolitan's financial results for the six-month period, and we are further encouraged by the headway made in a wide range of strategic initiatives.

Most business units performed in line with expectations, delivering earnings we can be proud of. The results were positively impacted by improved mortality experience and improved investment variances.

Group consolidated earnings

The Group delivered normalised headline earnings of R2 230 million for the six months ended 31 December 2022, up 46% on the prior period. While the prior period's results were negatively impacted by heightened mortality experience resulting from Covid-19 (net of releases of Covid-19 reserves), mortality experience in the current period has normalised to levels last seen in 2019.

Operating profit more than doubled to R1 898 million, from R895 million in the prior period. This was supported by the improved mortality experience, coupled with an improvement in investment variances. All business units, except Momentum Investments and Non-life Insurance, grew operating earnings. Momentum Investments reported lower operating earnings mainly because of reduced revenue on the Momentum Wealth platform driven by lower new business volumes and weak market performance. Within the Non-life Insurance segment, Momentum Insure was negatively affected by a high claim ratio.

The Group's investment return declined by 47% to R332 million, mainly driven by negative fair value movements on the Group's investment in venture capital (VC) funds. The prior period included significant fair value gains on these VC funds.

Normalised headline earnings per share increased from 99.9 cents to 148.8 cents. Headline earnings per share increased from 92.4 cents to 134.2 cents and earnings per share improved from 48.9 cents to 171.3 cents. This high growth in earnings per share was to an extent due to the partial write-down in the prior period of the goodwill previously recognised in the acquisition of the Alexander Forbes Short-term Insurance business. Earnings growth was further boosted by a sizeable positive adjustment to the carrying amount of the Group's remaining interest in our health insurance joint venture in India, Aditya Birla Health Insurance (ABHI), following the dilution of the Group's investment as a result of the introduction of a new shareholder.

⁵ 1H2022 assets and liabilities restated, refer to note 12 in the condensed financial statements for further detail.

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

R million	1H2023			1H2022			Δ%		
	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings
Momentum Life	642	47	689	(44)	74	30	>100%	(36)%	>100%
Momentum Investments	383	58	441	438	51	489	(13)%	14%	(10)%
Metropolitan Life	237	31	268	232	36	268	2%	(14)%	-
Momentum Corporate	494	62	556	302	68	370	64%	(9)%	50%
Momentum Metropolitan Health	144	2	146	93	1	94	55%	100%	55%
Non-life Insurance	217	26	243	233	70	303	(7)%	(63)%	(20)%
Momentum Metropolitan Africa	44	78	122	(30)	37	7	>100%	>100%	>100%
Normalised headline earnings from operating business units	2 161	304	2 465	1 224	337	1 561	77%	(10)%	58%
New Initiatives	(247)	3	(244)	(300)	1	(299)	18%	>100%	18%
Shareholders segment	(16)	25	9	(29)	292	263	45%	(91)%	(97)%
Normalised headline earnings	1 898	332	2 230	895	630	1 525	>100%	(47)%	46%

More details on the Group's earnings performance, including 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 2022, available on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

Group new business performance

Key metrics	1H2023	1H2022	Δ%
Recurring premiums (R million)	2 417	2 299	5%
Single premiums (R million)	23 227	26 684	(13)%
PVNB (R million)	33 268	36 995	(10)%
Value of new business (R million)	324	400	(19)%
New business margin	1.0%	1.1%	

The Group's PVNB declined to R33.3 billion, 10% lower than the prior period. Momentum Corporate delivered pleasing growth in both single and recurring premium new business in FundsAtWork. Momentum Life's improved PVNB on long-term savings products was partly offset by modest protection new business volumes. Metropolitan Life's PVNB remains in line with the prior period. Momentum Investments' new business volumes declined due to lower flows on both the local and international Wealth platforms. Momentum Metropolitan Africa saw a decline in new business volumes, mainly driven by the non-repeat of large corporate deals secured in the prior period in Namibia and Lesotho.

The Group's VNB declined to R324 million, 19% lower than the prior period, mainly impacted by reduced volumes. Momentum Corporate however delivered a strong VNB contribution of R74 million from higher sales. Momentum Life's VNB of negative R7 million resulted from lower new business volumes on higher margin protection products, increased expenses, and higher cost of capital. Momentum Investments' VNB declined to R183 million, mainly due to a change in new business mix away from higher margin offshore investments in Momentum Wealth and lower assumed credit spreads on annuities. This was partly offset by a reduction in renewal expenses. Metropolitan Life's VNB of R84 million declined from the prior period and is mainly due to a change in product mix towards lower margin savings products and the adverse impact of policies that lapsed before the first premium was paid, leading to distribution expenses being incurred without the commensurate revenue. A negative R10 million VNB contribution from Momentum Metropolitan Africa resulted from further deterioration in Namibia's VNB, partly offset by a positive contribution from Lesotho and Botswana. Overall Group new business margin declined to 1.0%, from 1.1% in the prior period.

Return on equity and embedded value

Return on equity (ROE) for the period was 18.4% (annualised), up from 15.9% in the prior period. This increase follows the Group's earnings improvement together with an ongoing focus on capital efficiency.

Group embedded value per share was R31.39 on 31 December 2022. The return on embedded value per share was enhanced by our share repurchase programme, ultimately reflecting a 15.6% return (annualised) for the period. This is an improvement from the 11.0% reported in the prior period.

Solvency

The Group remains well capitalised. The regulatory solvency positions of most of the Group's regulated entities remain toward the upper end of their specified target solvency ranges. For Momentum Metropolitan Life, the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover decreased from 2.03 times SCR at 30 June 2022 to 1.98 times SCR at 31 December 2022, predominantly due to an increase in the SCR and following the dividend and share buyback programme. Momentum Metropolitan Holdings had a Group SCR cover of 1.6 times SCR at 31 December 2022, in line with the 1.6 times SCR at 30 June 2022.

Share repurchase programme

During the period the Group repurchased 45 million of its own shares (3.0% of the shares in issue at the time), for a total consideration of R750 million and at an average purchase price of R16.74 per share. On 31 October 2022 the final tranche of these repurchased shares was cancelled. In line with our capital management framework and in consideration of the strong capital and liquidity position, the Board has approved a further

R500 million for the repurchase of the Group's ordinary shares. These repurchases will commence following the release of the interim financial results. The repurchases are subject to the share price remaining at a discount of at least 25% to embedded value.

Dividends

An interim ordinary dividend of 50 cents per ordinary share was declared, representing a 43% increase from the 35 cents per share interim ordinary dividend declared in the prior period. The interim dividend represents a payout ratio of 34% of normalised headline earnings.

The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the company 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 interim dividend of 40 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 1 452 676 497.

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

Publication of declaration data	Wednesday, 8 March 2023
Last date to trade cum-dividend	Tuesday, 28 March 2023
Trading ex-dividend	Wednesday, 29 March 2023
Record date	Friday, 31 March 2023
Payment date	Monday, 3 April 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 March 2023 and Friday, 31 March 2023, both days inclusive.

Outlook

We are pleased by the good earnings achieved by the Group over the past six months despite the headwinds faced in the current economic environment. The positive mortality experience variances in our main life insurance business units continue to suggest that the Covid-19 pandemic has reached its endemic phase.

The normalisation of mortality experience, combined with the disciplined execution of our strategy and ongoing focus on efficiency, means that we expect our earnings to be robust for the rest of the financial year. We will continue to focus on achieving the Reinvent and Grow financial targets for F2024, namely normalised headline earnings of R4.6 billion to R5.0 billion and ROE of 18% to 20%.

While our earnings outlook has improved over the past eighteen months, recent pressure on sales volumes is a concern. Disposable income remains under pressure due to rising interest rates and high inflation, as well as the lack of economic growth in South Africa. This is likely to put ongoing affordability pressure on new business volumes, particularly on long-term savings and protection business. Investment business is negatively affected by other factors, such as low confidence in SA asset classes and by consumer preference to maintain assets in liquid low-risk investments.

We are a proudly South African company and will continue to invest and build our core operations, despite the numerous challenges our country is facing. If given the opportunity, the private sector can make a huge difference to improving our economic growth outlook. Over the last five years we have established a trend of success despite the pandemic and tough economic conditions. We will continue to focus on what is under our control to add value to our clients and stakeholders, and contribute positively towards building a better South Africa for all.

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 full or complete details. Any investment decision should be based on the full SENS announcement accessible from Wednesday, 8 March 2023, via the JSE link and also available 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 at the Company's registered office, weekdays Monday to Friday during office hours from 09:00 to 16:00.

The JSE link is as follows: <https://senspdf.jse.co.za/documents/2023/jse/isse/MTME/1H23Result.pdf>

SENS issue: 8 March 2023

Equity sponsor

Merrill Lynch SA (Pty) Ltd t/a BofA Securities

Debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)