

MMI posts solid results

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MMI Holdings Limited (MMI) today posted solid year-end results to June 2012, with core headline earnings increasing by 12% to R2.96 billion.

The group declared a 10% increase in its final ordinary dividend to 69 cents per share and a special dividend of 65 cents per share. The special dividend amounted to R1 billion. Total dividends for the year (including the special dividend) increased by 41% to R2.8 billion.

Nicolaas Kruger, CEO of MMI, said he is very pleased with the overall performance of the group given the global economic conditions, uncertain markets, and economic indicators that show consumers remain under pressure.

'From an MMI group perspective, these solid results were achieved during an integration period, where we have made significant progress to bed down the merger of Metropolitan and Momentum. We are almost two years into the merger process and have already achieved tangible and sustainable synergies,' says Kruger.

The group reported recurring cost savings of R201 million per annum over the past year as a direct result of the merger integration process. 'This means that we are on track in meeting the

target of recurring cost savings of R500 million per annum that will ultimately make us a more cost effective and competitive player' says Kruger.

MMI's capital buffer of R3.7 billion at 30 June 2011, is being put to use through strategic transactions, including the acquisition of the remaining 50% of Momentum Short-term Insurance and the purchase of a controlling stake in Eris Properties.

'We have also made good progress in consolidating our African businesses. We recently concluded the buyout of FNB Namibia's stake in our Namibian operations for R350 million, which creates the perfect platform for us to grow our presence in Namibia even further,' says Kruger. The group also announced that it has set aside capital of R500 million to take advantage of further expansion opportunities in Africa.

'After allowing for these strategic investments and the payment of the final and special dividends, the group's healthy capital buffer of R3,3 billion at 30 June 2012 positions the group strongly, ahead of the changes to a new risk based capital regime, Solvency Assessment and Management,' says Kruger.

Commenting on the solid performance of the group, Kruger says, 'Our embedded value has increased to R32.5 billion. Our return on embedded value, which gives an overall picture of how we are growing value as a business, was 11.3%.'

These results were supported by strong performance of the operating businesses. Momentum Employee Benefits delivered

stellar results and posted a 33% increase in operating profit to R249 million and more than doubled the value of new business to R130 million on the back of strong new business and good expense control.

Metropolitan International, which houses the group's African operations, is on a strong growth trajectory, with the value of new business growing by 36% to R34 million and operating profit increasing by a significant 78% to R57 million.

Metropolitan Health increased total lives under administration by 6% to 3.2 million, cementing its position as a significant healthcare administrator in South Africa. Operating profit of Metropolitan Health increased by 17% to R133 million.

Metropolitan Retail and Momentum Retail remain the biggest contributors to MMI's earnings. Metropolitan Retail increased its operating profit by 11% to R438 million. Metropolitan Retail's value of new business increased marginally to R262 million, supported by a 12% increase in new recurring premiums. Momentum Retail increased its operating profit by 40% to R1 064 million, supported by improved experience profits as well as a release of discretionary margins as a result of the gradual shift to more capital efficient products. A change in business mix contributed to a 28% reduction in the value of new business of Momentum Retail to R207 million.

Unfavourable markets contributed to the decrease of 5% in operating profit for Momentum Investments, to R125 million. The division was strengthened by the introduction of a contrarian

business to enhance Momentum Asset Management's ability to offer a differentiated solution to a diverse client base.

MMI increased its total new business annual premium equivalent (the sum of new annual recurring premiums and 10% of single premiums) by 3% to R6 billion and maintained its value of new business at R633 million at an overall margin of 1.4%. 'We managed to maintain volumes and margins despite the difficult operating environment; this demonstrates the benefits of our diversified business portfolio,' says Kruger.

'Looking to the future, further diversification into new products, segments, geographies and channels will remain a key component of our growth strategy. In South Africa, for example, we aim to increase our penetration of the South African middle market. We also aim to focus on cross-selling within the group to provide our clients with holistic financial solutions that meet their financial services needs,' concluded Kruger.