

Momentum Metropolitan delivers on its promises

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Disciplined execution offsets weak markets and economy.

Momentum Metropolitan Holdings, (formerly MMI Holdings), is making steady progress on the three-year Reset and Grow strategy it announced a year ago. The Group delivered diluted normalised headline earnings of R3.1 billion for the year ended 30 June 2019. This represents an increase of 53% on the prior year.

Risto Ketola, Group FD, contextualised what he termed “a pleasing performance” by pointing out that the significant increase in diluted normalised earnings builds on a weak result in the prior year, which was impacted by negative operating basis changes and investment variances at the time. “However, if these changes and variances are excluded from both years to provide a more accurate illustration of earnings growth, the improvement in diluted normalised headline earnings was a very robust 21%. This is the result of the positive impact of our Reset and Grow strategy,” he added.

Momentum Metropolitan’s diluted normalised headline earnings increased by 61% on a per share basis, reflecting the impact of the share buyback programme completed in November 2018. Present

value of new business premiums increased by 12% year-on-year, while value of new business improved by 57% on the prior year.

Group CEO Hillie Meyer said that he is encouraged by improvements across the Group: “A year ago we simplified our structure and created empowered, end-to-end business units. At our previous annual results we presented a roadmap, and this year we are happy to report that we are on track to deliver on our promises. We could not have asked for a better response from our people,” he said.

“The improvement in our earnings growth for the year to June 2019 is the result of financial discipline and a focus on our core activities; we have worked smarter with our money without negatively impacting our market presence,” Meyer added.

Highlights for the financial year include resilient operational performance in most of the Group’s businesses, supported by an emphasis on expense management and good underwriting results. Growth in new business was driven by the Group’s distribution capabilities and partnerships, improved client experience, and a comprehensive suite of attractive product solutions.

Growth in new business volumes in specific areas boosted the Group’s performance. Momentum Corporate saw strong flows of new business from a range of clients, including good growth in recurring premium inflows for group insurance, as well as a number of large annuity deals in the first and fourth quarters. Momentum Investment’s guaranteed products and the new Investo retirement annuity in Momentum Retail created safe havens for clients in an

uncertain economy. These solutions enabled positive sales growth in a tough environment – confirming that product innovation can convert into growth in a stagnant market. Momentum Metropolitan Africa recovered from negative to positive growth in the second half of the year.

Non-financial achievements during the reporting period include becoming the first major insurance group to attain a Level 1 B-BBEE status under the revised Financial Services Charter, and changing the name of the holdings company to Momentum Metropolitan to enhance exposure of the two main consumer brands.

“Overall, we are pleased with the underlying improvements we have made over the last year, such as improved efficiency ratios, increased commerciality in decision-making, improved service metrics, modest growth in distribution footprint, and strengthening of the balance sheet. Most importantly, we are seeing greater levels of engagement and energy across employees of the Group. This positions us well to capitalise when the external environment improves in due course,” Meyer said.

“Going into the next phase of our strategy, we have to continue our focus on growing revenue through advancing our distribution capabilities and visibility of our brands, as well as through continuous improvement of our product solutions and client experience. We remain committed to delivering on our three-year Reset and Grow target to generate profits between R3.6 billion and R4.0 billion by F2021”. Meyer pointed out that if the current challenging operating environment persists, the pressure on

revenue might result in Momentum Metropolitan's earnings heading for the lower end of the 2021 target range.

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