

## 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)

# Audited financial results for the 12 months ended 30 June 2023 and dividend declaration

## Short form announcement

|   | Basic |       |     | Diluted |        |       |
|---|-------|-------|-----|---------|--------|-------|
|   | F2023 | F2022 | Δ%  | F2023   | F2022  | Δ%    |
| Earnings (R million)  | 4 333 | 3 711 | 17% | 4 370   | 3 748  | 17%   |
| Headline earnings (R million)                               | 4 297 | 4 233 | 2%  | 4 334   | 4 270  | 1%    |
| Normalised headline earnings (R million) <sup>1</sup>       |       |       |     | 5 079   | 4 383  | 16%   |
| Operating profit (R million) <sup>2</sup>                   |       |       |     | 4 419   | 3 363  | 31%   |
| Investment return (R million)                               |       |       |     | 660     | 1 020  | (35)% |
| Earnings per share (cents)                                  | 313.3 | 260.6 | 20% | 306.9   | 256.9  | 19%   |
| Headline earnings per share (cents)                         | 310.7 | 297.3 | 5%  | 304.4   | 292.7  | 4%    |
| Normalised headline earnings per share (cents) <sup>1</sup> |       |       |     | 342.3   | 287.2  | 19%   |
| Total dividend per share (cents)                            |       |       |     | 120     | 100    | 20%   |
| Present value of new business premiums (PVNBP, R million)   |       |       |     | 68 873  | 72 673 | (5)%  |
| Value of new business (VNB, R million)                      |       |       |     | 600     | 626    | (4)%  |
| Value of new business margin                                |       |       |     | 0.9%    | 0.9%   |       |
| Diluted embedded value per share (R)                        |       |       |     | 33.75   | 29.77  | 13%   |
| Return on embedded value per share                          |       |       |     | 17.0%   | 11.7%  |       |
| Return on equity <sup>3</sup>                               |       |       |     | 22.3%   | 22.7%  |       |

<sup>1</sup> Normalised headline earnings adjust the JSE definition of headline earnings for the impact of finance costs related to preference shares that can be converted into ordinary shares of the Group when it is anti-dilutive, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations, Broad-based black economic empowerment (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. During 2023 the definition of NHE was refined to include the impairment of loans to subsidiaries, following the Group's strategic decision to disinvest from Kenya.

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

<sup>3</sup> 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           | F2023         | F2022 <sup>4</sup> | Δ%        |
|---------------------|---------------|--------------------|-----------|
| Total assets        | 636 741       | 573 849            | 11%       |
| Total liabilities   | (609 590)     | (548 907)          | 11%       |
| <b>Total equity</b> | <b>27 151</b> | <b>24 942</b>      | <b>9%</b> |

## Momentum Metropolitan announces strong results

### *Shareholders benefit from increased dividends and further share buybacks*

### Introduction

We are pleased with Momentum Metropolitan's financial results for the past year given the challenging operating environment. The results were positively impacted by improved mortality experience, due to the modest impact of Covid-19 during the current year, and a strong improvement in investment variances from favourable shifts in yield curves. Most of our businesses performed ahead of expectations, delivering earnings we are proud of.

Normalised headline earnings reached a new historic high, exceeding our strategic target of R5 billion for the first time. Our business model of empowered, accountable business units has demonstrated its resilience and agility, assisting the Group to cope with the multiple headwinds of slowing global growth, geopolitical tensions, increasing load shedding, high fuel prices, rising food inflation and a depreciating rand. We will continue to make every effort to deliver on the expectations of our policyholders and generate value to shareholders despite this difficult backdrop.

### Group consolidated earnings

The Group delivered normalised headline earnings (NHE) of R5 079 million for the 12 months ended 30 June 2023, up 16% from the prior year. Normalised headline earnings per share increased by 19% from 287.2 cents to 342.3 cents. Headline earnings per share increased by 5% from 297.3 cents to 310.7 cents and earnings per share improved by 20% from 260.6 cents to 313.3 cents.

Operating profit improved by 31% to R4 419 million, from R3 363 million in the prior year, supported by improved mortality experience and investment variances. All business units, except for Momentum Investments, Metropolitan Life and Non-life Insurance, grew operating earnings. Momentum Investments reported marginally lower operating earnings, mainly due to lower mortality profits from annuities and lower new business sales on the Momentum Wealth platform. Operating earnings in Metropolitan Life were mainly impacted by assumption changes reflecting operating headwinds and a continued deterioration in lapse experience on the protection business. Within the Non-life Insurance segment, Momentum Insure was negatively affected by a continuation of high claim ratios given adverse experience and premium increases which did not mitigate rising claims inflation. Africa saw a significantly improved result primarily due to positive investment variances and mortality experience and actuarial basis changes.

Investment return from the Group's shareholder assets declined by 35% to R660 million from the prior year, mainly as a result of a significant fair value gain on the Group's investment in venture capital funds in the previous year, followed by a modest negative movement in the current year.

<sup>4</sup> F2022 assets and liabilities restated, refer to note 12 in the annual 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   | F2023            |                   |                              | F2022            |                   |                              | Δ%               |                   |                              |
|---|------------------|-------------------|------------------------------|------------------|-------------------|------------------------------|------------------|-------------------|------------------------------|
|   | Operating profit | Investment return | Normalised headline earnings | Operating profit | Investment return | Normalised headline earnings | Operating profit | Investment return | Normalised headline earnings |
| Momentum Life   | 1 824            | 111               | 1 935                        | 976              | 134               | 1 110                        | 87%              | (17)%             | 74%                          |
| Momentum Investments  | 736              | 168               | 904                          | 870              | 68                | 938                          | (15)%            | >100%             | (4)%                         |
| Metropolitan Life   | 237              | 70                | 307                          | 606              | 66                | 672                          | (61)%            | 6%                | (54)%                        |
| Momentum Corporate  | 1 188            | 142               | 1 330                        | 1 049            | 125               | 1 174                        | 13%              | 14%               | 13%                          |
| Momentum Metropolitan Health                                      | 287              | 3                 | 290                          | 212              | (3)               | 209                          | 35%              | >100%             | 39%                          |
| Non-life Insurance  | 188              | 44                | 232                          | 399              | 62                | 461                          | (53)%            | (29)%             | (50)%                        |
| Momentum Metropolitan Africa                                      | 508              | 88                | 596                          | 8                | 110               | 118                          | >100%            | (20)%             | >100%                        |
| <b>Normalised headline earnings from operating business units</b> | <b>4 968</b>     | <b>626</b>        | <b>5 594</b>                 | <b>4 120</b>     | <b>562</b>        | <b>4 682</b>                 | <b>21%</b>       | <b>11%</b>        | <b>19%</b>                   |
| New Initiatives   | (438)            | 10                | (428)                        | (468)            | 2                 | (466)                        | 6%               | >100%             | 8%                           |
| Shareholders segment  | (111)            | 24                | (87)                         | (289)            | 456               | 167                          | 62%              | (95)%             | <(100)%                      |
| <b>Normalised headline earnings</b>                               | <b>4 419</b>     | <b>660</b>        | <b>5 079</b>                 | <b>3 363</b>     | <b>1 020</b>      | <b>4 383</b>                 | <b>31%</b>       | <b>(35)%</b>      | <b>16%</b>                   |

More details on the Group's earnings performance can be found in the Group's full results announcement and summarised audited annual financial statements for the 12 months ended 30 June 2023, available on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

## Group new business performance

| Key metrics                    | F2023  | F2022  | Δ%   |
|--------------------------------|--------|--------|------|
| Recurring premiums (R million) | 4 524  | 4 607  | (2)% |
| Single premiums (R million)    | 49 617 | 51 885 | (4)% |
| PVNBP (R million)              | 68 873 | 72 673 | (5)% |
| VNB (R million)                | 600    | 626    | (4)% |
| New business margin            | 0.9%   | 0.9%   |      |

The Group's PVNBP declined to R68.9 billion, 5% lower than the prior year. Momentum Life's growth was aided by the growth in long-term savings new business volumes, offset by lower protection new business volumes. Momentum Investments' new business volumes declined due to lower new business on both the local and international Wealth platforms. Metropolitan Life's PVNBP stayed in line with the prior year, somewhat benefiting from the growth in single premium guaranteed annuities and long-term savings business. The decline in Momentum Corporate was largely due to lower new business volumes on group risk products where there is an emphasis on margin over volume. Momentum Metropolitan Africa saw a decline in new business volumes, mainly driven by the non-repeat of large corporate deals secured in the prior year in Namibia and Lesotho.

The Group's VNB declined by 4% to R600 million, driven by the negative impact of yield-curve related economic assumption changes, lower new business volumes, higher distribution costs and a general change in new business mix toward lower margin products.

## Return on equity and embedded value

Return on equity (ROE) for the year was 22.3%, marginally down from 22.7% in the prior year. This strong ROE follows the Group's earnings improvement offset by an increase in opening equity relative to the prior year.

Group embedded value per share was R33.75 on 30 June 2023. The return on embedded value per share was 17.0%, an improvement from 11.7% in the prior year. All per share metrics benefited from share repurchases made over the past 12 months.

## Solvency

The regulatory solvency positions of most of the Group's regulated entities remain toward the upper end or above of their specified target solvency ranges. For Momentum Metropolitan Life, the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover strengthened from 2.03 times SCR at 30 June 2022 to 2.07 times SCR (pre foreseeable dividend) at 30 June 2023. This improvement in solvency cover was predominantly due to improved mortality and morbidity experience, good investment returns and the positive impact of increases in the nominal yield curve over the financial year. Momentum Metropolitan Holdings maintained its 1.6 times Group SCR cover over both reporting periods.

## Share buyback programme

We completed the initial R750 million share buyback programme on 26 October 2022. The R500 million share buyback programme communicated to investors at the F2023 interim results announcement, was completed on 31 May 2023. The Group bought back 27.9 million shares (1.9% of the shares in issue as at 30 June 2022), at an average price of R17.87 per share. 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 buyback programme of the Group's ordinary shares.

## Dividends

Momentum Metropolitan declared a final dividend of 70 cents per ordinary share. Together with the interim dividend of 50 cents per ordinary share, the total dividend for the 12 months ended 30 June 2023 is 120 cents per ordinary share, an increase of 20% from the 100 cents per ordinary share declared in the prior year. The F2023 total dividend represents a payout ratio of 35% of normalised headline earnings.

In line with Momentum Metropolitan's capital distribution philosophy, the share buyback programme will not be in lieu of a dividend. The Group's dividend policy to declare dividends within a payout range of 33% to 50% of normalised headline earnings, remains unchanged.

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 final dividend of 56 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 1 424 779 972.

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

|                                 |                              |
|---------------------------------|------------------------------|
| Publication of declaration data | Wednesday, 13 September 2023 |
| Last date to trade cum-dividend | Tuesday, 3 October 2023      |
| Trading ex-dividend             | Wednesday, 4 October 2023    |
| Record date                     | Friday, 6 October 2023       |
| Payment date                    | Monday, 9 October 2023       |

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 October 2023 and Friday, 6 October 2023, both days inclusive.

## Outlook

We are proud of the solid earnings Momentum Metropolitan achieved during a challenging period. Our dividend declaration reflects the continued resilience of the Group and the Board's confidence in the underlying financial strength of the business. The Group's strong results in the second year of the three-year Reinvent and Grow strategy are encouraging and confirm our solid competitive position.

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 remain robust in F2024.

While our earnings outlook has improved, 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 (SA). This is likely to put ongoing affordability pressure on new business volumes, particularly on long-term savings and on protection business. Investment business is negatively affected by other factors, such as low confidence in SA asset classes and by consumer preference to maintain their assets in liquid low-risk investments. New business volumes and profitability is receiving significant management attention.

We remain focused on driving sales volumes and a profitable sales mix to improve market share growth and will continue to focus on achieving the Reinvent and Grow business targets for F2024. The release of Covid-19 reserves and favourable investment experience variances are unlikely to support earnings to the extent they have this year, we believe that the underlying run rate of earnings is approximately R4 billion per annum.

Our next set of results will be prepared on an IFRS 17 basis, and we will communicate the revised medium-term targets in due course. It should be noted that the introduction of IFRS 17 is expected to reduce earnings modestly (by less than 5% at Group level).

## 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 summarised audited annual financial statements. It is only a summary of the information contained in the audited annual financial statements and does not contain full or complete details. Any investment decision should be based on the audited annual financial statements.

The annual financial statements have been audited by the Group's auditors, Ernst & Young Inc, who expressed an unqualified opinion thereon. The audited annual financial statements, including the audit opinion and key audit matters and the summarised financial statements can be found on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results> and via the JSE weblink. The audited annual financial statements and summarised financial statements may also be requested from the Group Company Secretary's Office, Gcobisa Tyusha, Tel: +27 12 673 1931 or [gcobisa.tyusha@mmltd.co.za](mailto: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 - 16:00.

The JSE link is as follows: <https://senspdf.jse.co.za/documents/2023/jse/isse/MTME/FY23Result.pdf>

SENS issue: 13 September 2023

Equity sponsor

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

Debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)