

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 2023 and dividend declaration

Short form announcement

	Basic			Diluted		
	1HF2024	Restated ¹ 1HF2023	Δ%	1HF2024	Restated ¹ 1HF2023	Δ%
Earnings (R million)	2 191	2 060	6%	2 210	2 079	6%
Headline earnings (R million)	2 191	1 540	42%	2 210	1 559	42%
Normalised headline earnings (R million) ²				2 424	1 704	42%
Operating profit (R million) ³				2 025	1 195	69%
Investment return (R million)				399	509	(22)%
Earnings per share (cents)	159.9	144.5	11%	156.4	141.7	10%
Headline earnings per share (cents)	159.9	108.0	48%	156.4	106.3	47%
Normalised headline earnings per share (cents) ¹				168.0	113.7	48%
Interim dividend per share (cents)				60	50	20%
Present value of new business premiums (PVNBP, R million) ⁴				39 103	33 268	18%
Value of new business (VNB, R million) ⁴				200	324	(38)%
Value of new business margin ⁴				0.5%	1.0%	
Diluted embedded value per share (R) ⁴				35.01	31.39	12%
Return on embedded value per share				12.0%	15.6%	
Return on equity ⁵				17.8%	15.5%	

¹The IFRS 17 – Insurance Contracts (IFRS 17) standard became effective for the Group from 1 July 2023. As such the prior period's accounting has been restated for the application of IFRS 17. Refer to the condensed consolidated interim financial statements for more information.

² 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 the iSabelo Trust, the amortisation of intangible assets arising from business combinations, the impairment of loans to subsidiaries following the Group's disinvestment, 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. 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.

³ 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.

⁴ Prior period embedded value (EV) reporting has not been restated for the changes introduced by IFRS 17.

⁵ Return on equity expresses normalised headline earnings as a percentage of start-of-year net asset value. In this calculation net asset value is adjusted for the items outlined in footnote 2, consistent with NHE.

Net asset value

R million	1HF2024	Restated ¹ 1HF2023	Δ%
Total assets	661 328	573 747	15%
Total liabilities	(631 940)	(545 721)	16%
Total equity	29 388	28 026	5%

Momentum Metropolitan continues to deliver robust earnings

Operating profit growth illustrates strength of core operations

Introduction

Most business units performed in line with expectations, delivering robust operating earnings. Many of the business unit results were further bolstered by a strong improvement in investment income on the back of higher interest rates. Earnings were further positively impacted by a favourable change in the shape of the yield curve in Momentum Retail and Momentum Metropolitan Africa, improved persistency experience in Metropolitan Life, continued record life annuity sales volumes in Momentum Investments and strong underwriting experience in Momentum Corporate.

These results are our first under the new accounting standard for insurance contracts, IFRS 17. We have also updated our internal segments to more accurately reflect the way the business is managed. The key change is the alignment of the various Multiply incentive and rewards programme activities to the relevant business units. Prior periods have been restated to ensure a fair comparison.

Group consolidated earnings

On the restated basis, the Group delivered normalised headline earnings of R2 424 million for the six months ended 31 December 2023, up 42% on the prior period. Normalised headline earnings per share continued to benefit from the share repurchases and increased by 48% from 113.7 cents to 168.0 cents. Headline earnings per share increased by 48% from 108.0 cents to 159.9 cents, and earnings per share improved by 11% from 144.5 cents to 159.9 cents.

Operating profit improved by 69% to R2 025 million, supported by increased investment income from the assets in the portfolios backing policyholder liabilities and the benefit of a favourable change in the shape of the yield curve in Momentum Retail. Momentum Investments operating profit was supported by solid growth in life annuities new business volumes and higher mortality profits from the annuities business. A significant improvement in the persistency experience on the protection business is the largest contributor to Metropolitan Life's improved operating profit. Momentum Corporate's operating profit was aided by the claims experience in its protection business and the refinement of its reinsurance strategy. Momentum Metropolitan Health earnings declined marginally, reflecting continued pressure on membership in the Momentum medical scheme and the corporate market segment. Guardrisk's earnings remained relatively stable. The improvement in Momentum Insure's operating profit was due to increased investment income and a modest improvement in the loss ratio. Momentum Metropolitan Africa's significantly improved result was primarily due to the increase in investment income from Namibia. The improvement in India's operating loss was aided by strong growth in gross written premium relative to modest growth in operating expenses.

Investment return from the Group's shareholder assets declined by 22% to R399 million, mainly attributable to the non-repeat of a significant increase in the valuation of an option to purchase a share of a UK technology business in the prior period. This was partly offset by an increase in the fair value gains relating to the share hedge and higher returns achieved on shareholder portfolios in the favourable interest rate environment.

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

R million	1HF2024			Restated 1HF2023			Δ%		
	Operating profit / (loss)	Investment return	Normalised headline earnings	Operating profit / (loss)	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings
Momentum Retail ⁶	633	76	709	262	120	382	>100%	(37)%	86%
Momentum Investments ⁶	222	46	268	186	47	233	19%	(2)%	15%
Metropolitan Life	254	45	299	133	68	201	91%	(34)%	49%
Momentum Corporate	554	70	624	417	96	513	33%	(27)%	22%
Momentum Metropolitan Health ⁶	117	7	124	126	4	130	(7)%	75%	(5)%
Guardrisk ⁶	349	11	360	344	6	350	1%	83%	3%
Momentum Insure ⁶	(4)	35	31	(93)	23	(70)	96%	52%	>100%
Momentum Metropolitan Africa India ⁶	64	220	284	(61)	179	118	>100%	23%	,>100%
	(154)	1	(153)	(165)	-	(165)	7%	100%	7%
Normalised headline earnings from operating business units	2 035	511	2 546	1 149	543	1 692	77%	(6)%	50%
Shareholders segment ⁶	(10)	(112)	(122)	46	(34)	12	<(100)%	<(100)%	<(100)%
Normalised headline earnings	2 025	399	2 424	1 195	509	1 704	69%	(22)%	42%

More details on the Group's earnings performance can be found in the Group's full results announcement and Condensed consolidated interim financial statements for the six months ended 31 December 2023, available on the Group's website at <https://www.momentummetropolitan.co.za/investor-relations/reporting-centre/interim-results>.

⁶ The prior period numbers are restated to provide meaningful comparisons for the new reporting segments.

Group new business performance

Prior period EV reporting has not been restated for the changes introduced by IFRS 17, as such the below metrics have not been restated.

Key metrics	1HF2024	1HF2023	Δ%
Recurring premiums (R million)	1 866	2 417	(23)%
Single premiums (R million)	29 336	23 227	26%
PVNB ⁷ (R million)	39 103	33 268	18%
VNB (R million)	200	324	(38)%
New business CSM	506	623	(19)%
New business margin	0.5%	1.0%	

The Group's PVNB⁷ for the six months was R39.1 billion, an 18% improvement from the prior period. Note that the PVNB⁷ calculation is now done using risk-neutral discount rates to align with IFRS17. Momentum Retail saw higher new business volumes in both protection and long-term savings business. Momentum Investments delivered solid growth in annuities and Momentum Wealth's investment platform business. Metropolitan Life saw a decline in protection and long-term savings new business volumes due to a smaller agency force, partially offset by good growth in single premium annuities. Momentum Corporate delivered pleasing new business volume growth in structured investment flows, but these are at low margins. Momentum Metropolitan Africa saw improved corporate, retail protection and savings new business volumes in Namibia.

The Group's VNB declined by 38% to R200 million, largely driven by the strengthening of persistency and expense basis at the end of June 2023. Metropolitan Life was most affected by this. VNB was further impacted by a general change in new business sales mix toward lower margin products. The overall Group new business margin declined to 0.5%.

New business contributed R720 million to the closing contractual service margin (CSM). The contribution from Momentum Investments was much higher than that of the other segments due to the relatively high volumes of profitable annuity business written. The contribution from this line of business also increased when compared to the prior period while the contribution from Metropolitan Life declined.

It should be noted that the CSM contributed by Guardrisk business is excluded from these quantities as the majority relates to business where in-substance reinsurance (which does not generate a CSM) has an equal and opposite impact on the accounts.

Contractual service margin

Under IFRS 17, the contractual service margin (CSM) is established at initial recognition of an insurance contract. It represents a store of future profit held on the balance sheet which, together with the risk adjustment for non-financial risk, is expected to be released into earnings over the period of the insurance contracts. The CSM on covered business increased from R17.9 billion to R18.5 billion over the six-month period ended 31 December 2023. This was driven by the new business contribution benefiting from higher annuity sales, favourable experience variances and the expected growth in the CSM due to accretion on the opening balance. The CSM becomes an important metric under IFRS17 to assess the future revenue of an entity.

⁷ To align with the "market consistent methodology" used for IFRS 17 and following a revision in the embedded value (EV) PVNB⁷ is calculated on a risk-free discount rate while it was previously calculated at a risk discount rate.

Return on equity and embedded value

Return on equity (ROE) was 17.8% (annualised) for the current period, an improvement from 15.5% 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 R35.01 as at 31 December 2023. The annualised return on embedded value per share was 12.0%.

Solvency

The regulatory solvency positions of most of the Group's regulated entities remain toward or above the upper end of their specified target solvency ranges. For Momentum Metropolitan Life (MML), the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover strengthened from 2.07 times SCR at 30 June 2023 to 2.11 times SCR at 31 December 2023. This is above the upper end of MML's target range of 1.6 to 2.0 times SCR. Momentum Metropolitan Holdings' Group SCR cover increased from 1.6 times SCR to 1.7 times SCR over the reporting period.

Share buyback programme

The Group has completed R1.75 billion in share buyback programmes through three tranches over the past 18 months, with the first R750 million tranche being completed on 26 October 2022, the second R500 million tranche on 31 May 2023 and the third R500 million tranche on 26 November 2023. For the third tranche, the Group bought back 24 million shares (1.69% of the shares in issue as at 30 June 2023), at an average price of R20.70 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 has declared an interim dividend of 60 cents per ordinary share. The interim dividend represents a payout ratio of 36% of normalised headline earnings.

In line with the approach followed since we instituted a share buyback programme, the interim dividend is towards the lower end of the dividend payout range. The Group's dividend policy to declare dividends within a payout range of 33% to 50% of normalised headline earnings, remains unchanged.

The interim dividend is payable from income reserves to all holders of ordinary shares recorded in the register of the company's register on record date. The interim 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 48 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 1 400 697 218.

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

Publication of declaration data	Wednesday, 27 March 2024
Last date to trade cum-dividend	Tuesday, 16 April 2024
Trading ex-dividend	Wednesday, 17 April 2024
Record date	Friday, 19 April 2024
Payment date	Monday, 22 April 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 April 2024 and Friday, 19 April 2024 both days inclusive.

Outlook

We are pleased with the earnings Momentum Metropolitan achieved despite the continued challenging economic environment. Our dividend declaration and our commitment to the share repurchase reflects the continued resilience of the Group and the Board's confidence in the underlying financial strength of the business.

Looking ahead, we remain concerned about the lack of economic growth in South Africa and the disposable income pressure faced by clients from high borrowing costs and high inflation. While earnings have improved, we are concerned about ongoing pressure on sales volumes. We continue our focus on market share gains to drive sales volumes and looking for ways to optimise the sales mix to improve VNB outcomes. We remain focused on our Reinvent and Grow objectives at the end of F2024.

The Group is on a solid financial footing and is well-positioned to adapt to the evolving needs of our clients. We are in the process of shaping and finalising our strategy for the period beyond F2024, which we will share with investors early in the new financial year.

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, 27 March 2024, via the JSE link and also available on the Company's website at <https://www.momentummetropolitan.co.za/investor-relations/reporting-centre/interim-results>.

The condensed consolidated interim financial statements can be found on the Group's website at <https://www.momentummetropolitan.co.za/investor-relations/reporting-centre/interim-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/2024/jse/isse/MTME/1H24Result.pdf>

SENS issue: 27 March 2024

Equity sponsor

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

Debt sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)