Metropolitan's assets under management exceed R100 billion in Peter Doyle's final set of results

Metropolitan's results for the financial year ended 31 December 2007, the group's last set of results under the leadership of current ceo Peter Doyle, were, without exception, ahead of consensus forecasts by investment analysts covering the life insurance industry. Two key milestones were reached: R100 billion in assets under management and R1 billion in core earnings.

By way of a further accolade to the man who has been at the helm for the past decade, the group posted a 32% increase in the value of new business across the group, up from R254 million in 2006 to R336 million, a noteworthy achievement in the current economic climate.

Metropolitan also stood out in its ability to increase the inflow of funds from clients, with net funds received from clients/customers in 2007 growing by more than 350% to a record-beating R12.5 billion (R2.7 billion in 2006).

The group has maintained a robust positive cashflow position throughout its 110 year history, in marked contrast to strained industry cashflows in recent years. Both its administration businesses - asset administration and healthcare respectively – were responsible for quantum leaps in respect of new inflows, confirming the success of the diversification strategy that Doyle entrenched ever more firmly throughout his tenure.

Thanks to both the higher value of new business and greater operational efficiencies, all five business clusters lifted their contributions to group profits, once again underlining the advantage of multiple revenue streams.

The newer and therefore smaller entities achieved the strongest growth in income, international, health and corporate in particular. International's operating profit rose by 80% from R61 million to R110 million while health's diluted core headline earnings jumped 25% from R51 million to R64 million. Corporate recorded a 21% rise in operating profit from R145 million to R176 million.

Total group recurring premium income, the lifeblood of the long-term insurance industry, was 10% higher at R7 billion (2006: R6.3 billion). Retail, still at the heart of the group's business operations, achieved a recurring premium income increase of 9% while corporate registered growth of 12%.

In the retail arena, single premium income advanced 30% (from R1 872 million to R2 438 million), corroboration of escalating penetration by the Metropolitan brand into areas where previously the group's footprint was relatively small.

At R1 003 million (18% higher than 2006's R847 million), diluted core headline earnings marked the attainment of a major milestone in the group's history by breaking through the R1 billion barrier well ahead of management expectations. The equivalent per share figure climbed by an even more substantial 26% from 113 cents to 142 cents over the twelve months.

The growth in the per share figures was enhanced throughout by the reduction in the number of shares in issue due to share buy-back activities as part of the group's ongoing capital management programme. Despite investment market volatility, Metropolitan remains appropriately capitalised.

"We regularly review our capital levels and will continue to buy back shares through the market as opportunities arise while simultaneously exploring other ways of effectively deploying capital," says Doyle.

For shareholders, the 23% increase in the total dividend for the year to 95 cents (2006: 77 cents) is extremely pleasing, confirming that the board remains convinced of the group's medium-term earnings prospects.

In terms of embedded value, one of the life industry's most important valuation standards, Metropolitan's return of 18% is gratifying, given that it far outstrips the group's cost of capital and was driven mainly by operational improvements and the increased value of new business.

A 20% increase in assets under management to exceed the R100 billion for the first time (R102.2 billion vs R85.9 billion at 31 December 2006) provides further confirmation of the fact that Metropolitan is making its presence ever more strongly felt amongst the bigger players in the industry.

On 1 April, Wilhelm van Zyl will succeed Peter Doyle as group ceo. Metropolitan has undergone significant changes during the past ten years to attain its current strategic position, where it remains focused on creating prosperity for the people of Africa by providing them with a comprehensive range of accessible, affordable and appropriate financial products and services.

See over for table sunmarising stakeholder value-add

Summary of Metropolitan's stakeholder value-add to December 2007

	December 2006	December 2007	% growth
Diluted core headline earnings	R847m	R1 003m	18.4
Diluted core headline earnings per share	113c	142c	26
Earnings	R1 947m	R1 503m	(23)
Diluted earnings per share	279c	232c	(17)
Return on embedded value (%)	26.1	17.8	[redacted]
Embedded value per share	1 710 c	1 857c	[redacted]
Total dividend per ordinary share	77.00c	95.00c	23
Total premiums received	R11.0bn	R11.7bn	6
Total assets under management	R85.6bn	R102.2bn	20

Notes

- Core headline earnings are a particularly appropriate measure of the performance of financial services groups such as Metropolitan in that they eliminate items of both a once-off and an inherently volatile nature, such as changes to the valuation basis and capital appreciation/depreciation.
- Diluted core headline earnings have been adjusted for the convertible redeemable preference shares, the staff share scheme shares and the treasury shares in issue – all dilutory in nature. The preference shares were issued to a consortium controlled by Metropolitan's strategic empowerment partner, Kagiso Trust Investments (KTI).

End

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