

ADVANCING MMI'S STRATEGY

Interim results 2017

momentum

 **METROPOLITAN**

GUARDRISK 

multiply

Momentum, Metropolitan, Guardrisk and Multiply are members of the MMI group of companies.

Agenda

1

Key financial metrics

2

MMI strategy

3

Strategic delivery

4

Business performance

5

Segment performance

6

Capital management

7

Critical focus areas

Key financial metrics

Weaker earnings, otherwise strong performance

Financial aspirations

Growth in earnings

Growth in value of new business

Return on embedded value

Key financial metrics

	Dec 2015 Actual	Dec 2016 Actual	% change	
	<i>Rm</i>	<i>Rm</i>		
Diluted core headline earnings	1 679	1 598	(5%)	↓
Ordinary dividend per share (cents)	65	65	-	↔
New business PVP	20 789	21 295	2%	↑
Value of new business	301	292	(3%)	↓
Value of new business (like-for-like)	280	292	4%	↑
Return on embedded value (%)	6.6%	4.5%	(2.1%)	↓

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Critical focus areas

MMI Strategy

PURPOSE:

To enhance the lifetime Financial Wellness of people, their communities and their businesses

Strategic focus areas



Client centricity



Growth



Excellence



Financial aspirations

Growth in earnings

Growth in value of new business

Return on embedded value



Client aspirations

“My Financial Wellness partner”



Enablers

Flexible and modular systems

Innovation

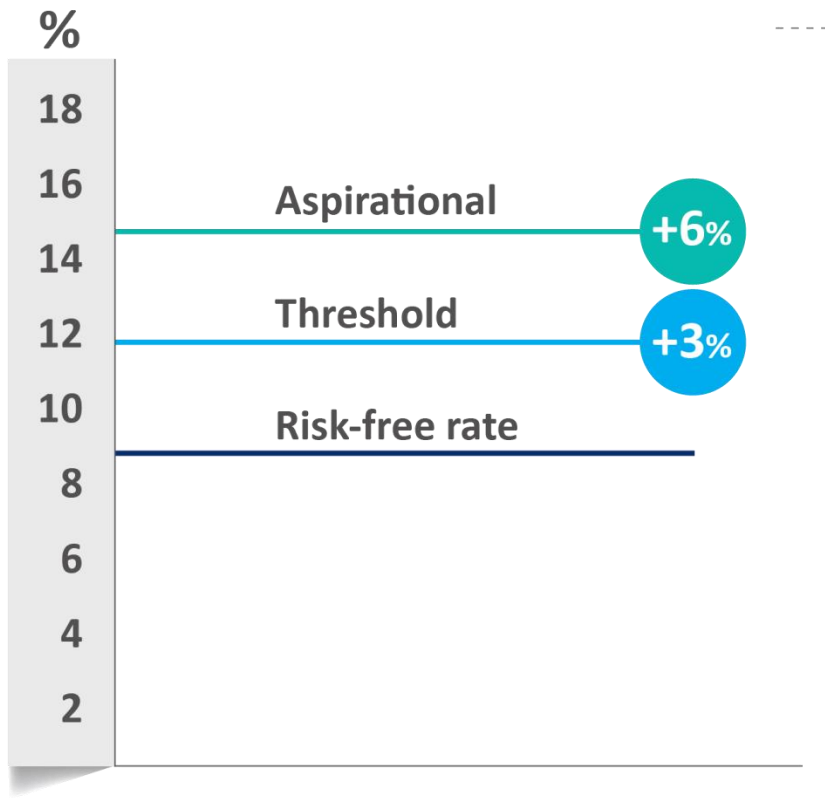
Culture

Data analytics

Financial aspirations

Maximise shareholder value

Return on embedded value



Supported by

Growth in earnings

Growth in value of new business

Improve efficiencies

Agenda

1 Key financial metrics

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Strategic focus areas: Client centricity

PURPOSE:

To enhance the lifetime Financial Wellness of people, their communities and their businesses

Strategic focus areas



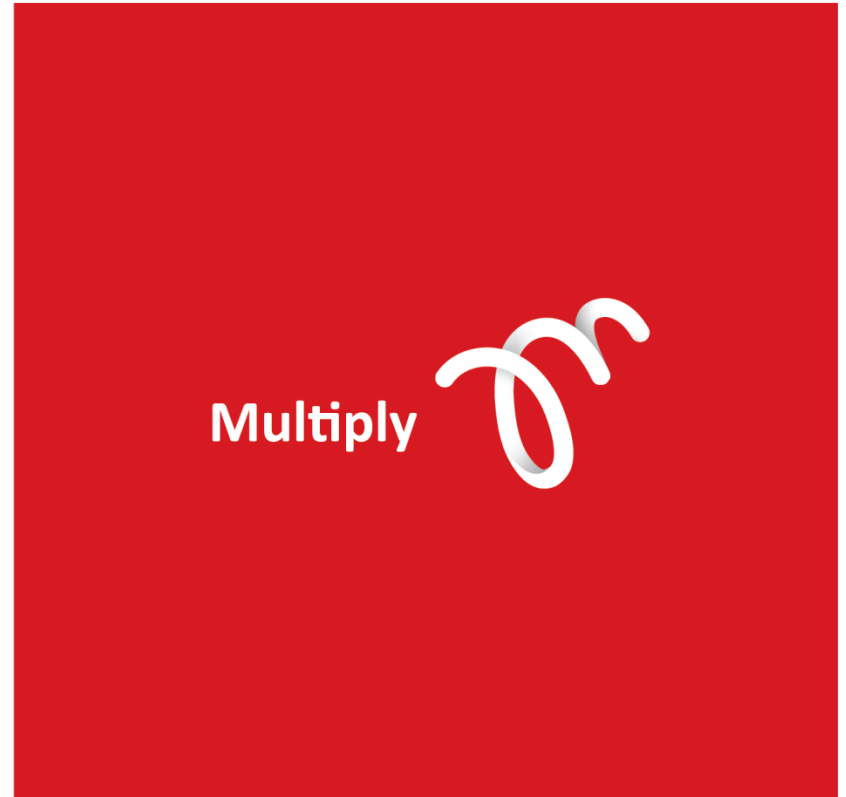
Client centricity



Growth



Excellence



Enablers

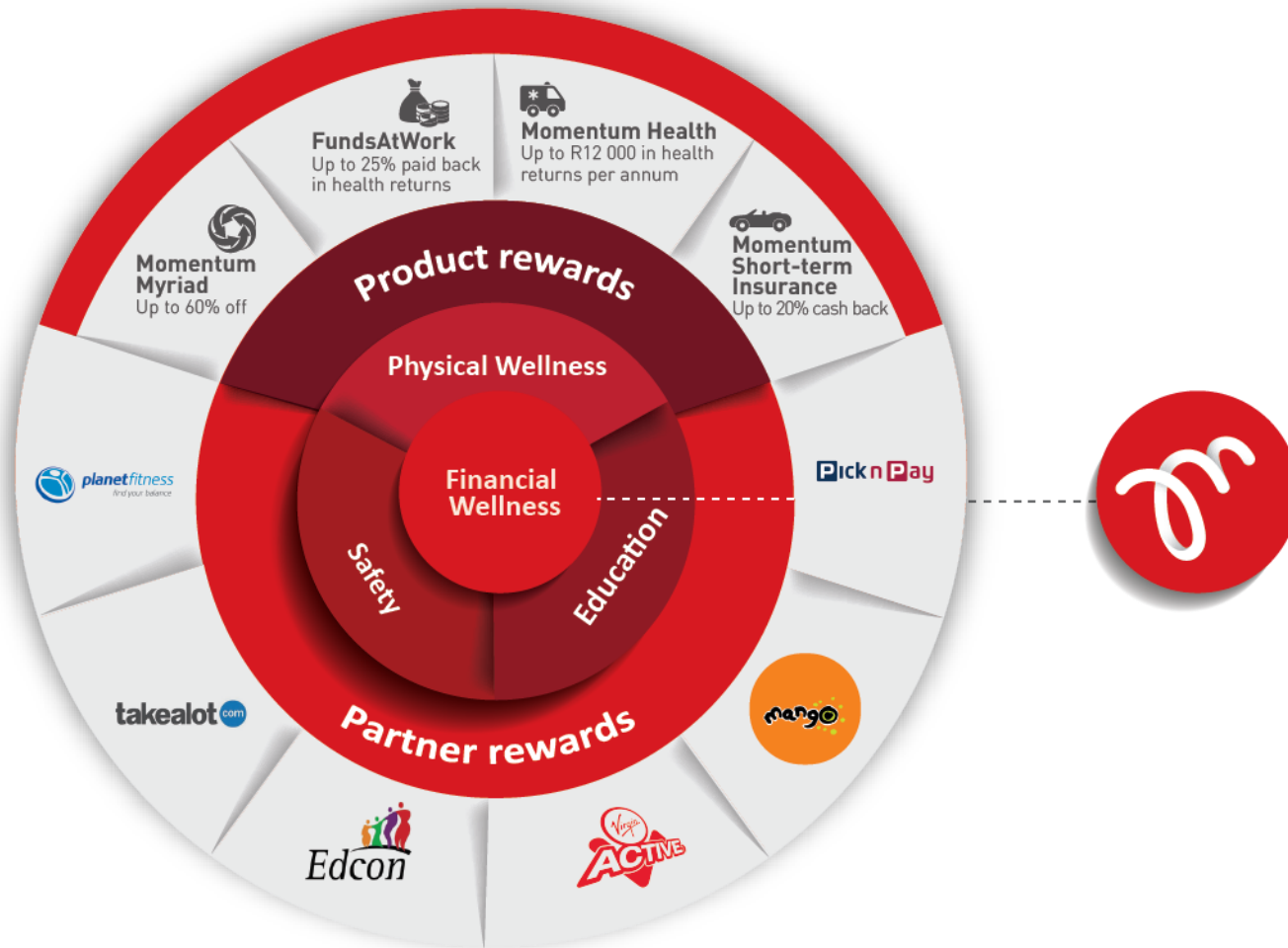
Flexible and modular systems

Innovation

Culture

Data analytics

Creating value for clients



Rewards Framework - Myriad

		Multiply status				
		Bronze	Silver	Gold	Platinum	Private Club
<div style="background-color: green; color: white; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">GREEN</div> <div style="background-color: orange; color: white; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">AMBER</div> <div style="background-color: red; color: white; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">RED</div>	16+ Level 5	20%	25%	30%	40%	60%
	12+ Level 4	15%	20%	25%	30%	40%
	8+ Level 3	10%	15%	20%	25%	30%
	0+ Level 1 & 2	5%	10%	15%	20%	25%

Healthy Heart Score

ACTIVE DAYZ™
MOVE | TRACK | SCORE

Active Dayz or Fitness Assessment



Rewards Framework – Health Returns

			Multiply Premier + HealthSaver = TotalReturns				
			Bronze	Silver	Gold	Platinum	Private Club
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="background-color: #008000; color: white; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">GREEN</div> <div style="background-color: #FF8C00; color: white; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">AMBER</div> <div style="background-color: #FF0000; color: white; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);">RED</div> </div>	16+ Level 5	R160	R500	R600	R700	R800	R1000
	12+ Level 4	R100	R300	R325	R350	R400	R500
	8+ Level 3	R50	R150	R160	R170	R180	R250
	4+ Level 2	R25	R75	R75	R75	R75	R75
	0+ Level 1	R0	R0	R0	R0	R0	R0

Rewards Framework - Partners

Multiply 2016

Our vision

To be the preferred lifetime wellness partner, with a reputation for innovation and trustworthiness



Rewards – Client example

MEMBER



MALE
48

FEMALE
36

STATUS



Private Club

ACTIVITY



13 **144**
PER MONTH PER ANNUM

ACTIVE DAYZ™

SAVINGS



R8 802
GYM



R1 146
DIS-CHEM



R7 200
EDCON



R3 581
MANGO



R1 480
PICK n PAY



R416
NU METRO



R7 975
HEALTHRETURNS



R25 070
MYRIAD



R2 808
ONLINE SHOP

TOTAL

R58 478



Rewards – Client example

MEMBER



MALE
57

FEMALE
55

STATUS



Gold

ACTIVITY



 HealthyHeartScore

10 **111**
PER MONTH PER ANNUM

ACTIVE DAYZ™

SAVINGS



R10 560
GYM



R255
DIS-CHEM



R175
ONLINE SHOP



R606
MANGO



R1 610
PICK n PAY



R7 500
HEALTHRETURNS



R1 967
MYRIAD

TOTAL

R22 673



Strategic focus areas: Growth

PURPOSE:

To enhance the lifetime Financial Wellness of people, their communities and their businesses

Strategic focus areas



Client centricity



Growth



Excellence

Geographical
Diversification

aYo
(MTN JV)

Aditya Birla
Health
(India JV)

Enablers

Flexible and modular systems

Innovation

Culture

Data analytics

Growth focus area

Geographical diversification: aYo (MTN JV)

Introducing aYo: Leveraging joint assets



- JV agreement is now unconditional
- Regulatory approvals received in other African countries
- *Send with Care* and *Recharge with Care* successfully launched in Uganda
- Rollout of *Send with Care* in the next African country – Q4 F2017



Growth focus area

Geographical diversification: ABHI and ABW (India)



Product approvals

- Retail and group health indemnity
- Group fixed benefits



Incentivised wellness and chronic management programme launched with a large network



Launched 26 Nov 2016

- Positive market reception



Gross written premium

- R65m GWP in line with expectations



9 Branches in 7 key cities



Digitised delivery

96 000+

Lives insured

1 500+

Network hospitals

Strategic focus areas: Excellence

PURPOSE:

To enhance the lifetime Financial Wellness of people, their communities and their businesses

Strategic focus areas



Client centricity



Geographical diversification



Excellence



Optimisation project



Centres of Excellence



Enablers

Flexible and modular systems

Innovation

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Data analytics

Excellence strategic focus area

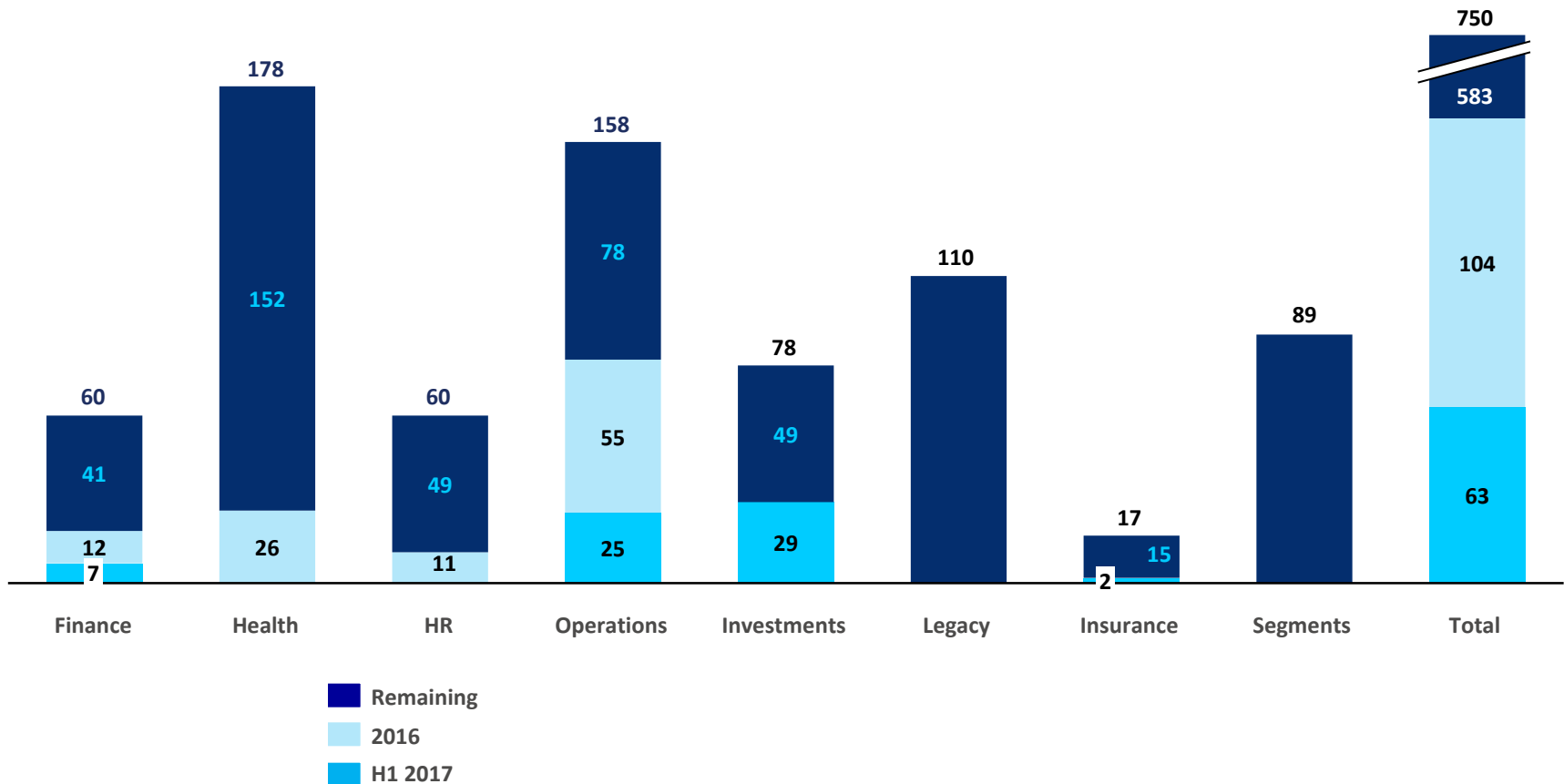
Optimisation project

- New operating model enables optimisation
- Cumulative savings target of R750 million
- 14% (R104m) of target realised in F2016
- 8% (R63m) more of target realised in H1 2017
- 22% (R167m) of cumulative target realised in 18 months

Excellence strategic focus area

Good early progress: Achieved R167 million of R750 million target

R million



Strategic focus areas: Excellence


PURPOSE:

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Strategic focus areas



Client centricity



Geographical diversification



Excellence



Optimisation project



Centres of Excellence



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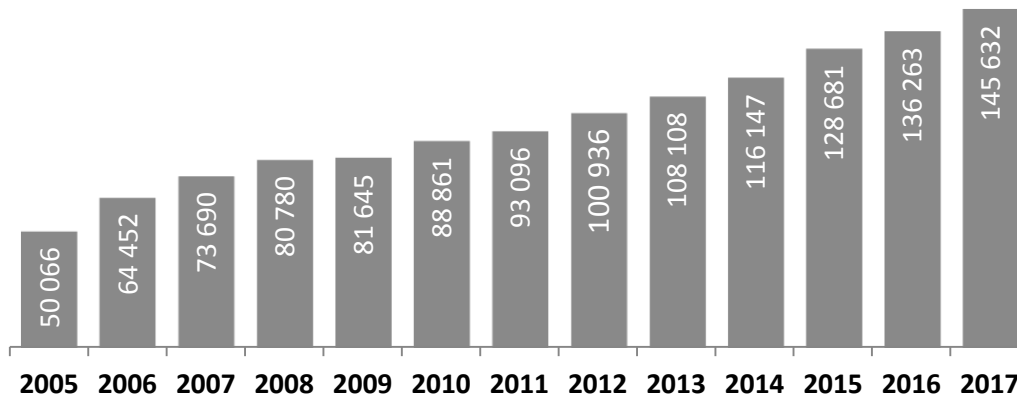
Data analytics

Excellence strategic focus area

Health: Diversified business

1. Momentum Health Open scheme

Momentum Health membership growth



- Market leading growth
- Expecting > 150 000 members by Dec 2017
- Unique value proposition gaining market credibility

2. Client journey

- We migrated our corporate administration clients to new administration systems
- This involved the migration of 130 000 beneficiaries to new platforms

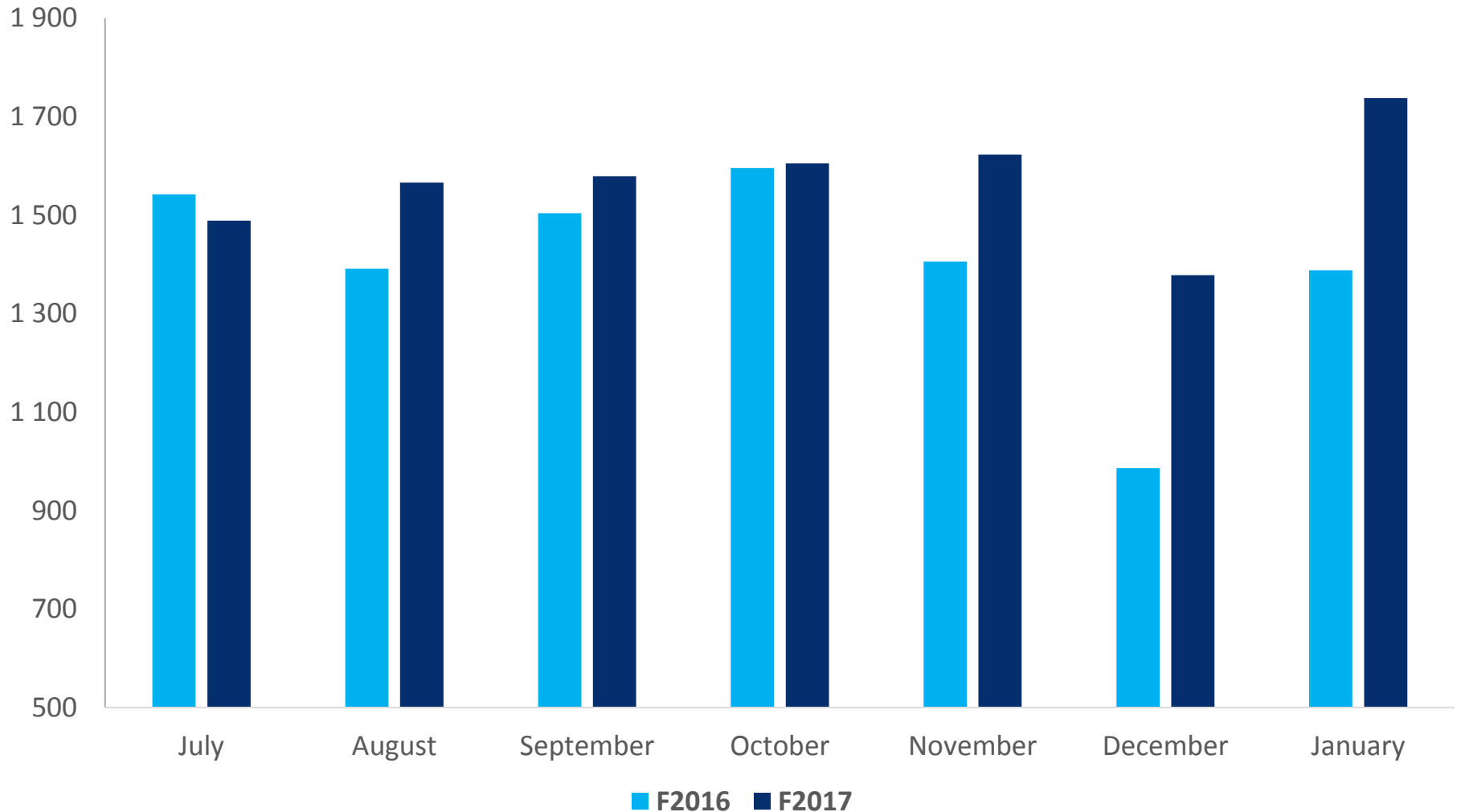
3. Financial view

- Restructuring on schedule and budgets being met
- Earnings forecast for F2018 > R200m

Excellence strategic focus area

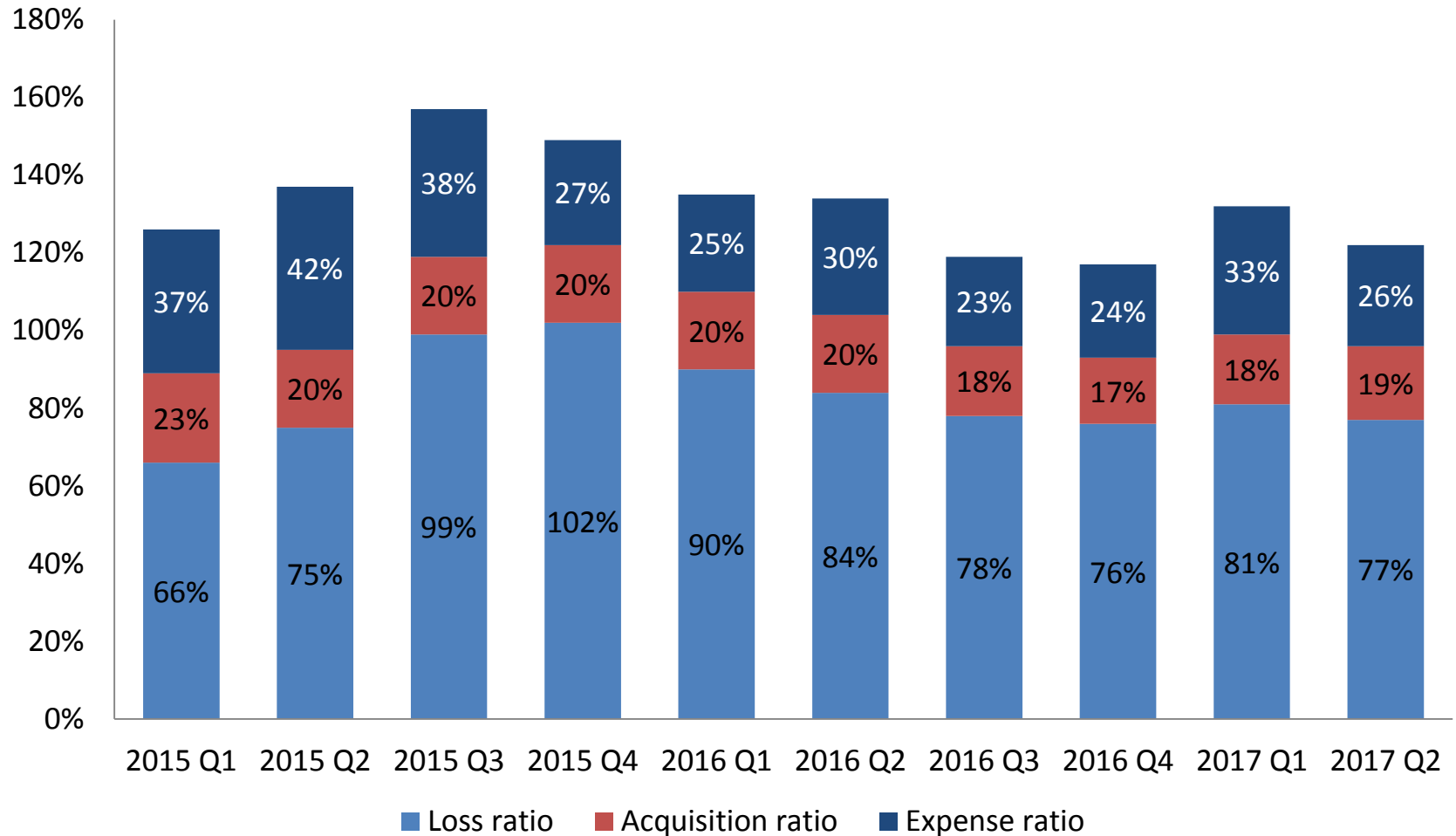
Short-term insurance: Sales volumes increasing

YoY Sales comparison – number of policies



Excellence strategic focus area

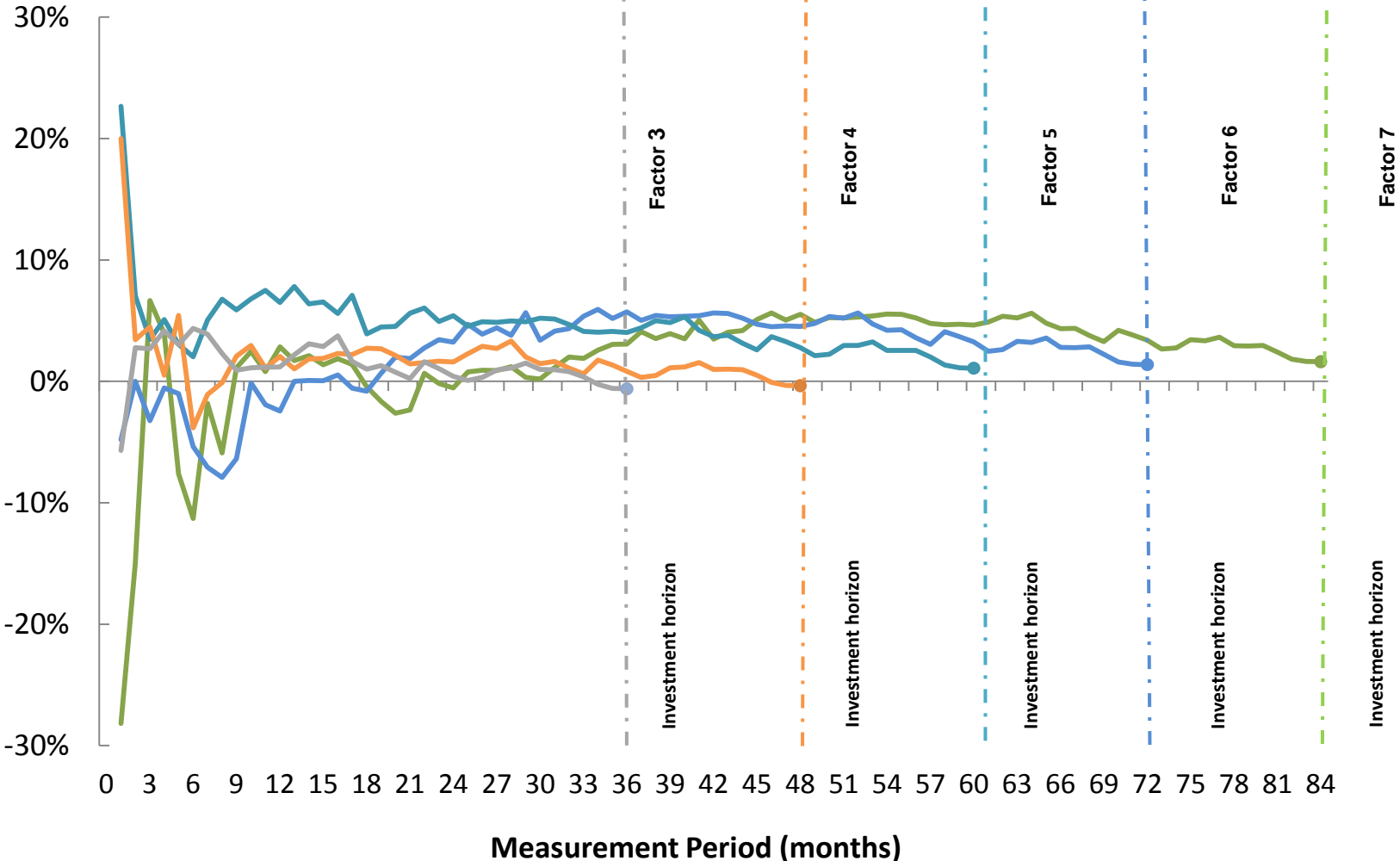
Short-term insurance: Key ratios improving



Excellence strategic focus area

Investments: Outcome-based Investing

Performance relative to goal

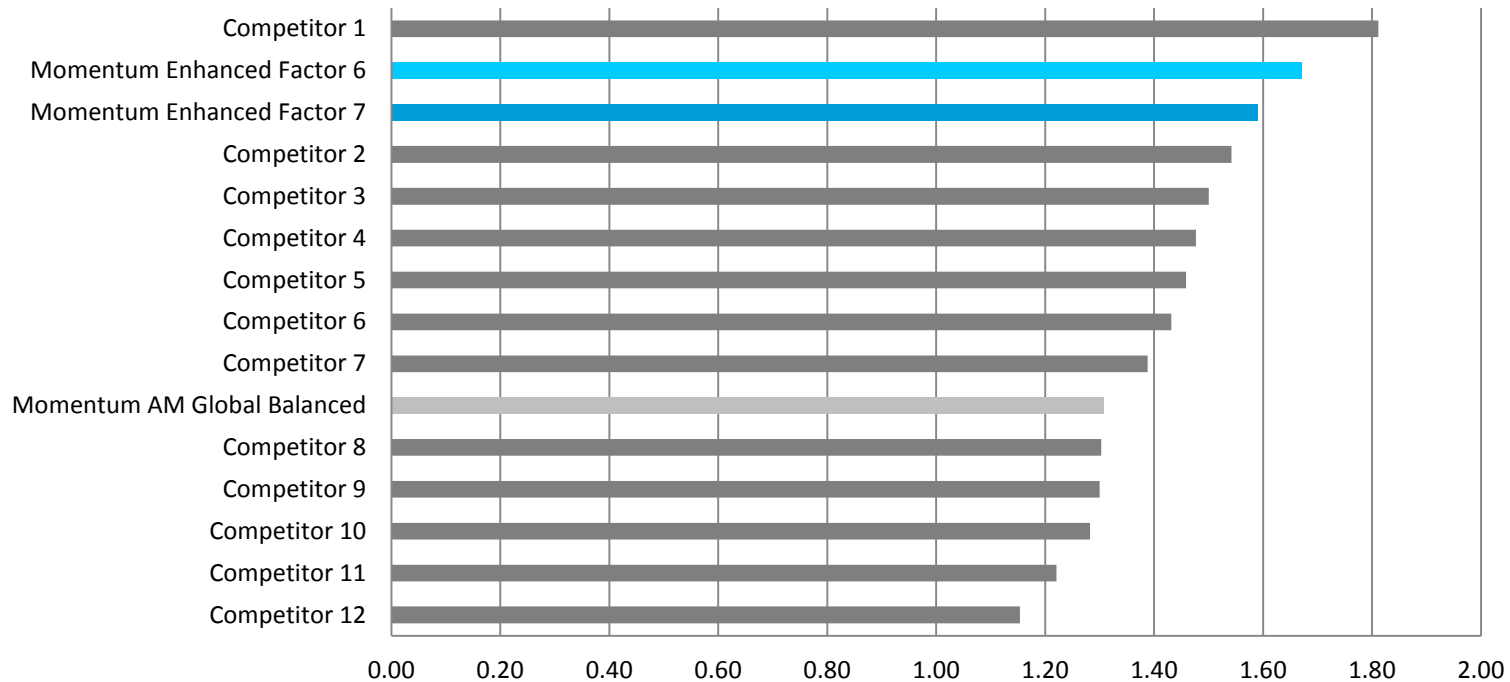


Excellence strategic focus area

Investments: Performance delivery

Skill in investment construction – focus on risk & performance delivery

Risk adjusted returns - December 2006 – December 2016



Source : Forbes Large Manager Watch Survey

Strategic focus areas: Enablers

PURPOSE:

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Strategic focus areas



Client centricity



Geographical diversification



Excellence



Financial aspirations

Growth in earnings

Growth in value of new business

Return on embedded value



Client aspirations

“My Financial Wellness partner”



Enablers

Flexible and modular systems

Innovation

Culture

Data analytics

Enablers: Innovation: Exponential Ventures



Expect to earn market related venture capital returns.



Use insights to introduce cutting edge financial technology to MMI operations.



Provide fintech prospects with access to scale via MMI client base.

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momentum



GUARDRISK

multiply

Business performance: Financial aspirations

Financial aspirations

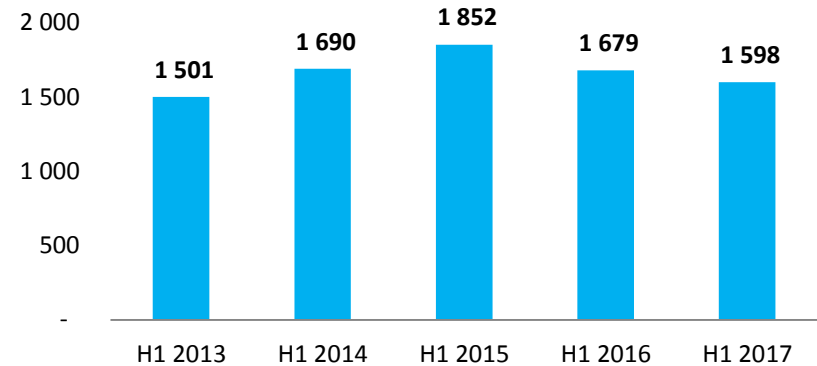
Growth in earnings

Growth in value of new business

Return on embedded value

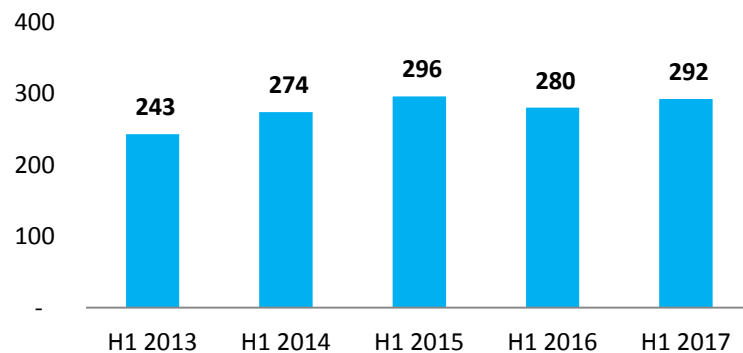
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Core earnings



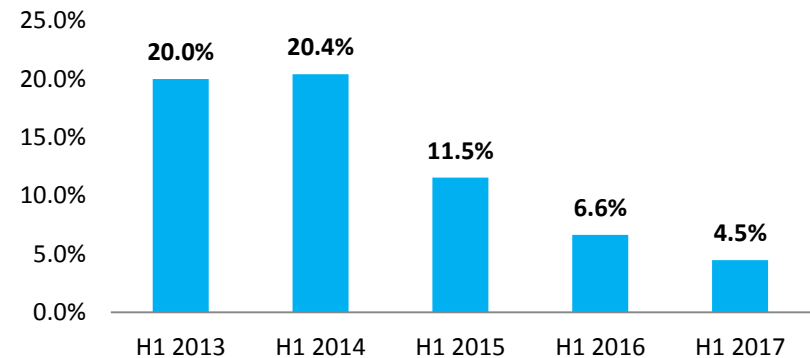
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Value of new business



%

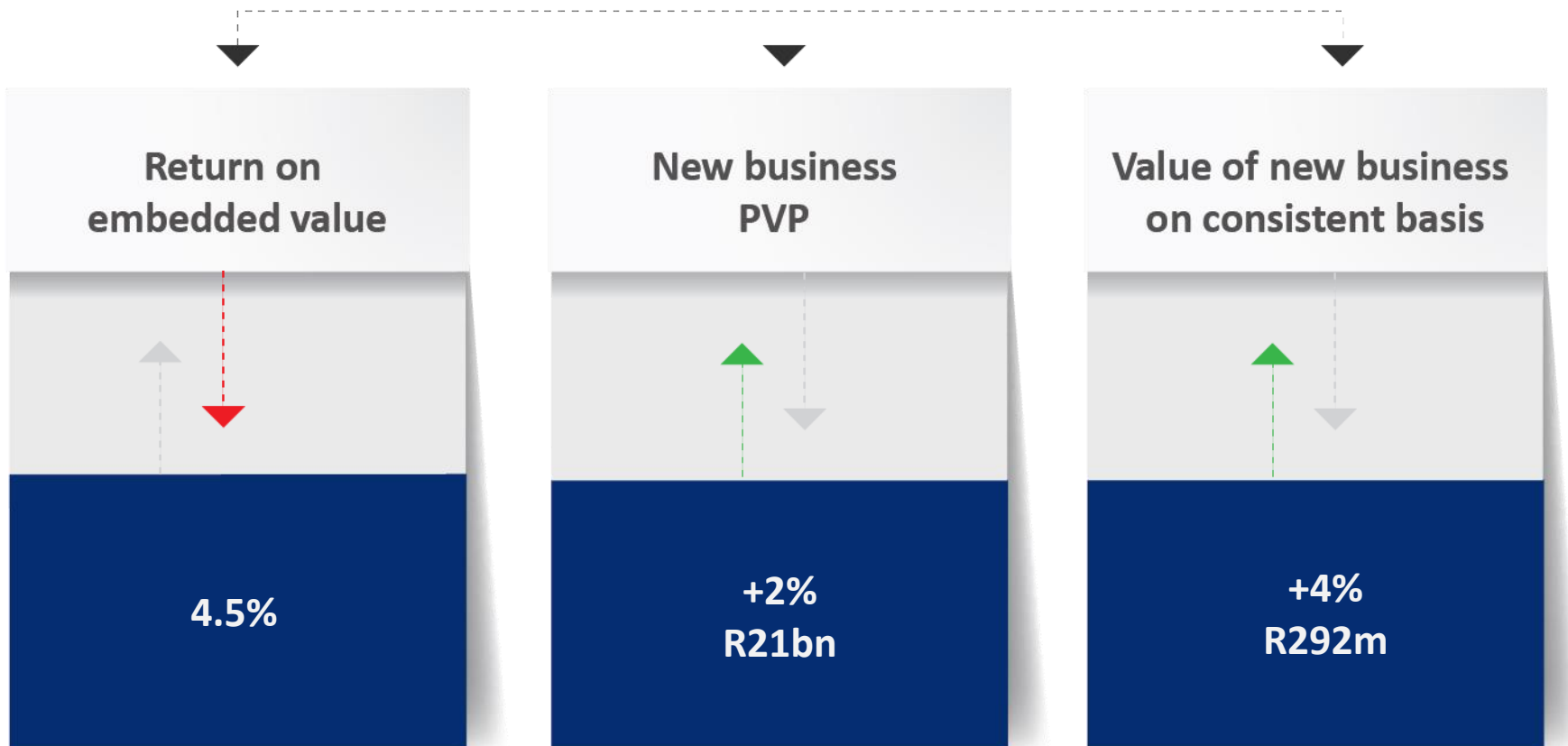
Return on embedded value



* Prior VNB numbers normalised for economic and expense basis changes

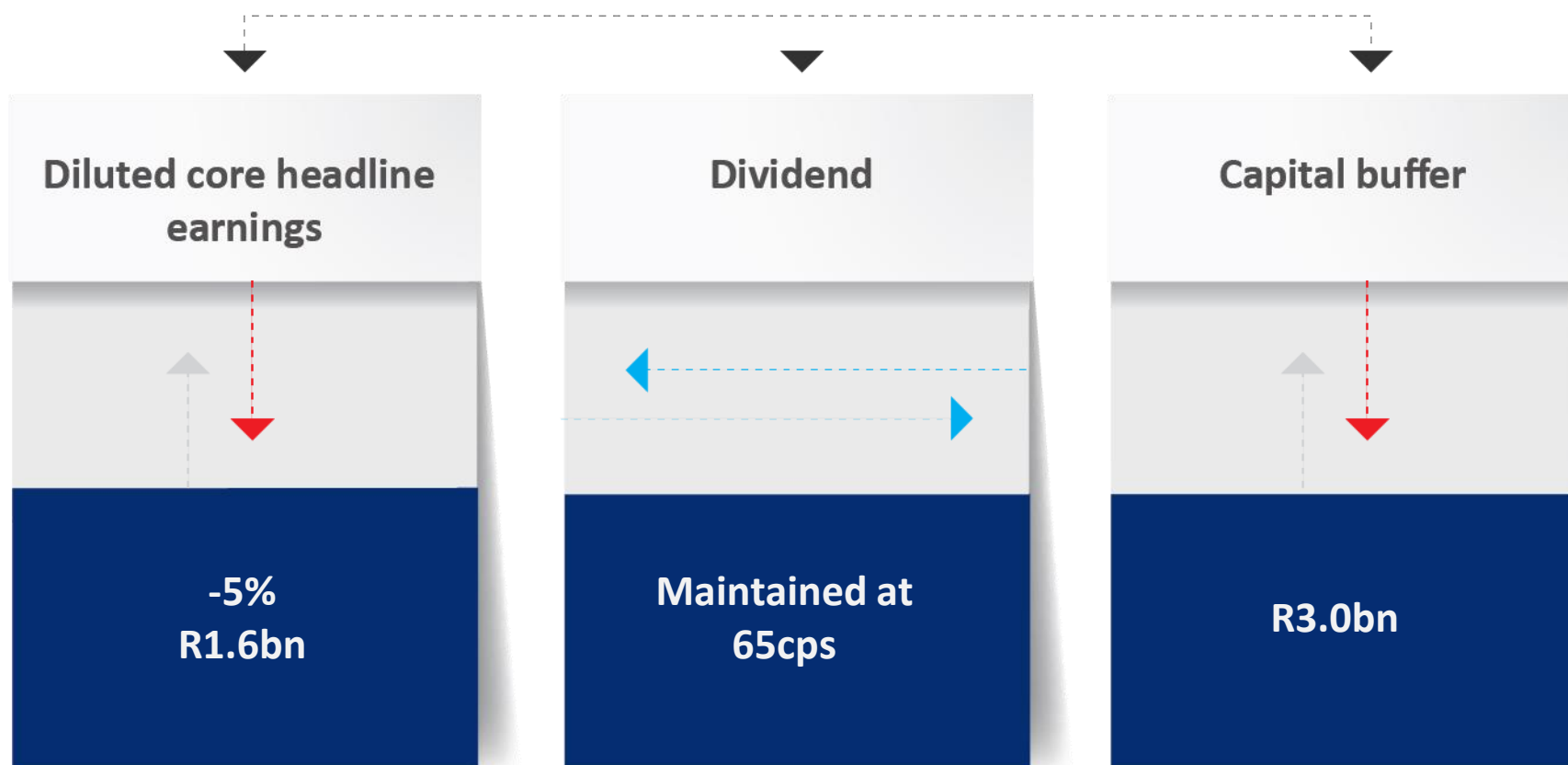
Business performance: H12017 Financial aspirations

Financial aspirations



Business performance: H12017 Financial aspirations

Financial aspirations



Financial Aspirations

Growth in earnings

Diluted core headline earnings per segment

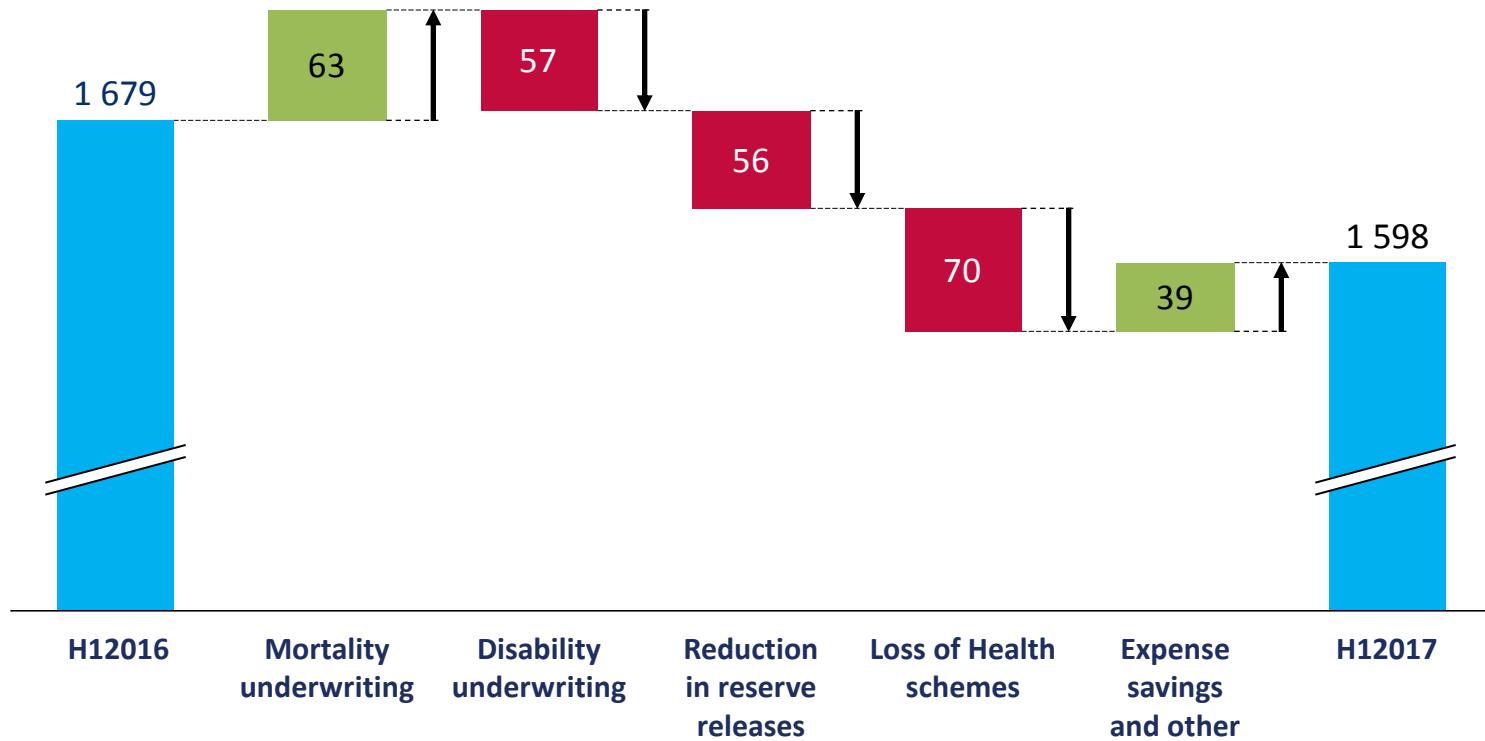
	Dec 2015	Dec 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	%
Momentum Retail	644	649	1%
Metropolitan Retail	316	373	18%
Corporate and Public Sector	396	280	(29%)
International	(39)	(61)	(56%)
Segment results	1 317	1 241	(6%)
Shareholder capital	362	357	(1%)
Total	1 679	1 598	(5%)

Profits impacted by markets and underwriting experience

Financial Aspirations

Growth in earnings

Significant factors impacting on the decline in core headline earnings

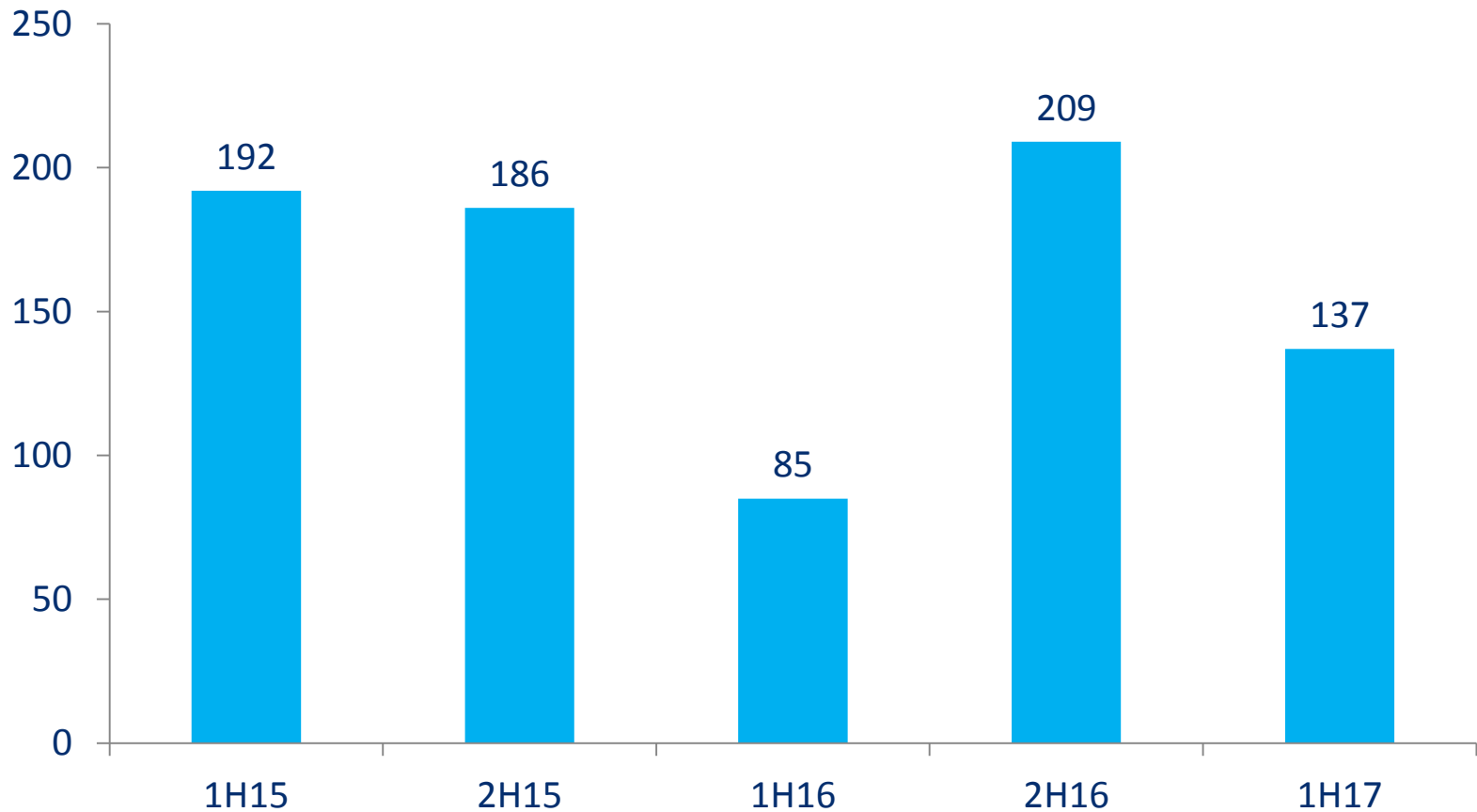


External environment

Underwriting experience variance

Retail mortality and morbidity experience variance

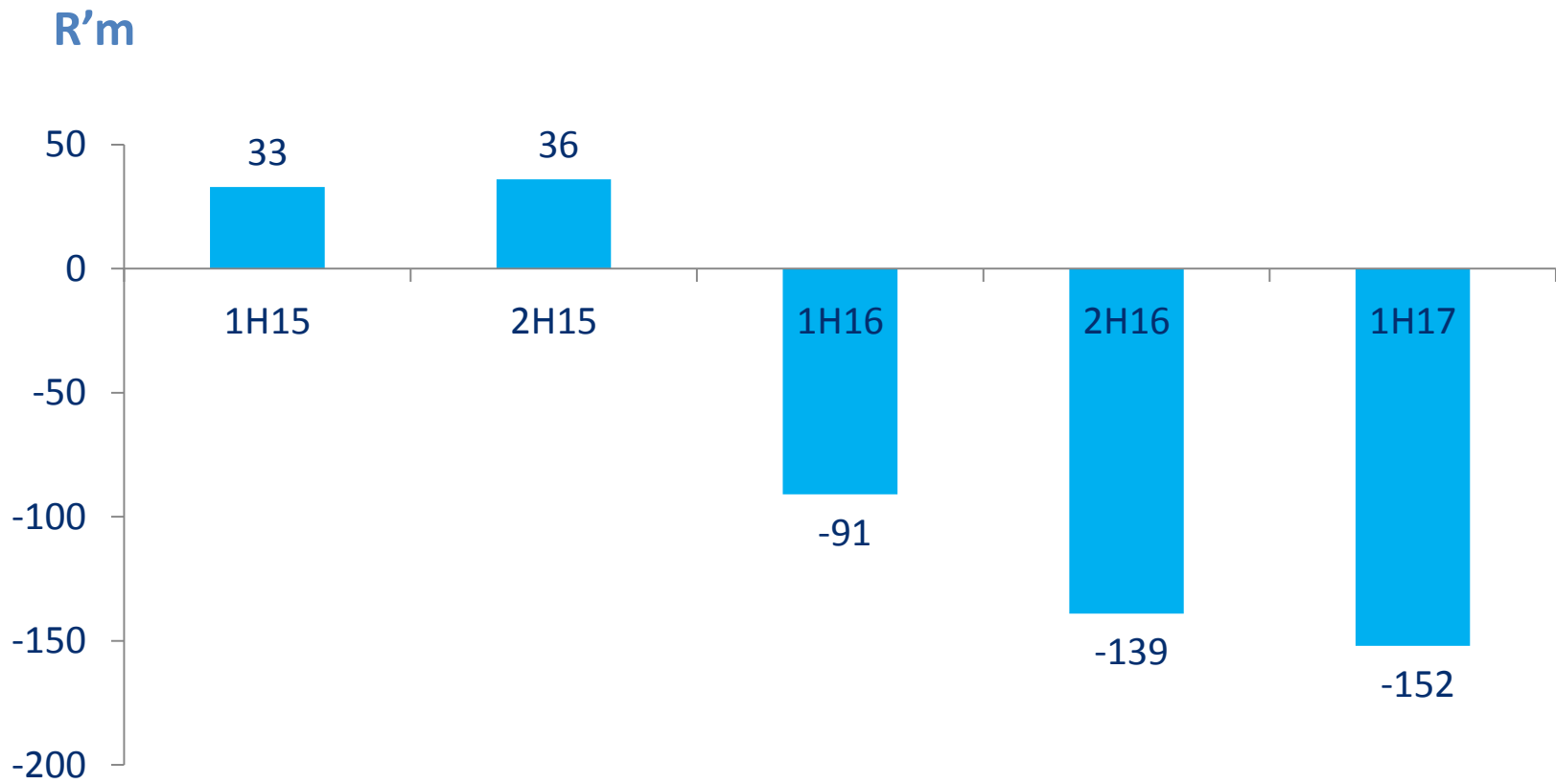
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External environment

Underwriting experience variance

Corporate and Public Sector mortality and morbidity experience variance



Group disability underwriting experience

Current dynamics and industry experience

- PHI experience remains problematic
- Tough operating environment - industry experience looks similar
- Main driver of the PHI experience - weak economy
- Less claimants are returning to work
- Employees claim in lieu of retrenchment /early retirement

Group disability underwriting experience

Steps to minimise losses

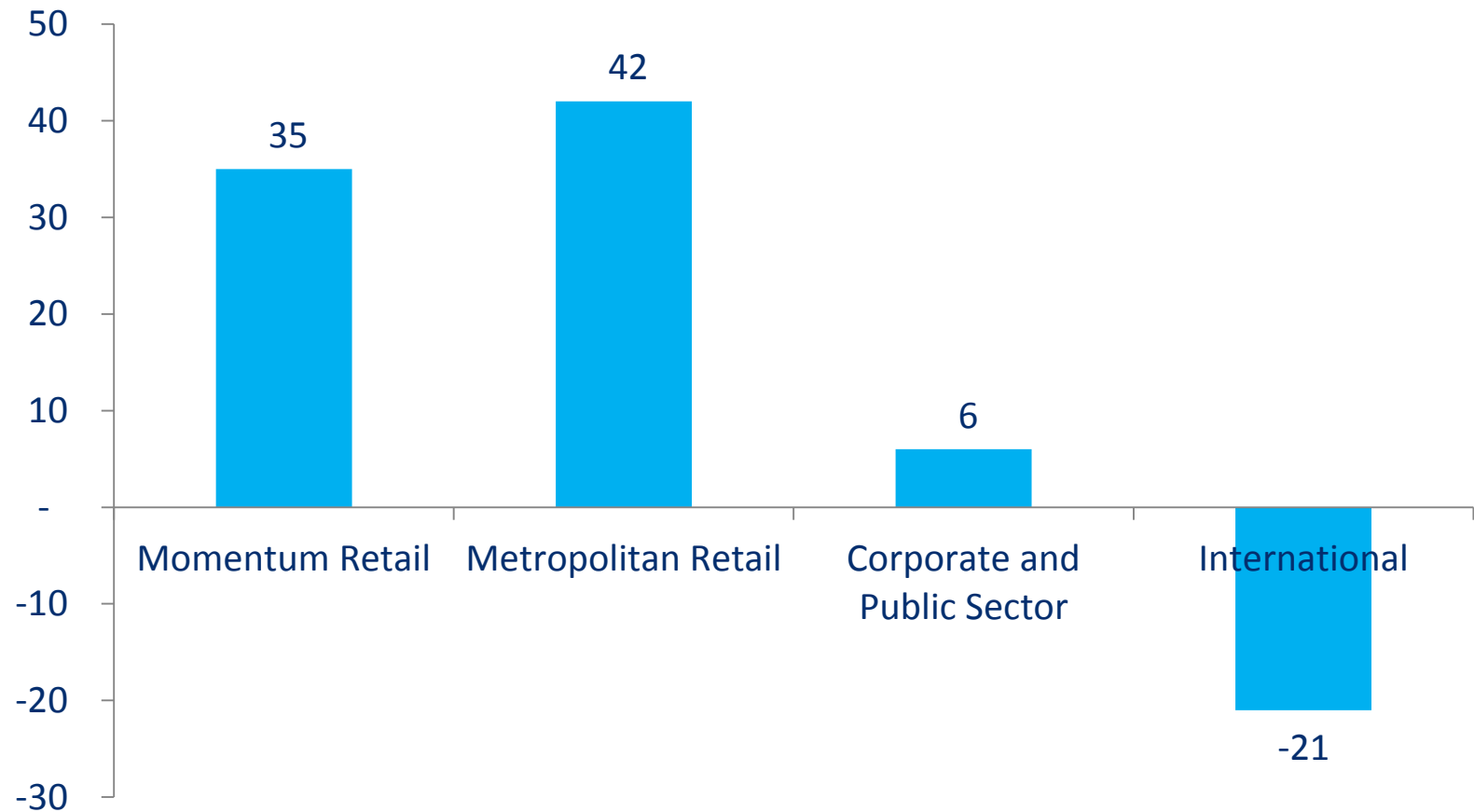
- Increased overall value proposition – reduce clients' price sensitivity
- Selective price increases
- Additional rating factors and predictive modelling in progress
- Pro-active fraud management activities

Expense management

Expense experience variance

Segment expense experience variance

R'm



Growth in earnings

International earnings lower in tough conditions

	Dec 2015	Dec 2016	Change
	<i>Rm</i>	<i>Rm</i>	
Namibia	71	44	(38%)
Africa - South	74	72	(3%)
Africa - East	(47)	(59)	(26%)
Cannon	(26)	(38)	(46%)
aYo	(7)	(6)	14%
Other	(14)	(15)	(7%)
Africa - West	(13)	(2)	85%
India	(43)	(51)	(19%)
UK	8	19	138%
Central expenses	(89)	(84)	6%
Core headline earnings as reported	(39)	(61)	(56%)

Focussing on most promising businesses

Growth in earnings

Investment in strategic initiatives

Core Headline Earnings

	Dec 2015	Dec 2016	Change
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>
Momentum Short-term Insurance	(97)	(69)	28
India - JV	(21)	(39)	(18)
Exponential ventures	(5)	(13)	(8)
aYo	(7)	(6)	1
Investment in strategic initiatives	(130)	(127)	3
Operations reclassified or exited	(64)	(26)	38
Investment in strategic initiatives (like-for-like basis)	(194)	(153)	41
% of earnings	12%	10%	

Financial aspirations

Growth in value of new business

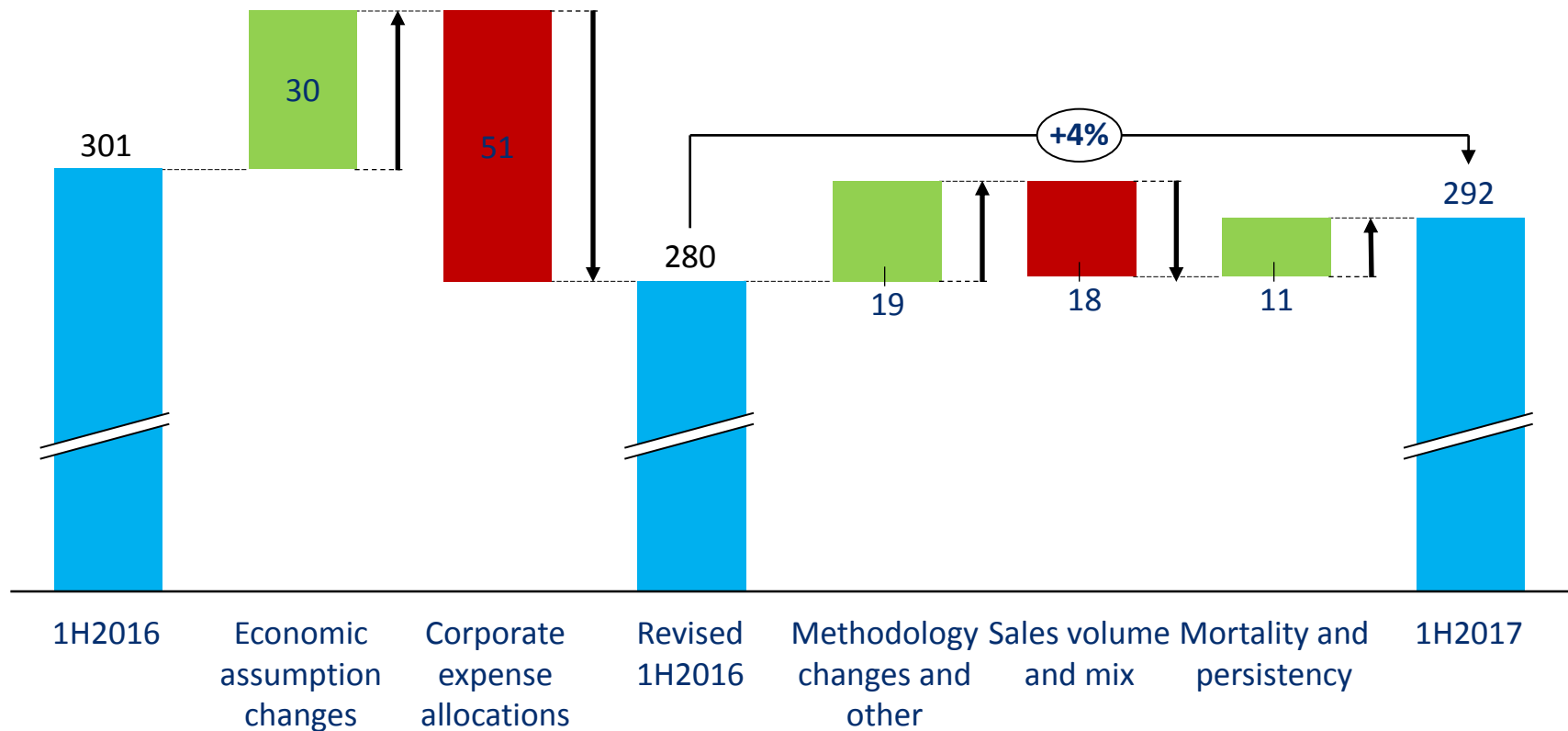
New business per segment

	Dec 2015	Dec 2016	Change
	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	12 673	12 114	(4%)
Metropolitan Retail	2 411	2 673	11%
Corporate and Public Sector	4 530	5 094	12%
International	1 175	1 414	20%
Total PVP	20 789	21 295	2%
Total APE	2 800	2 924	4%

Financial aspirations

Growth in value of new business

Value of new business adjusted for new basis



Growth despite difficult operating conditions

Financial aspirations

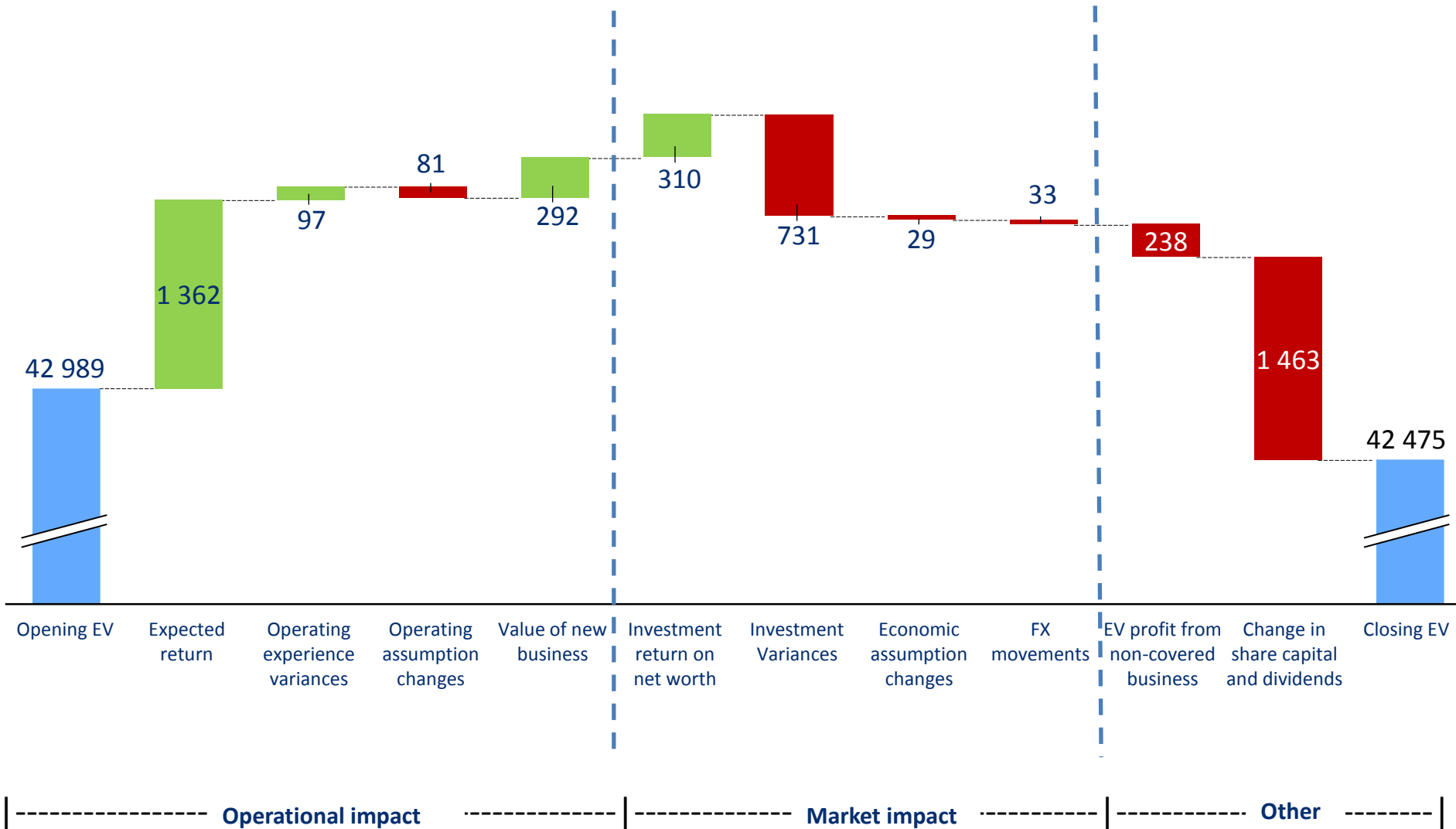
Growth in value of new business

Value of new business per segment

	Dec 2015	Dec 2015 Rebased	Dec 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	126	120	110	(8%)
Metropolitan Retail	68	68	94	38%
Corporate and Public Sector	76	63	42	(33%)
International	31	29	46	59%
Total	301	280	292	4%
New business margin (PVP)	1.4%	1.3%	1.4%	

Return on embedded value

EV analysis



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Momentum Retail

	Dec 2015	Dec 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	
Core Headline Earnings	644	649	1%
Value of new business (restated)	120	110	(8%)
New business margin	0.9%	0.9%	-

Key aspects

- Core Headline Earnings impacted by the following:
 - Reserve releases in prior period offset by good expense control in current period
 - Better experience relative to the valuation basis
 - Improved core headline earnings contribution from non-covered business
- Lower VNB due to lower new business volumes
- Single premium new business down from high levels seen in 1H16

Metropolitan Retail

	Dec 2015	Dec 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	
Core Headline Earnings	316	373	18%
Value of new business (restated)	68	94	38%
New business margin	2.8%	3.5%	0.7%

Key aspects

- Strong Core Headline Earnings growth - new business strain constant despite increased volumes; underwriting profits also improved
- VNB growth due to increased sales volumes
- Writing more profitable risk business – this has a positive impact on VNB and margin
- Persistency – early duration lapse experience deteriorated slightly

Corporate and Public sector

	Dec 2015	Dec 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	
Core Headline Earnings	396	280	(29%)
Value of new business (restated)	63	42	(33%)
New business margin	1.4%	0.8%	(0.6%)

Key aspects

- PHI underwriting results and loss of the two large Health clients drives the reduction in Core Headline Earnings
- Slow start to single premium new business volumes, but good pipeline for 2H17
- Changing product mix resulting in decreased margin

International

	Dec 2015	Dec 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	
Core Headline Earnings	(39)	(61)	(56%)
Value of new business (restated)	29	46	59%
New business margin	2.5%	3.2%	0.7%

Key aspects

- Core Headline Earnings reduction - losses in the short-term insurance business and weaker Namibia PHI experience
- Increased sales volumes and improved product mix resulting in VNB and margin increase

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Capital management

Economic capital

R'bn	Jun 2016	Dec 2016
Net asset value as per embedded value statement	16.9	16.7
Qualifying debt	3.6	3.5
Less: net asset value of strategic subsidiaries	(3.5)	(3.6)
Less: required capital	(9.7)	(9.9)
Capital before deployment	7.3	6.7
Deployed	(3.7)	(3.7)
Dividend payable	(1.5)	(1.0)
Strategic initiatives	(2.2)	(2.7)
Capital buffer after deployment	3.6	3.0

Capital management

Change in the capital buffer

R'bn

Capital buffer at 30 June 2016	3.6
Profit from covered business	1.5
Profit from non-covered business	(0.2)
Dividends, new equity and sub-ordinated capital	(1.1)
Increase in required capital	(0.3)
Strategic commitments	(0.5)
Capital buffer at 31 December 2016	3.0

Capital management

Dividend

Dividend policy

- Stable dividend growth
- Long-term view
- Growth in core headline earnings
- Allowance for volatile investment markets, capital requirements and changes in legislation

Separate dividend policy from capital management

Dividend per share (cents)

	2015	2016	H12017	Change
Interim ordinary dividend	63	65	65	0%
Final ordinary dividend	92	92		
Total ordinary dividend	155	157		

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Critical focus areas

Critical Focus Areas



Client centricity

- Multiply
- Financial Wellness



Growth

- Channel growth
- Geographic diversification
 - India
 - Ayo
- Africa portfolio



Excellence

- Health
- Investment and Savings (Outcome-Based model)
- Short-term insurance
- Life underwriting
- Expense optimisation

Financially-well people have two things in common:
a budget and a financial plan



momentum



GUARDRISK

multiply