



# ADVANCING MMI'S STRATEGY

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# 2016



momentum



METROPOLITAN

GUARDRISK 

*multiply*

# Agenda

1

Key financial metrics

2

MMI strategy

3

Strategic delivery

4

Business performance

5

Capital management

6

Critical focus areas



MMI HOLDINGS

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# 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

	2015 Actual	2016 Actual	% change	
	<i>Rm</i>	<i>Rm</i>		
Diluted core headline earnings	3 836	3 206	(16%)	↓
Ordinary dividend per share (cents)	155	157	1%	↑
New business PVP	50 396	68 164	35%	↑
Value of new business	954	850	(11%)	↓
Value of new business (like-for-like)	755	850	13%	↑
Return on embedded value (%)	9.6%	12.8%	3.2%	↑

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# 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

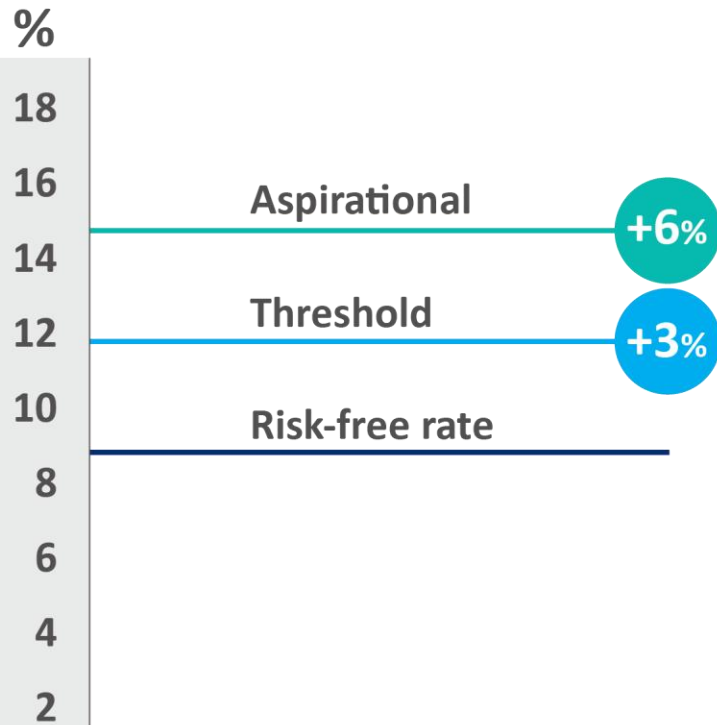
Culture

Data analytics

# Financial aspirations

Maximise shareholder value

Return on embedded value



Supported by

Growth in earnings

Growth in value of new business

Improve efficiencies

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# Strategic focus areas: Client centricity: Multiply

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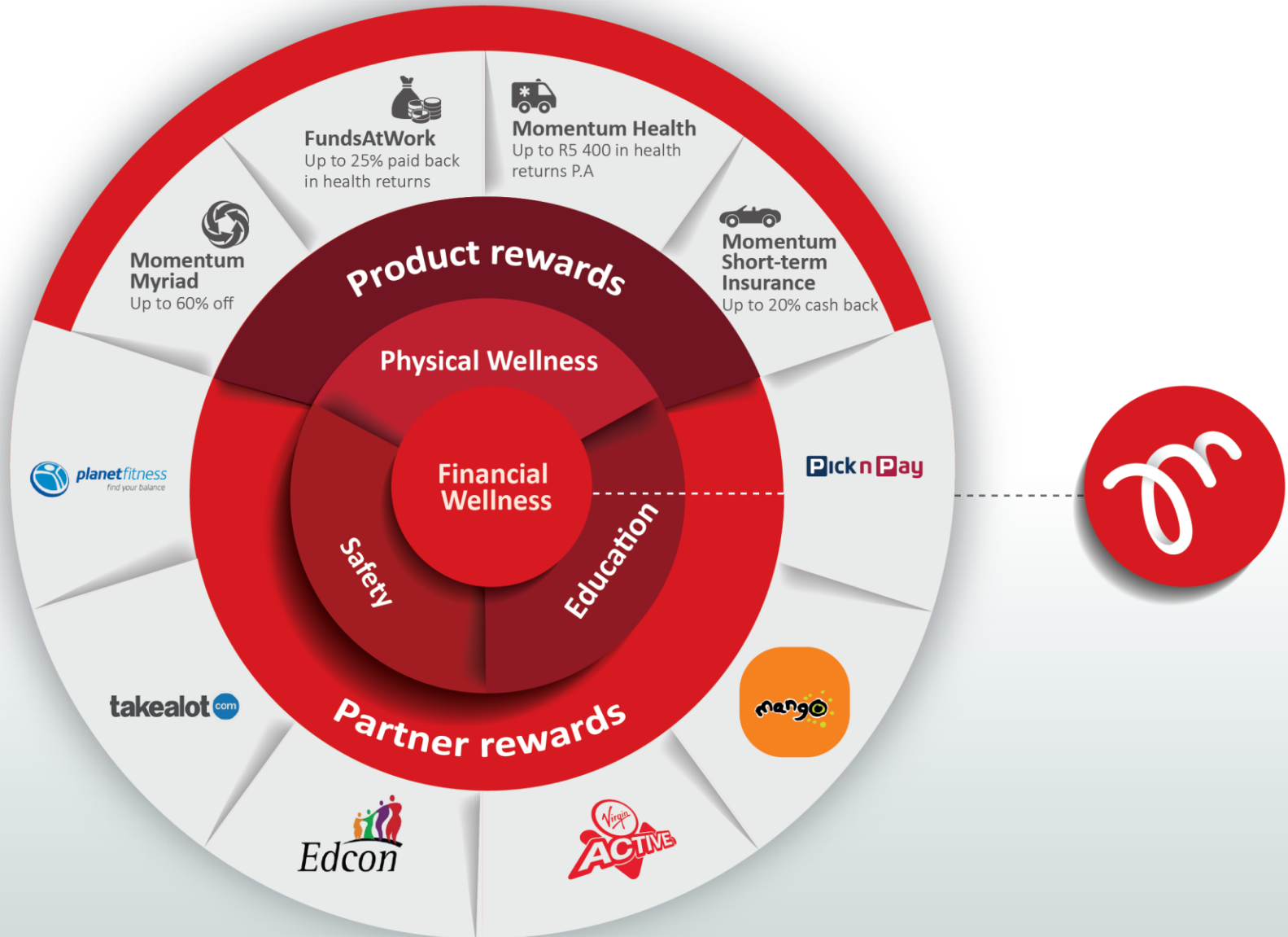
Life, Multiplied.

momentum

multiply

*multiply*

# Creating value for clients



# Creating value for **shareholders** across products

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*multiply*



Momentum Myriad



FundsAtWork



Momentum Health



Momentum Short-term  
Insurance



# Improvement in Myriad persistency



Momentum Myriad

## Persistency

Persistency rebased to	100%	Never Multiply members
Improvement in persistency seen for Multiply members	10%	Multiply members
Improvement in persistency: Multiply members higher than Bronze status	40%	Higher than Bronze base level Bronze

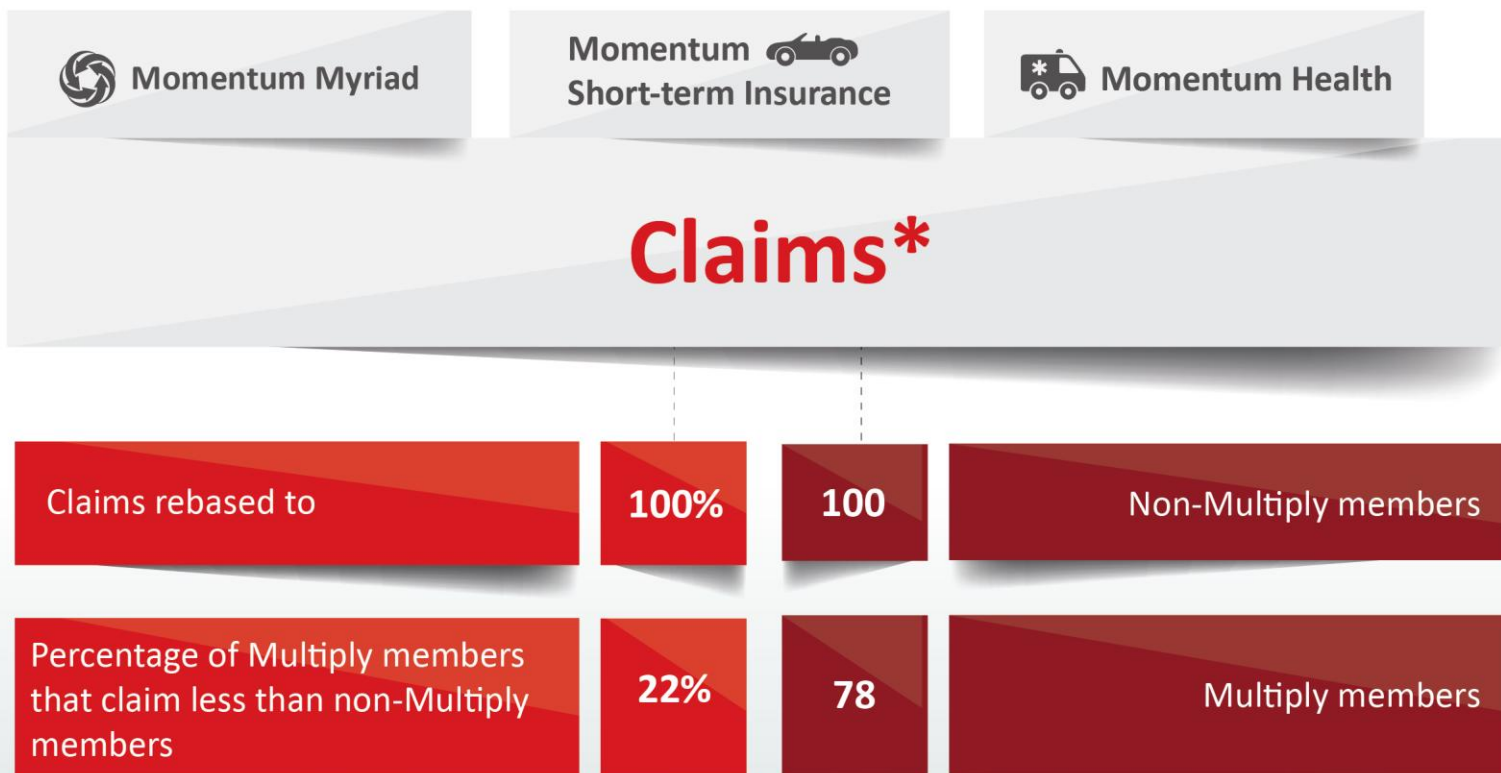
## Cross selling



\*85% of all clients with more than one product bought the additional product as a result of Multiply – either in conjunction with buying Multiply or shortly after



# Reduction in Myriad, Health and short-term insurance claims

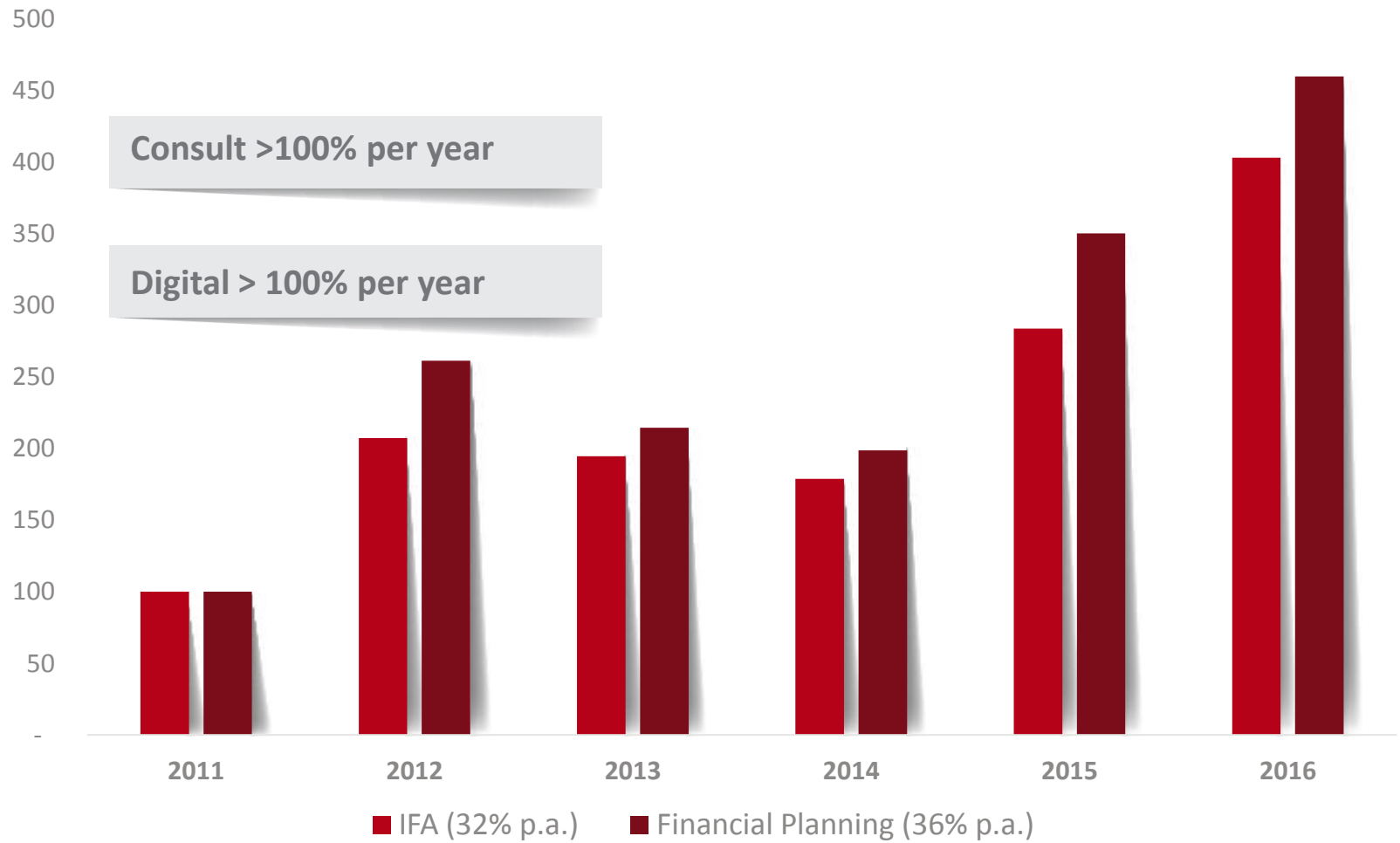


\*Claims data aggregated for Health, Myriad and Momentum Short-term Insurance



# Fast growth in membership

## Growth in Multiply sales



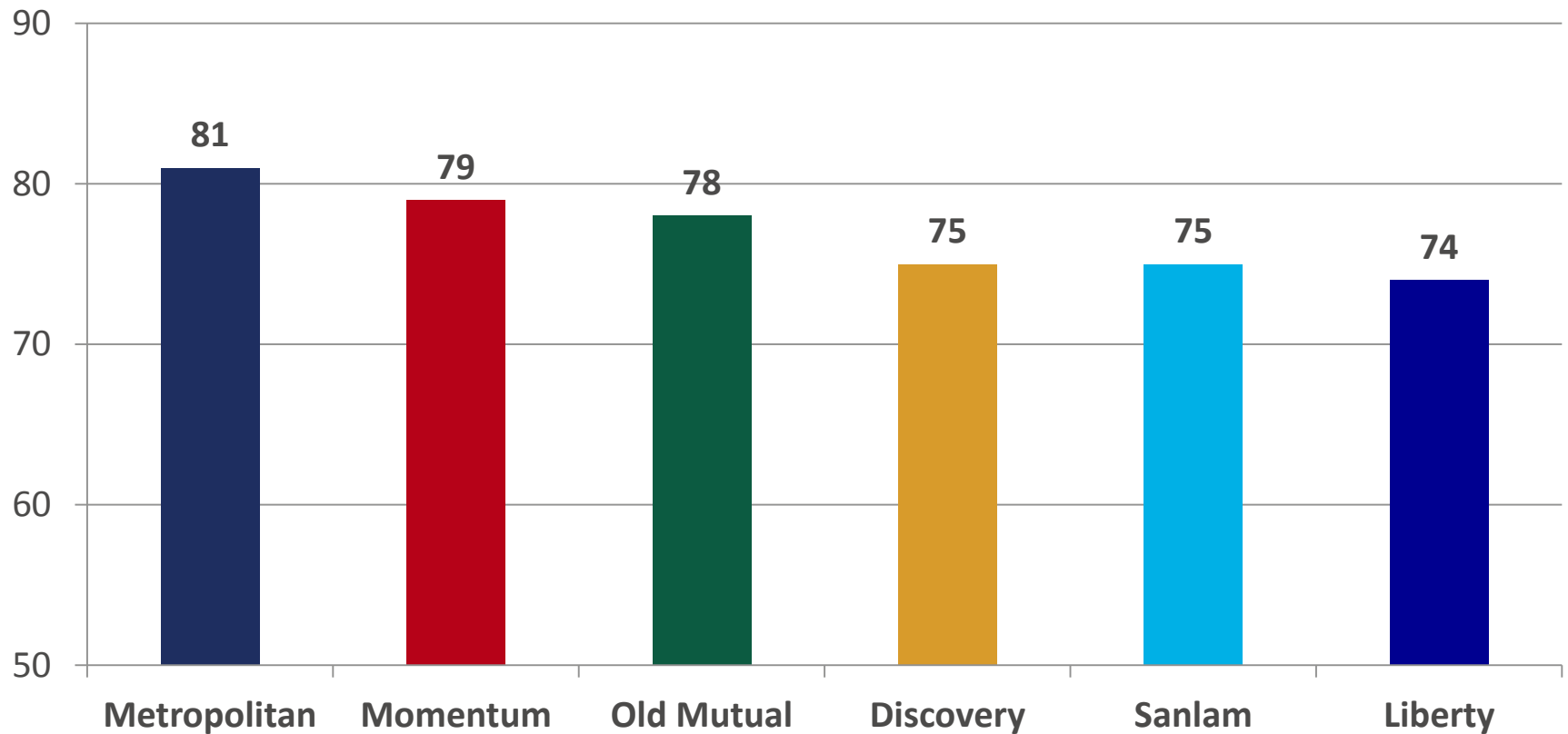
# Business Performance

Client aspirations: 2016 SA Client Satisfaction Index

Client aspirations

“My Financial Wellness partner”

Score



Source: SACSI South African Client Satisfaction Index



# Strategic focus areas: Channel growth

## PURPOSE

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**Channel growth:**  
**Metropolitan Retail**  
**Affinities**  
**aYo**



### Enablers

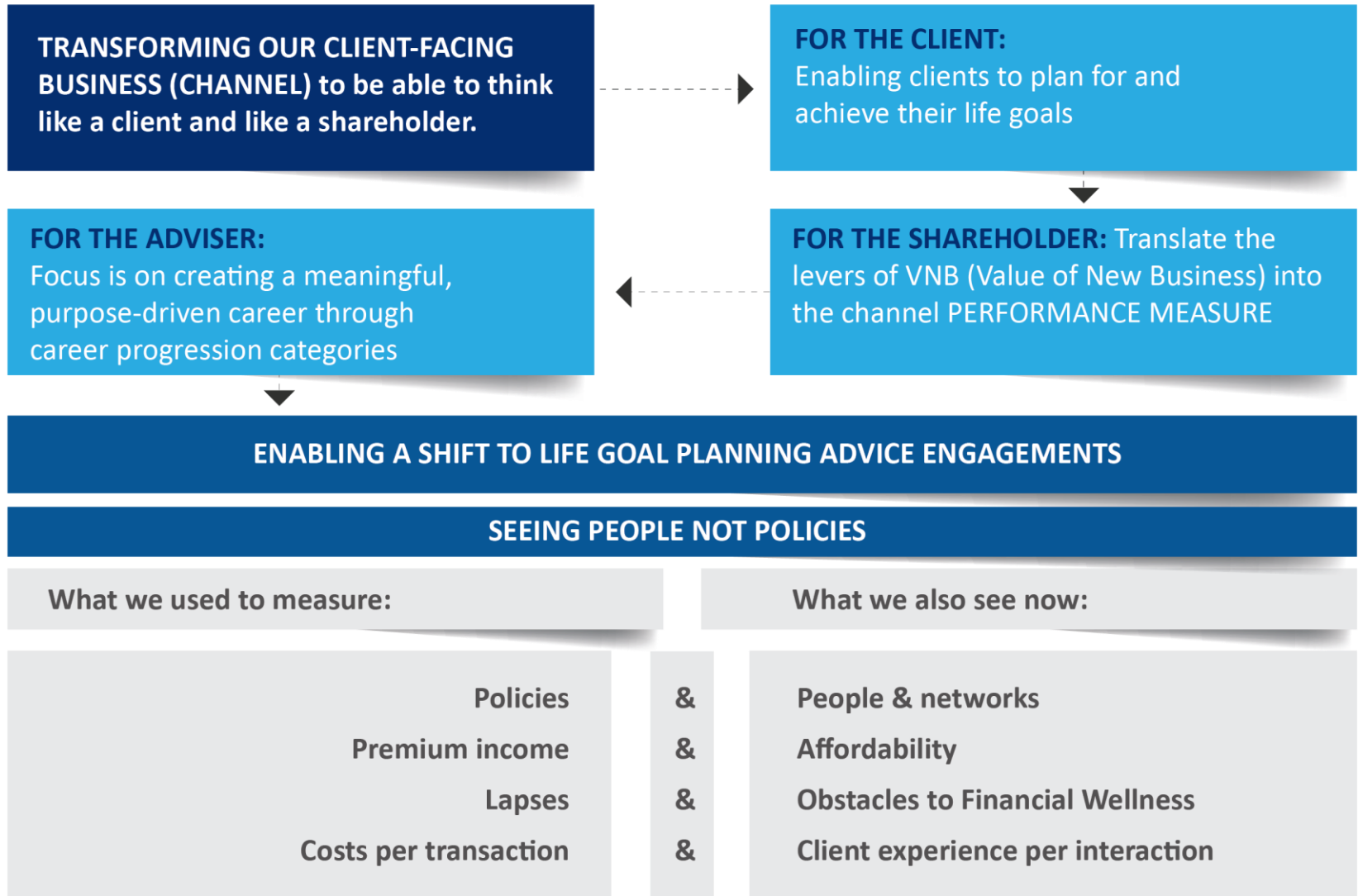
Flexible and modular  
systems

Innovation

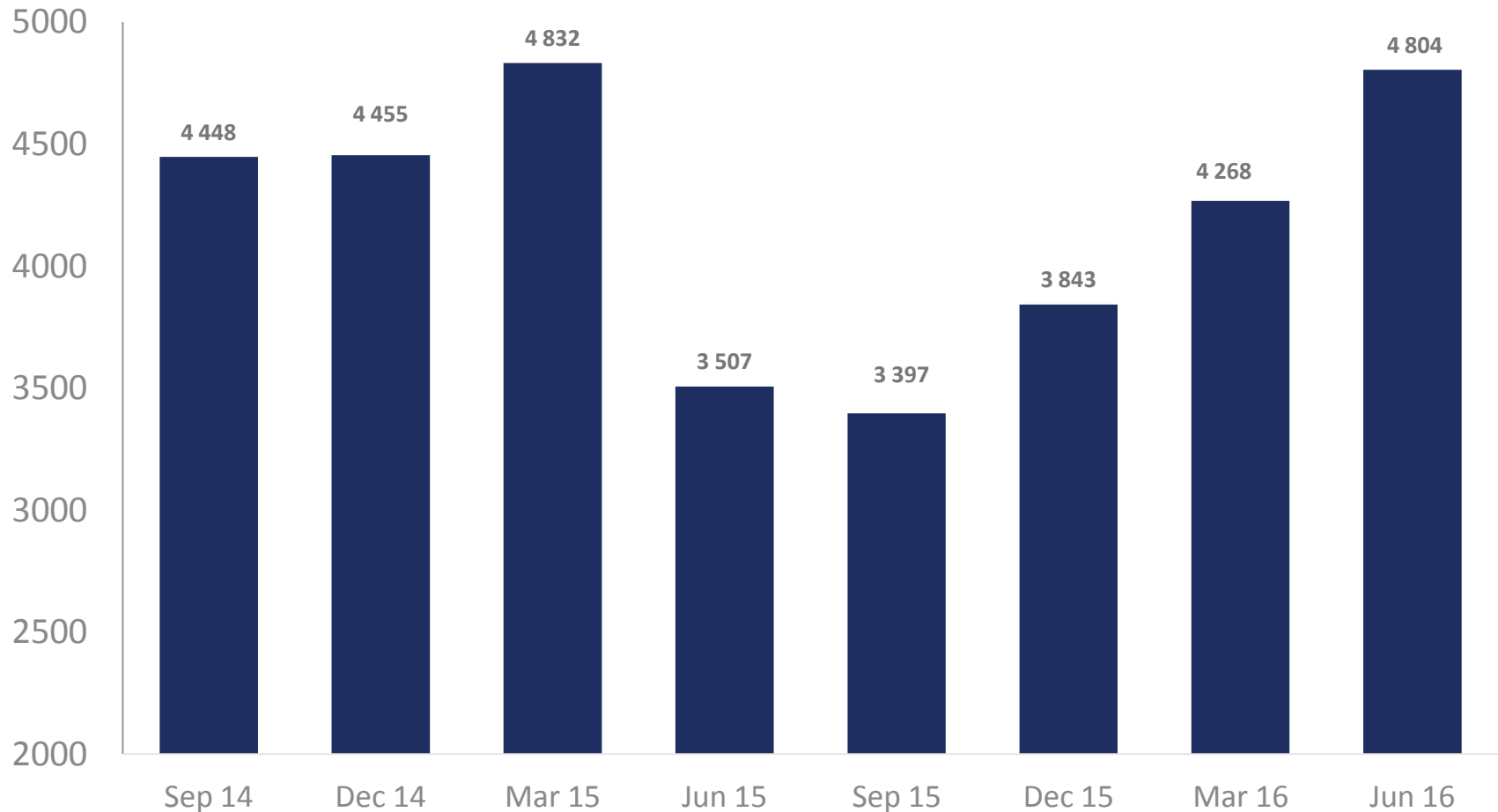
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# Growth strategic focus area: Channel growth: Metropolitan Retail channel transformation

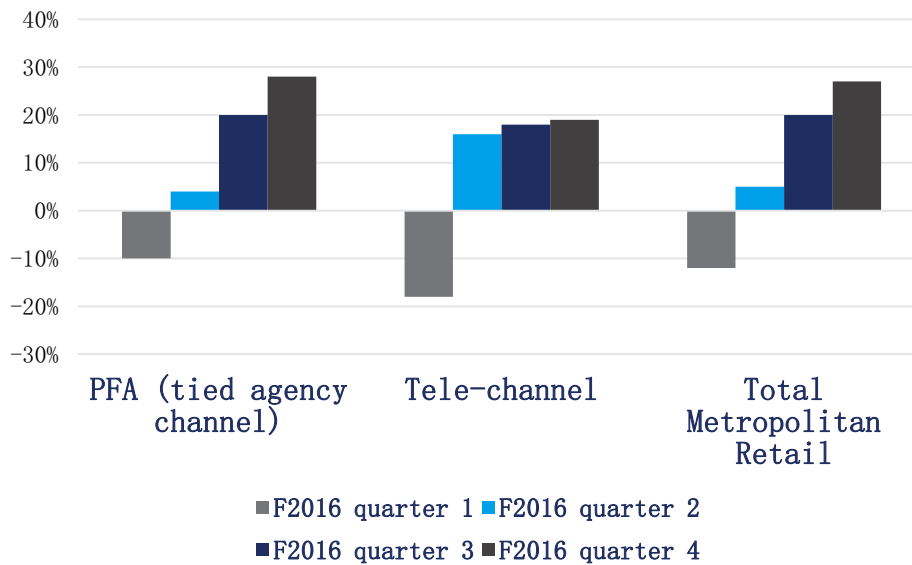


# Growth strategic focus area: Channel growth: Metropolitan Retail agency headcount

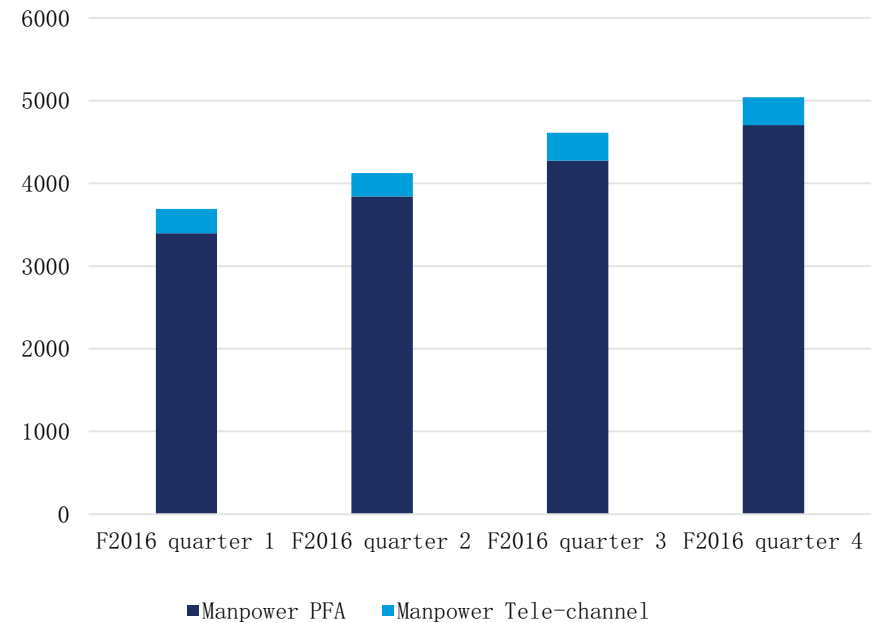


# Growth strategic focus area: Channel growth: Impact of Metropolitan Retail channel changes

### Quarterly % growth in APE F2016 v F2015



### Manpower replenishment in F2016



**Premium collection rates: 1,5% increase**

**Average productivity: 70% increase**



Metropolitan scored most likely to be recommended by customers



# Growth strategic focus area

Channel growth: Corporate and Public sector

## Multiple channels

- Intermediaries, affinity groups, direct engagement

## Digital portals

- Customised client experiences
- Integrated across physical and digital channels

## Affinity capabilities

- Capitec, African Bank, Bayport, HomeChoice

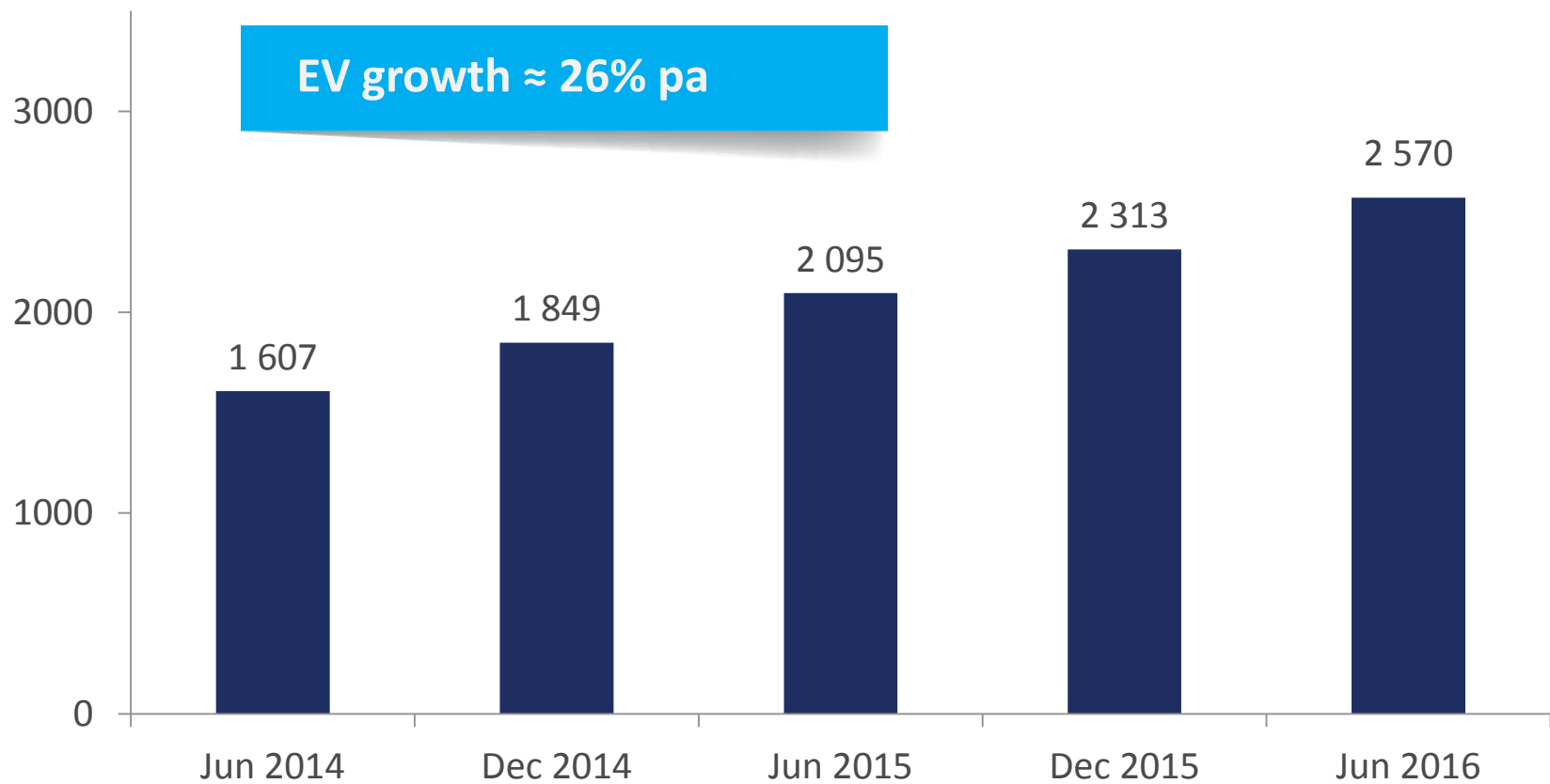
## Engagement toolkit

- Business Financial Wellness guide

# Growth strategic focus area

Channel growth: Guardrisk total embedded value

## Embedded value (Rm)

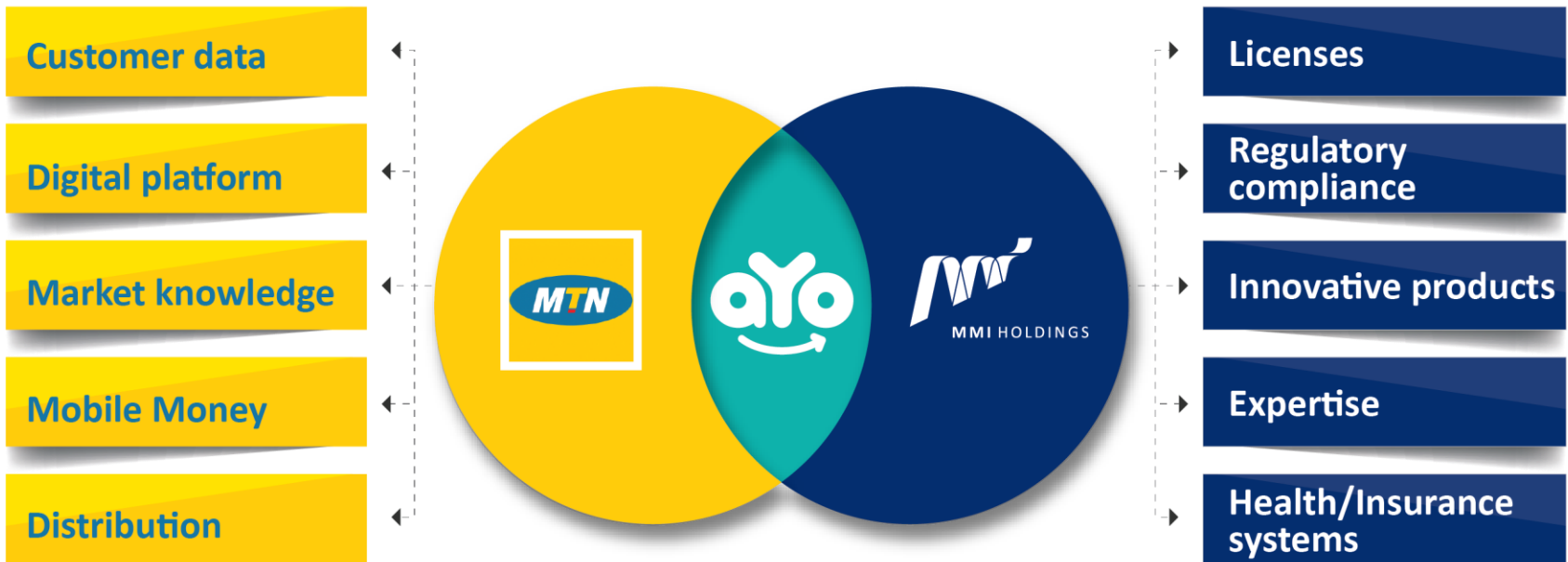


# Growth strategic focus area:

Channel growth: Mobile

## Introducing aYo

Leveraging joint assets



# Strategic focus areas: Excellence

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Excellence



Optimisation project



Centres of Excellence



### Enablers

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Innovation

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# Excellence strategic focus area

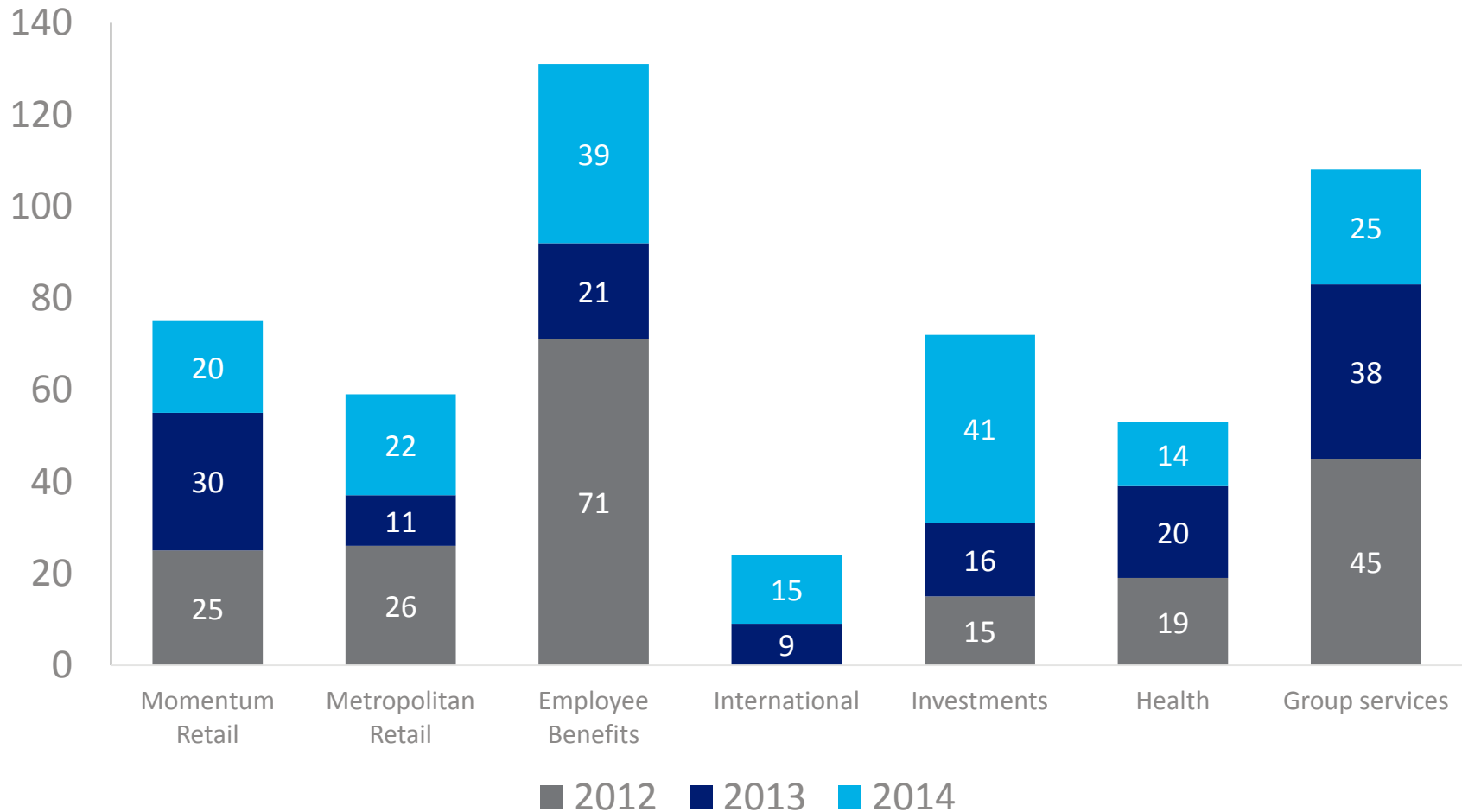
## Optimisation project

- Merger savings track record – R522 million
- New operating model enables optimisation
- Accumulative savings target of R750 million
- 14% of target realised in F2016

# Excellence strategic focus area

Track record: MMI merger savings of R522 million

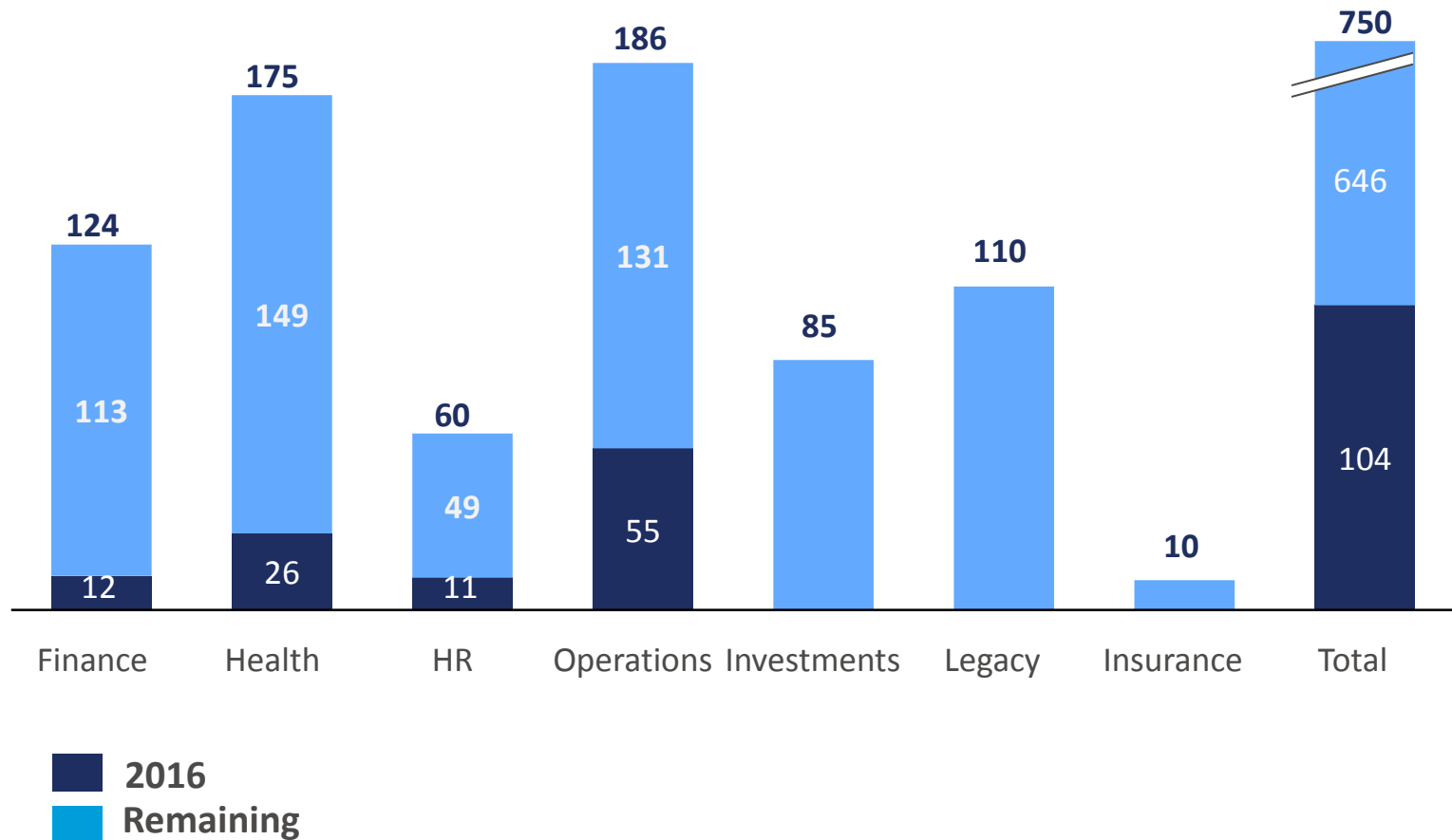
R million



# Excellence strategic focus area

Good early progress: Achieved R104 million of R750 million target

R million



# Strategic focus areas: Excellence

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Centres of Excellence



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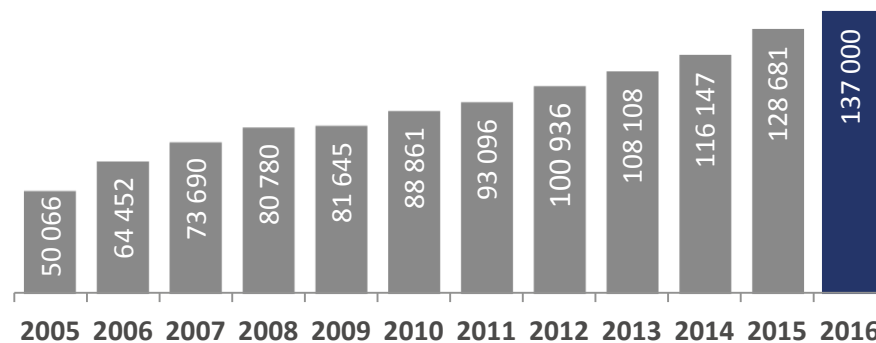
Data analytics

# Excellence strategic focus area

Health: Diversified business

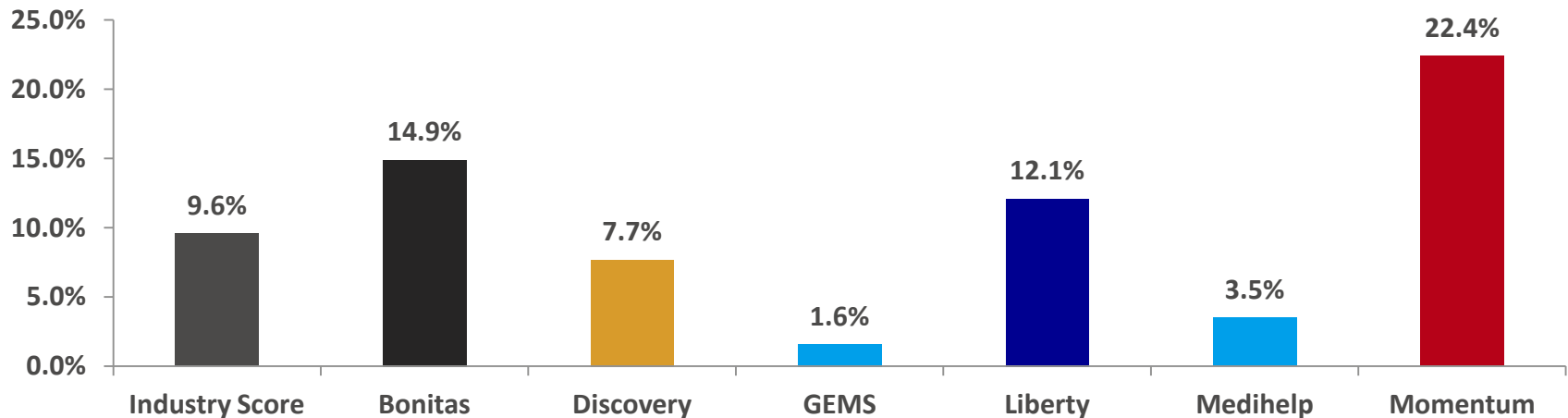
## 1. Momentum Health Open scheme

Momentum Health membership growth



- Fastest growing open market health value proposition
- Financially sustainable with required reserves and Global credit rating
- Rated in top 2 health value propositions by consumers and advisors

Net promoter score



# Excellence strategic focus area

Health: Diversified business

## 2. Wellness and Occupational Health

- Corporate and employee wellness solution gaining market share
- Large contract with SAPS
- Occupational Health growing

## 3. Low cost value proposition

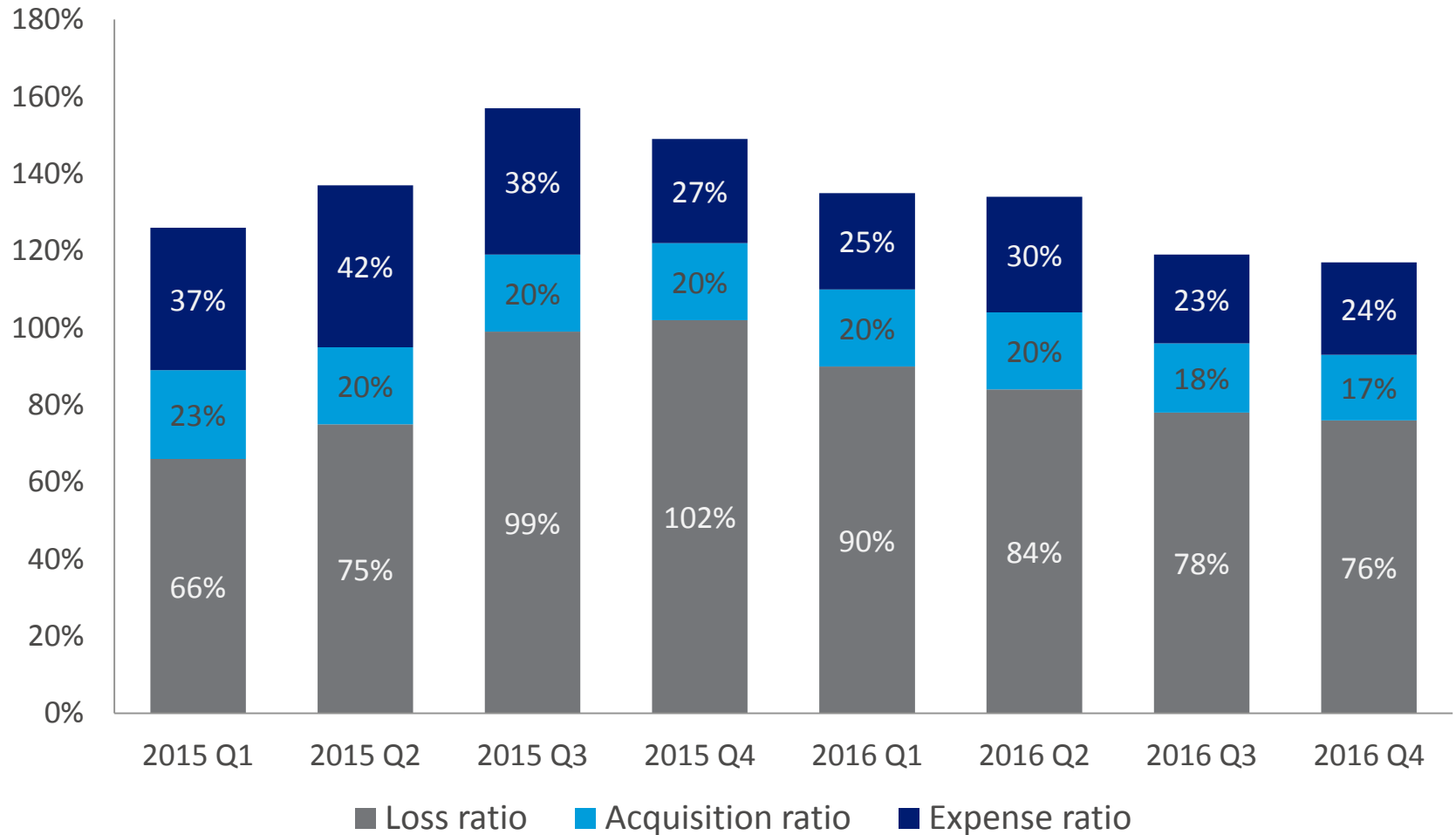
- Highest market share
- Fastest growing

## 4. Significant economic value in the business

- Restructured business case is forecasting R200m – R250m pa of core earnings by F2018
- This provides context into the R1.4bn EV carry value for these operations

# Excellence strategic focus area

Short-term insurance: Key ratios improving



# Enablers: Four key enablers

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### 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

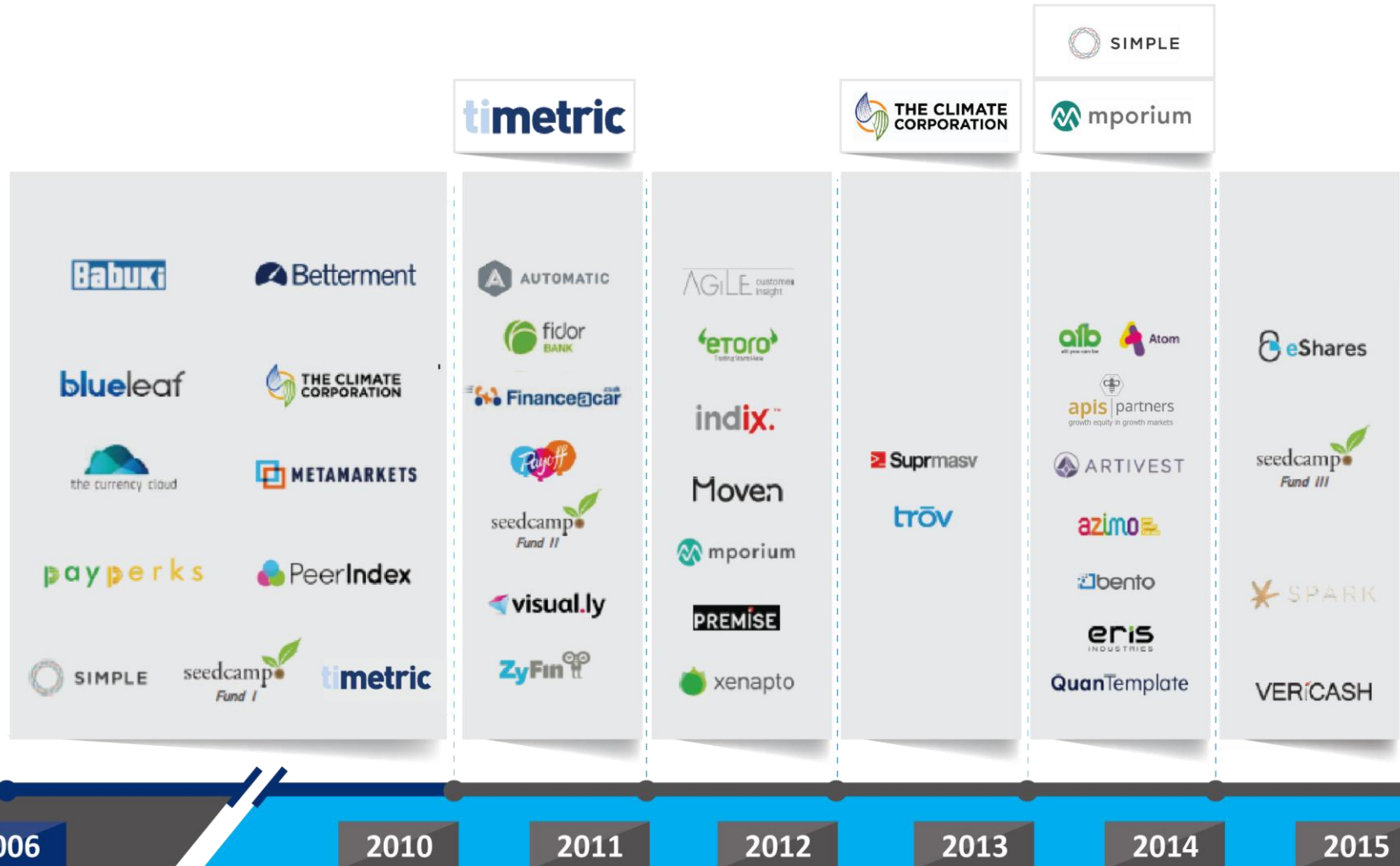
Culture

Data analytics



# Enablers: Innovation: Exponential Ventures

Leverage global Insurtech (Anthemis partnership)



□ = Exit

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**4 Business performance**

5 Capital management

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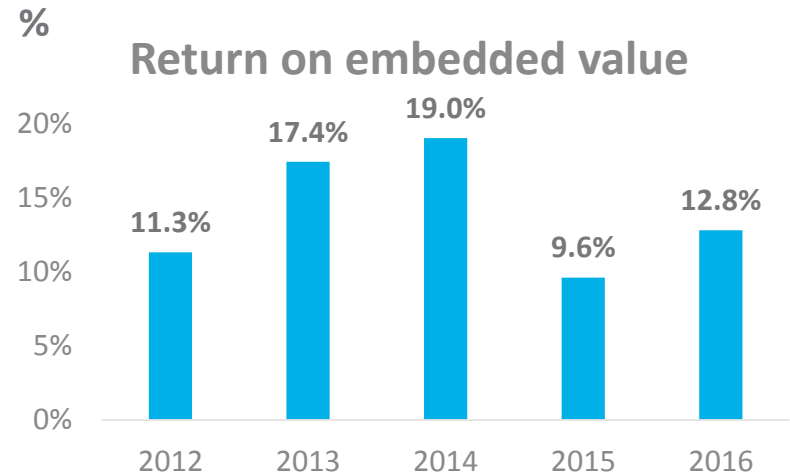
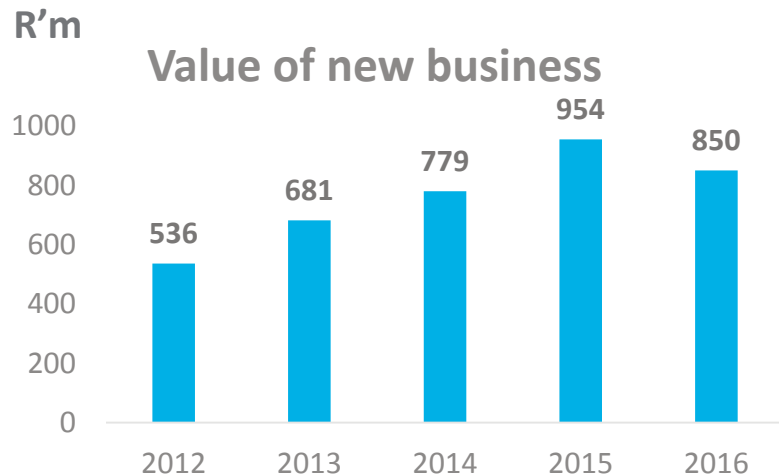
# Business performance: Financial aspirations progress

## Financial aspirations

Growth in earnings

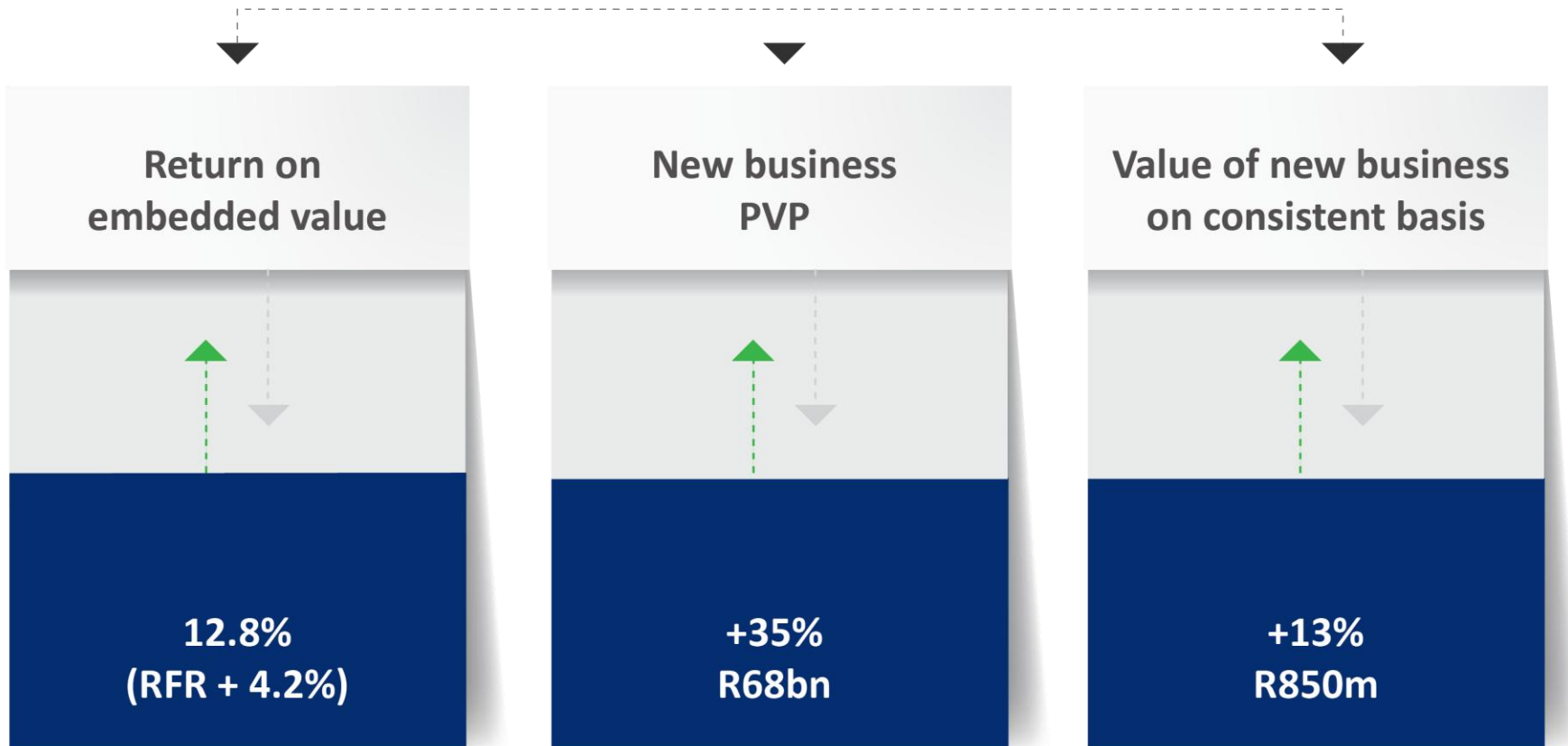
Growth in value of new business

Return on embedded value



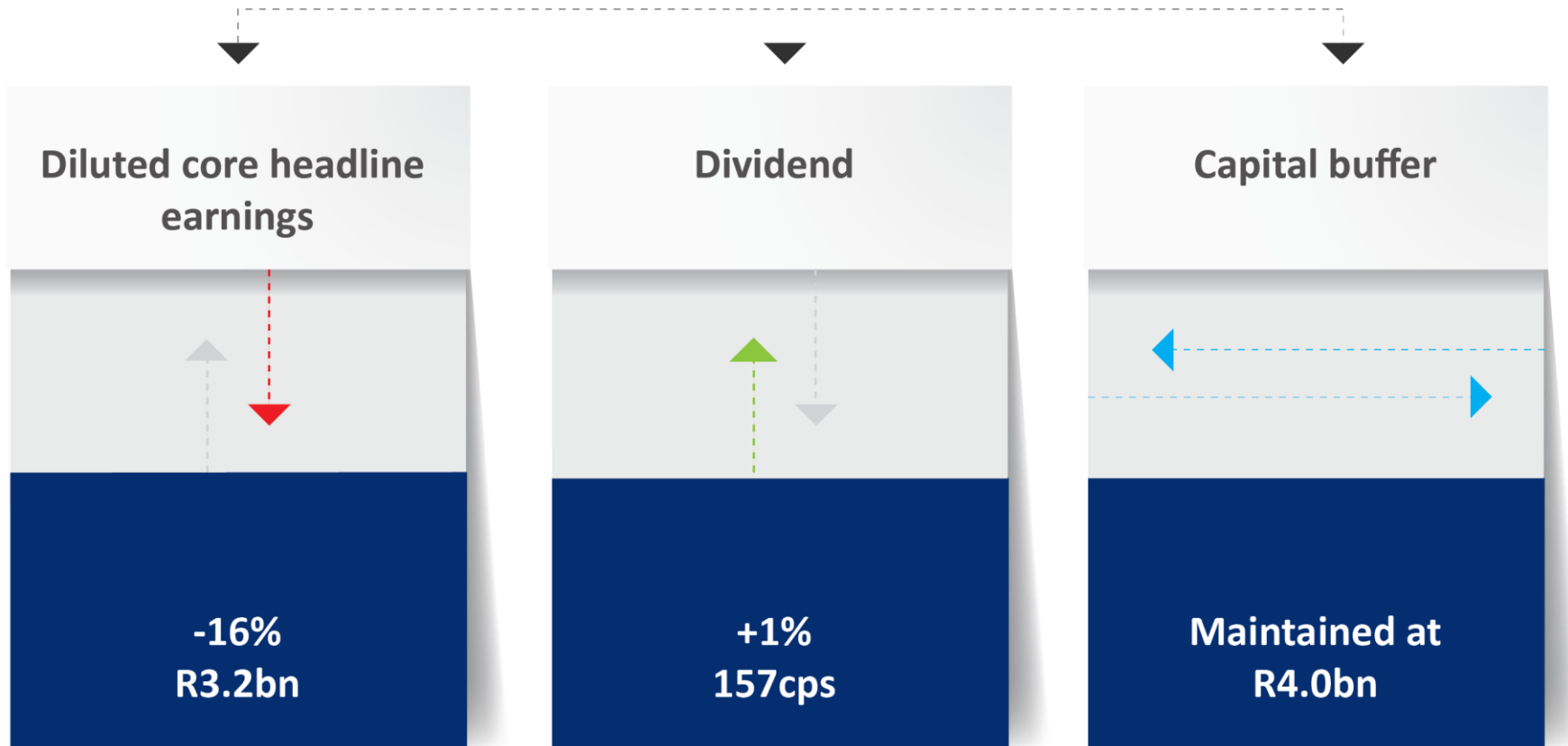
# Business performance: 2016 Financial aspirations

## Financial aspirations



# Business performance: 2016 Financial aspirations

## Financial aspirations



# Financial Aspirations

Growth in earnings

## Diluted core headline earnings per segment

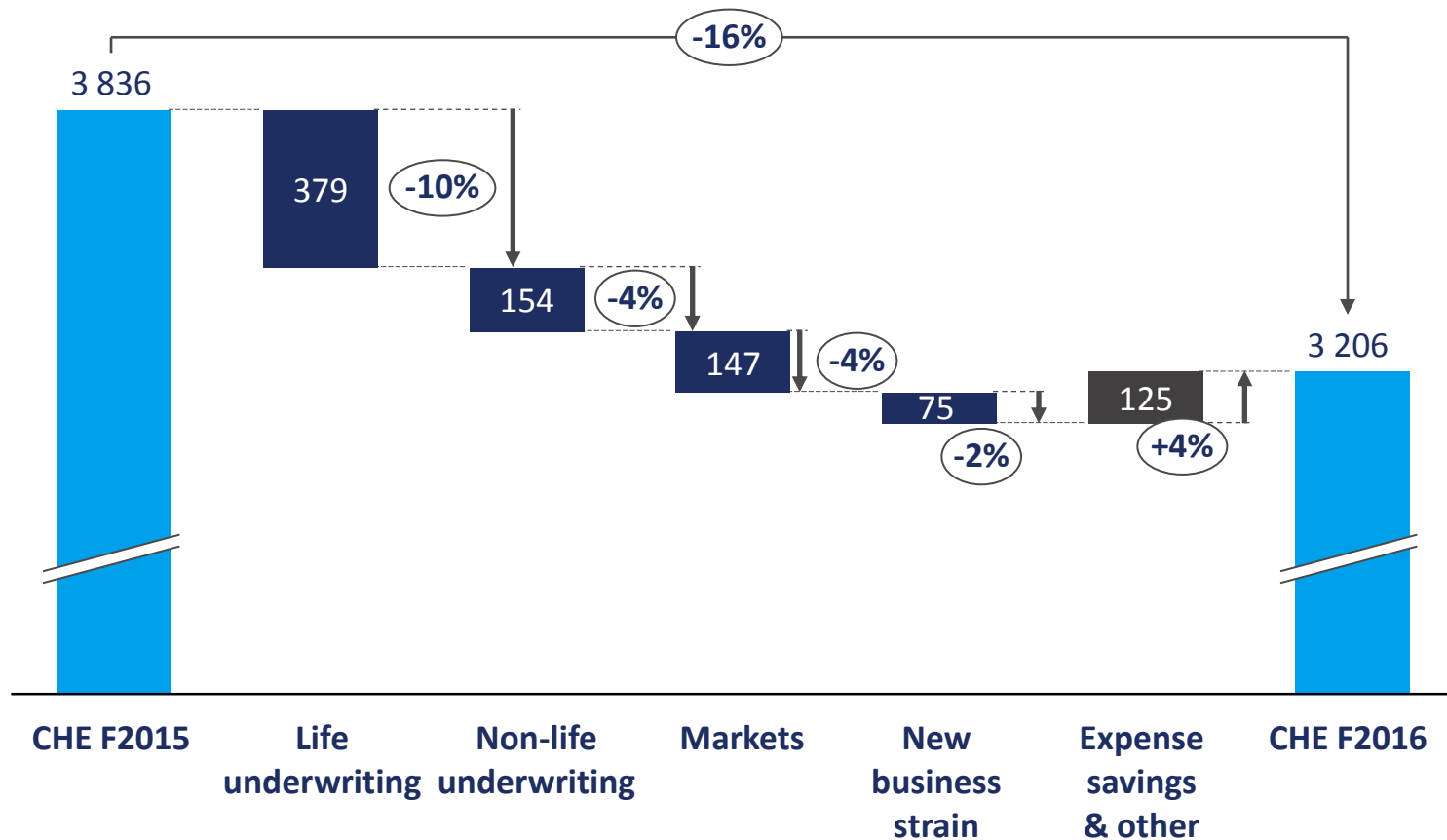
	June 2015	June 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	1 756	1 600	(9%)
Metropolitan Retail	604	667	10%
Corporate and Public Sector	861	617	(28%)
International	152	28	(82%)
Segment results	3 373	2 912	(14%)
Shareholder capital	463	294	(37%)
Total	3 836	3 206	(16%)

Profits impacted by markets and underwriting experience

# Financial Aspirations

## Growth in earnings

Significant factors impacting on the decline in core headline earnings

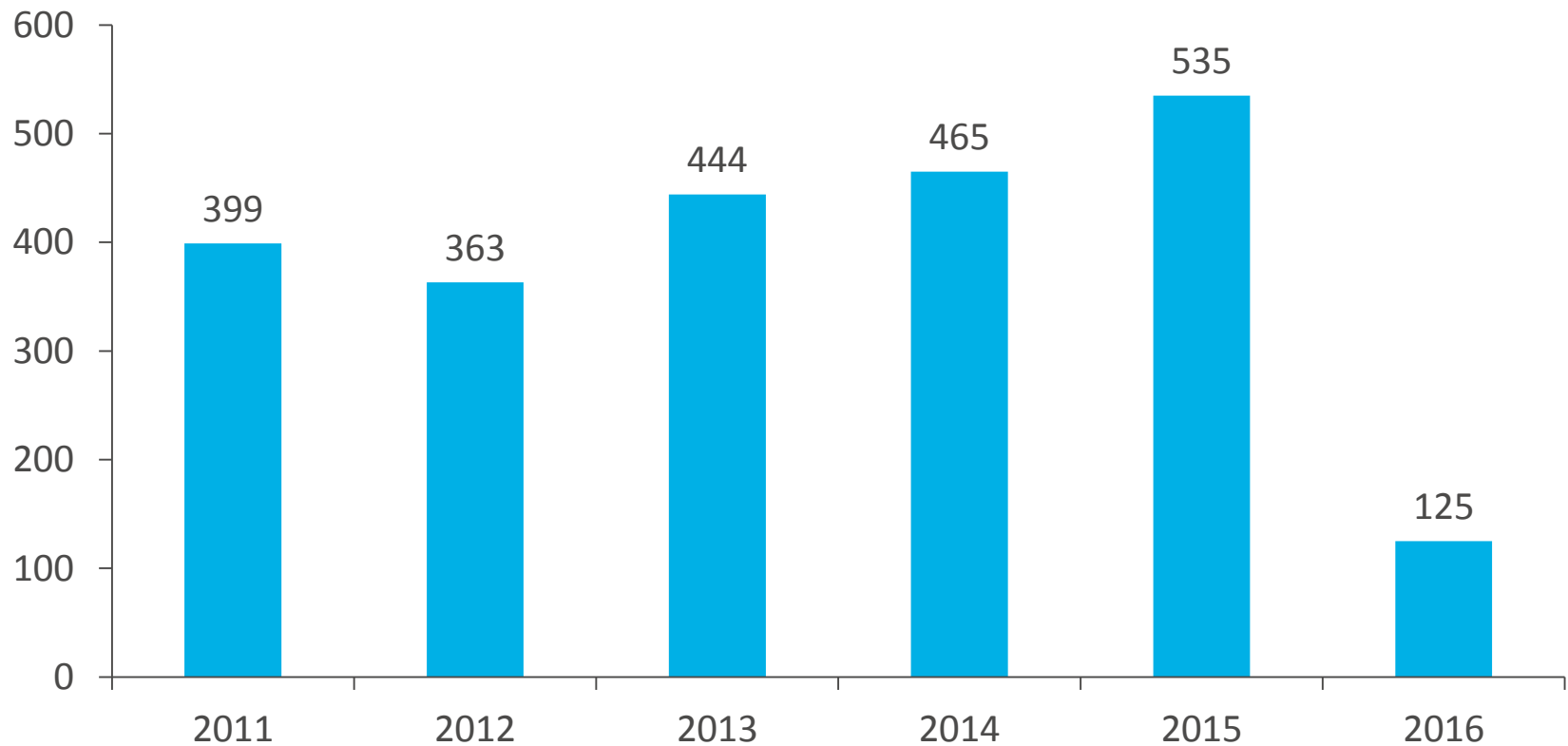


# External environment

## Underwriting experience variance

### Total life insurance mortality and morbidity experience variance

R million



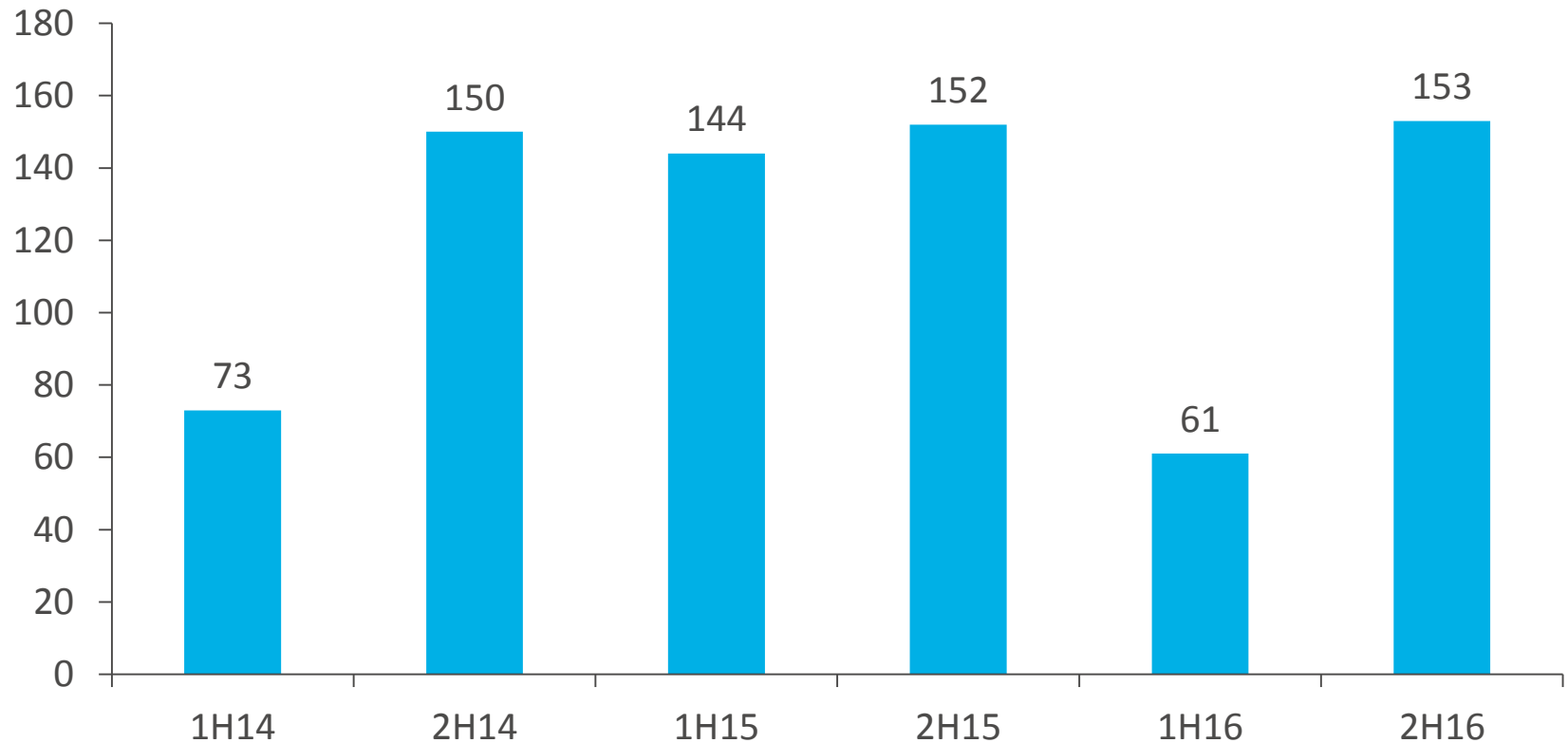


# External environment

## Underwriting experience variance

### Momentum Retail mortality and morbidity experience variance

R million

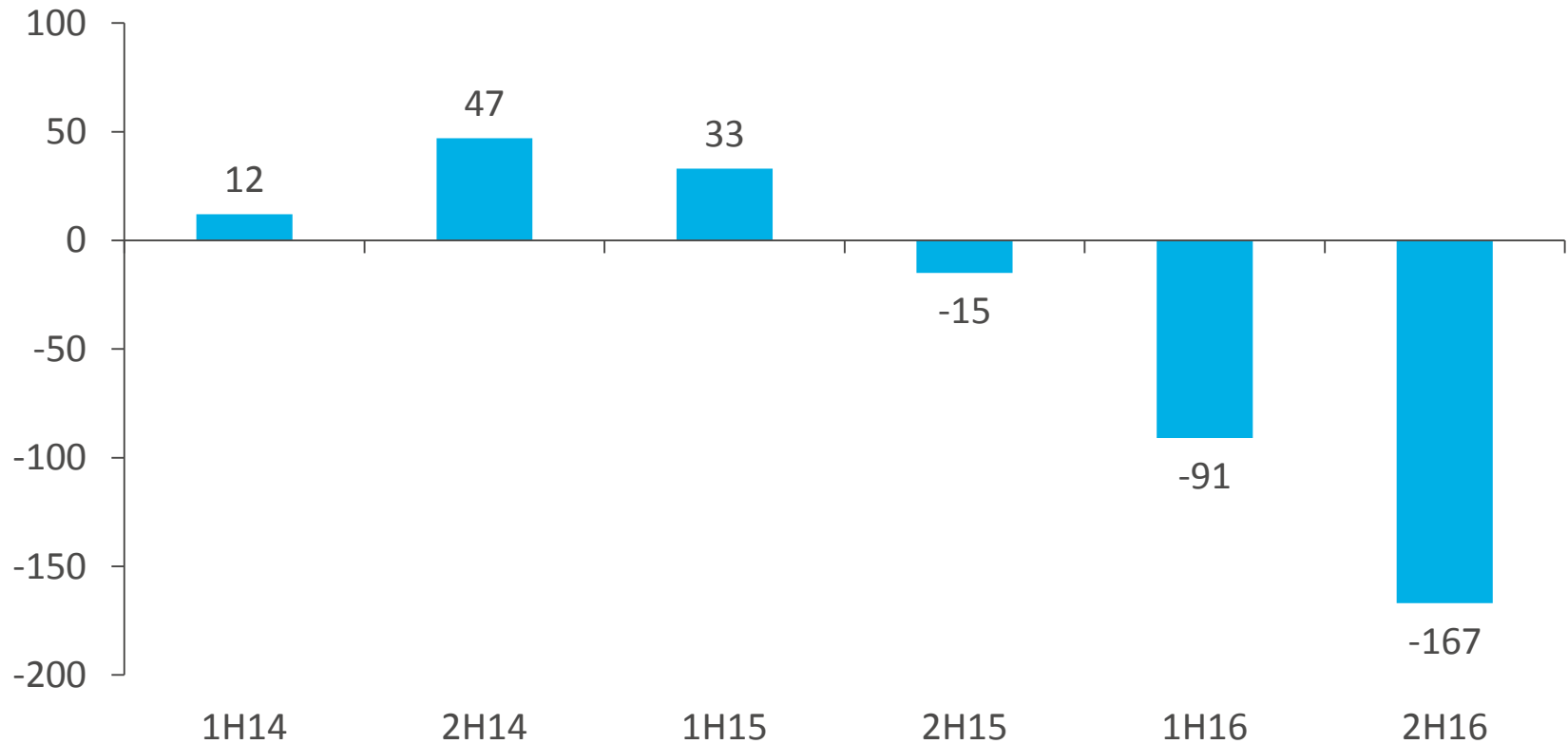


# External environment

## Underwriting experience variance

### Corporate and Public Sector mortality and morbidity experience variance

R million



# Group disability underwriting experience

## Actions taken

- Targeted pricing strategies to improve margin
- Focused interventions with top loss making schemes
- Improvements to income disability claims process
- Continuous upskilling of assessors
- Investigate impact of potential changes in reinsurance
- Improve the accuracy of reserving

# Growth in earnings

Africa earnings sharply lower in tough conditions

	June 2015	June 2016	Change
	<i>Rm</i>	<i>Rm</i>	
Namibia	150	128	(15%)
South	149	119	(20%)
East	(12)	(98)	n/m
West	(7)	(9)	n/m
Central expenses	(127)	(112)	n/m
<b>Core headline earnings as reported</b>	<b>152</b>	<b>28</b>	<b>(82%)</b>

Looking to focus on most promising businesses

# Financial aspirations

## Growth in earnings

### Investments in strategic growth initiatives

	June 2015	June 2016	Change
	<i>Rm</i>	<i>Rm</i>	
Core headline earnings as reported	3 836	3 206	(16%)
Additional investments in growth initiatives	525	572	9%
International	113	181	
Momentum Short-term Insurance	169	147	
Client Engagement Solutions	126	166	
Other	117	78	
Core before new initiatives	4 361	3 778	(14%)
Percentage of core headline earnings	13.7%	17.8%	

Investments impacted overall profit growth

# Financial aspirations

Growth in value of new business

## New business per segment

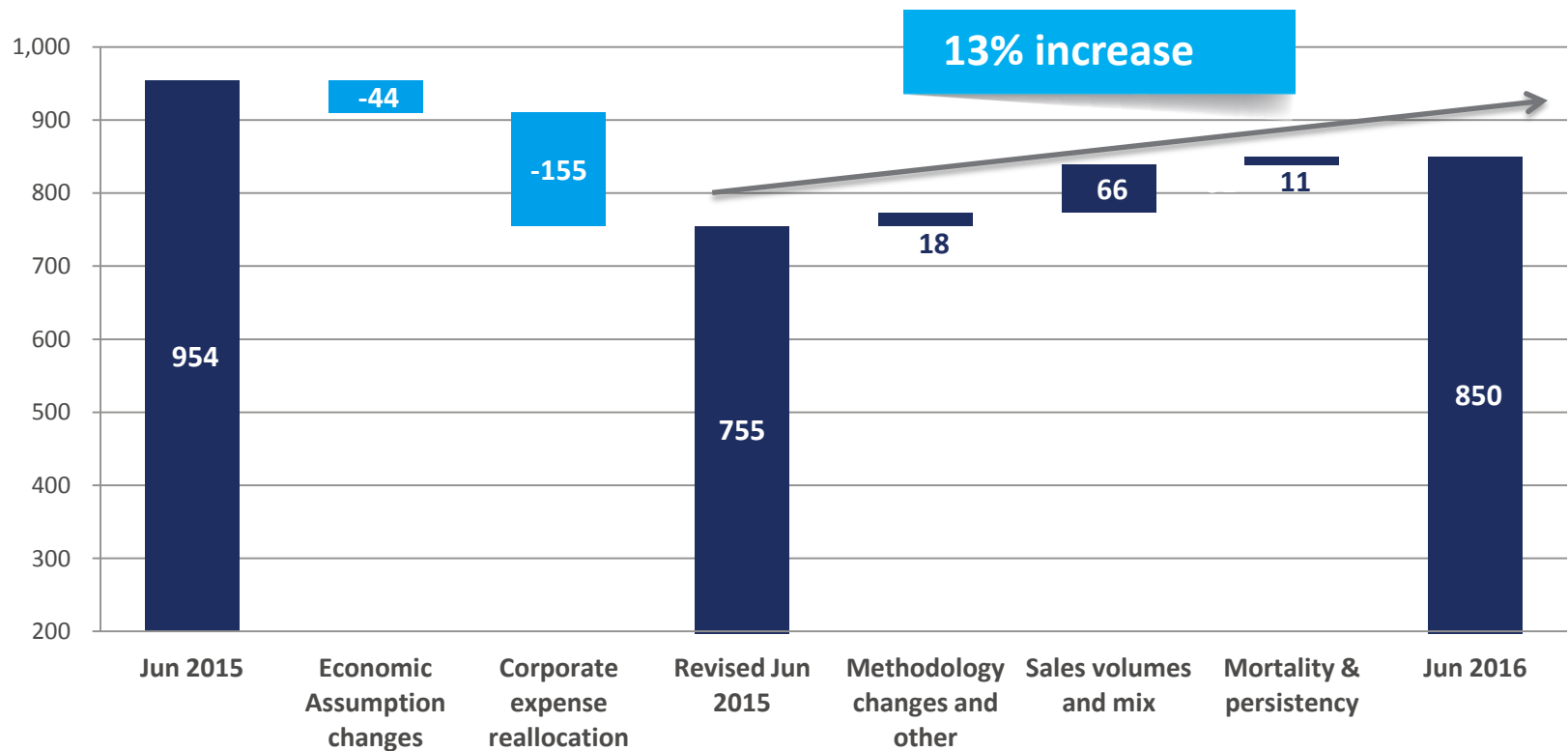
	June 2015	June 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	25 458	25 950	2%
Metropolitan Retail	5 091	4 936	(3%)
Corporate and Public Sector	17 683	34 699	96%
International	2 164	2 579	19%
Total PVP	50 396	68 164	35%
Total APE	6 643	8 093	22%

Strong growth in a difficult market

# Financial aspirations

Growth in value of new business

## Value of new business adjusted for new basis



Growth on a consistent economic basis

# Financial aspirations

Growth in value of new business

## Value of new business per segment

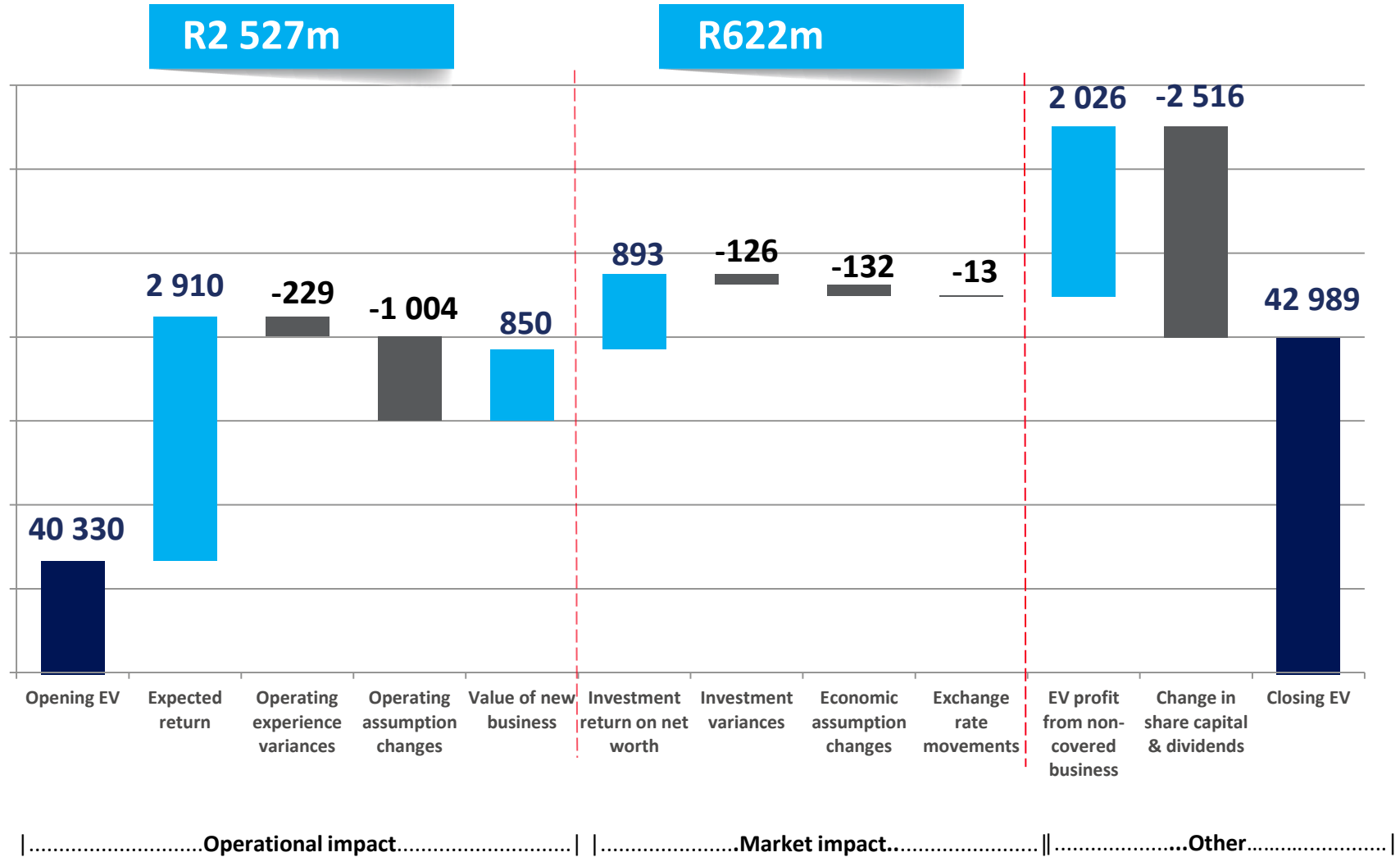
	June 2015	June 2015 Rebased	June 2016	1 year change
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	276	226	290	28%
Metropolitan Retail	185	106	191	80%
Corporate and Public Sector	427	360	298	(17%)
International	66	63	71	13%
Total	954	755	850	13%
New business margin (PVP)	1.9%	1.5%	1.2%	

Increased discount rate, expense allocation, mix reduced overall margin



# Return on embedded value

## EV analysis



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# Capital management

## Economic capital

Rand billion	June 2015	June 2016
Net asset value as per embedded value statement	16.5	16.9
Qualifying debt	3.3	3.5
Less: net asset value of strategic subsidiaries	(2.0)	(2.7)
Less: required capital	(10.6)	(10.0)
Capital before deployment	7.2	7.7
Deployed	(2.9)	(3.7)
Final dividend	(1.5)	(1.5)
Strategic initiatives	(1.4)	(2.2)
Capital buffer after deployment	4.3	4.0

# 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

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#### Dividend per share (cents)

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	2014	2015	2016	Change
Interim ordinary dividend	57	63	65	3%
Final ordinary dividend	85	92	92	0%
Total ordinary dividend	142	155	157	1%

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# Critical Focus Areas

## Client centricity



- Multiply
- Financial Wellness

## Growth



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

## Excellence



- Health
- Investments and Savings (Outcome-Based model)
- Short-term Insurance
- Life underwriting
- Expense optimisation