

## Group Chief Executive Officer's overview

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# Making MMI proud again

### MMI strategy and increased focus on implementation

Having spent a number of months at MMI following my appointment on 15 February 2018, I am in a position to share the following key observations, which confirm the need to turn the business around:

- Although significant work was done to increase client centricity over the past four years through a number of ambitious initiatives, delivery of basic client service deteriorated and improvements with a real and meaningful impact on client experience remained elusive.
- The complex matrix structure implemented a few years ago, resulted in centralised decision-making, disempowerment at segment level, coordination challenges, a lack of accountability, and eventually a lack of delivery. It furthermore resulted in an internal focus and a weakening of the sales focus, which in turn led to a loss of market share over many product lines.
- The decision by the MMI Board and management during the second half of 2017, to selectively exit certain countries in Africa as well as retail initiatives in the UK and to focus on the core South African businesses, was appropriate.

- The core South African businesses are fundamentally sound and of sufficient scale to make MMI a formidable competitor in the market.
- MMI has under-invested in certain key IT capabilities over the past couple of years.
- A number of core businesses (Guardrisk and Momentum Health) continue to show good growth and very pleasing financial results. In addition, businesses like Momentum Short-term Insurance and Momentum Corporate (Employee Benefits) have shown encouraging improvements.
- A portfolio of new growth initiatives is in place, which can be nurtured to make a meaningful contribution to the group in the medium to longer term. This includes the joint venture with Aditya Birla Capital in India, the aYo venture in partnership with MTN, our Money Management initiative and the Lending joint venture with African Bank.
- MMI has incredible talent – people who are loyal, committed and want to be successful. Staff members are, generally speaking, welcoming the increased focus on financial discipline and meaningful delivery.

MMI's vision to be the preferred lifetime Financial Wellness partner with a reputation for innovation and trustworthiness, remains appropriate. It will, however, be

brought to life in simpler terms: We exist to enable businesses and people from all walks of life to achieve their financial goals and life aspirations. The MMI group strategy, which focuses on client centricity, growth and excellence, will therefore remain intact. The specific strategic objectives will, however, be set in more practical and meaningful terms, with an increased focus on delivery. As a group, MMI will be less corporate and more commercial in its thinking and decision-making.

Following a pragmatic analysis, consultation with leadership across the group and multiple workshops, the MMI Executive Committee introduced refinements to MMI's operating model. The new operating model design aims to empower businesses, rather than control them from the centre. The core principles that guided the redesign of the new operating model were to:

- Encourage growth.
- Ensure a real and practical client focus.
- Clarify roles and responsibilities.
- Empower segments with end-to-end accountability.
- Ensure there is a clear efficiency or standardisation benefit where services are centralised.

While I am confident that our new operating model will go a long way to streamline operations, improve speed

**Hillie Meyer**

*Group Chief Executive Officer*

to market and help us sharpen our commercial focus, the most important ingredient for our success lies in the way we align to a common purpose as well as an uncompromising pursuit of tangible results.

### Senior leadership

During the first nine months of the 2018 financial year, a number of Exco members resigned from MMI. It was therefore critically important to strengthen the executive team and to ensure stability going forward.

I am confident that we have an executive team that is well placed to deliver on the MMI strategy, and which exhibits a healthy balance of experience, youth and diversity. The MMI Exco members and their responsibilities are briefly described below:

- Jeanette Cilliers (Marais), Deputy CEO of MMI (28 years industry experience of which nine years were with Momentum during the early 90s, re-joined MMI on 1 March 2018). She is responsible for Momentum Investments, Momentum Intermediary Solutions, Group Marketing and she coordinates the Momentum Retail Cluster.
- Risto Ketola (15 years experience as an investment analyst specialising in the insurance sector and five years insurance industry experience) is MMI's Group Finance Director.
- Thinus Alsworth-Elvey (22 years industry experience) is the CEO of Momentum Corporate and Health.
- Zureida Ebrahim (14 years industry experience) is the CEO of Multiply. Her portfolio of responsibilities within the Momentum Retail Cluster includes Transactional Banking and the Client Hub.
- Johann le Roux (25 years industry experience, 16 years of which was with the group, re-joined MMI on 1 April 2018) is the CEO of Momentum Life and his portfolio of responsibilities include Retail Life Insurance, Momentum Financial Planning and Lending.
- Peter Tshiguvho (27 years industry experience, 17 of which have been in sales and distribution, joined MMI on 1 March 2017) is the CEO of Metropolitan Retail.
- Herman Schoeman (close to 30 years industry experience of which he spent 15 years with Guardrisk) is the CEO of Guardrisk and Short-term Insurance.
- Jan Lubbe (24 years financial services experience of which five is with the group) is MMI's Group Chief Risk Officer.
- Nontokoza Madonsela (18 years relevant marketing experience, joined MMI on 9 October 2017) is our Group Chief Marketing Officer.
- Linda Mthenjane (22 years relevant experience, joined MMI on 1 October 2016) is the Group Executive of Human Capital.
- Ashlene van der Colff (16 years industry experience, joined MMI on 1 May 2016) is MMI's Group Chief Operating Officer.

### Financial performance

MMI's financial results for the financial year to 30 June 2018 were disappointing. The results were impacted by the tough economic environment and weak investment markets, but internal shortcomings also played a role in the 12% reduction in core headline earnings. It is worth pointing out that if new growth initiatives, which places a strain on earnings are excluded, the operating profit on the established businesses declined by 5% compared to the prior year.

New business sales increased by 1% when measured as present value of new business premiums (PVNBP), but new business margins reduced from 1.3% to 0.7%. We continued to invest in key strategic initiatives and expense management remains a priority in an environment of weak revenue growth. MMI's capital base remains adequate under both the old Capital Adequacy Requirement method and the recently implemented SAM solvency standard. In the six months to 30 June 2018 MMI repurchased around R971m worth of its own shares to capitalise on the deep discount to embedded value implied by the market price.

For further details on the financial performance, please refer to the Group Finance Director's report on page 36.

### Transformation

We are committed to creating sustainable transformation in the South African economy and have achieved a Level 3 contributor status under the more stringent Financial Sector Code (FSC) that was promulgated in December 2017. Transformation remains a critical building block to realise our strategy and we are determined to restore our previous Level 2 rating. In the immediate future, emphasis will be placed on improving the diversity of our senior and middle management teams.

### Looking ahead

A comprehensive financial services company like MMI is not easy to turn around. The maturity of the South African insurance industry and modest short-term growth prospects for our economy mean that a strong reliance on revenue increases to improve financial results will be imprudent. We aim to turn our attention to financial discipline, cost efficiencies and streamlining infrastructure to restore normalised annual earnings to a level of between R3.6bn and R4bn by 2021. During this time, we will be working hard to build the foundation for longer-term prosperity, which will depend on revenue growth, a strong sales and service culture and relevant digital enablement. The strengthening, expansion and enablement of our sales channels therefore remain an important strategic imperative.

## Thanks

Recently, the MMI Exco embarked on a programme to articulate to MMI's leaders and other stakeholders what was required to turn MMI around. This marked the start of a process to unite all staff around a common goal, named "Making MMI proud again". The call to action of staff spontaneously evolved into the phrase "#CountUsIn" being adopted by staff across the organisation, with many staff members taking photographs of themselves demonstrating their commitment to the "#CountUsIn" campaign. The movement is being harnessed to connect employees to specific strategic deliverables. I would like to particularly thank MMI's staff for their visible support in "Making MMI proud again". I also appreciate the ongoing commitment of our Exco team, the continued support of our shareholders and clients, and the valuable guidance from the MMI Board.



**HILLIE MEYER**

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