

Discovery earnings down 8% in 'period of considerable complexity' – Business Report 4 September 2019

JOHANNESBURG - Financial services group Discovery on Wednesday reported that normalised headline earnings per share for the year to June 30 fell eight percent to 771.9 cents while profit from operations was down three percent to R7.747 billion.

New business annualised premium income was however up 13 percent to R18.299 billion, in results chief executive Adrian Gore said showed resilience in a period of considerable complexity.

"The accelerated investment of 21 percent of group earnings over the period, which was in line with budget and provided for in the capital plan, is testament to our deep commitment to build in difficult times," Gore said.

"The Group's planned investments in our strategic initiatives, most notably, Discovery Bank, created an expected reduction in group earnings but also generated pleasing growth, reflected in the 13 percent increase in new business annualised premium income and traction of new initiatives in both the group's South African and international markets."

Discovery operates in the healthcare, life assurance, short-term insurance, savings and investment and wellness markets.

Discovery Health, one of the group's established businesses, saw its operating profit increase 10 percent to R3.044 billion and made progress on its objective to become the leading provider of integrated healthcare solutions to corporate clients.

Following the recent publication of the National Health Insurance (NHI) Bill, the group was committed to collaborating constructively with the department of health.

"We support the NHI bill, however, we strongly believe that there is a critical role for medical schemes and for private healthcare professionals alongside the NHI, as with every other country that has a successful national healthcare system," said Gore.

"We do not expect any material long-term impact on the Discovery Health business and are hopeful it may, in fact, provide new opportunities for growth and innovation."

The group's international businesses performed well, with the exception of Vitality Life which experienced a complex period, hampered by a lower interest rate environment.

Gore said overall, Discovery remained well positioned for growth.

"We are well capitalised for our five-year planning horizon and for continued growth through the combination of robust established businesses, scaling emerging businesses and the new initiatives we are building," he said.

"Supported by further improvement in capital metrics, we expect to return profit growth to our stated goal of CPI (consumer price index) +10 percent, while making ongoing investments in our new businesses through their start-up phase."

He however said the current investment rate of 21 percent would decrease toward the long-term goal of 10 percent of earnings over the next few years.

- African News Agency (ANA)