

(BN) Old Mutual's First-Half Net Rises 26% on Emerging Markets (1)

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(Updates with dividend, analyst comment and share price, starting in second paragraph.)

By Renee Bonorchis

Aug. 8 (Bloomberg) -- Old Mutual Plc, the U.K.'s third-largest insurer by market value, said first-half profit gained 26 percent on growth in southern Africa.

Net income rose to 931 million pounds (\$1.45 billion) from 738 million pounds a year earlier, the London-based insurer said today in a statement. Adjusted operating earnings per share fell

7.4 percent to 8.7 pence, below the 9.1 pence median estimate of six analysts surveyed by Bloomberg. The company increased its first-half dividend by 17 percent to 1.75 pence.

Uncertainty about the euro has "affected consumer confidence" and "the U.K. market has also been impacted,"

Chief Executive Officer Julian Roberts said in the statement.

The company is expanding in "attractive African markets" and introducing new products, he said.

Old Mutual, which is also Africa's largest insurer, operates in Europe, the U.K. and South Africa. It's recovering from two years of losses linked to hedging and investment writedowns. The company is seeking to pay off 1.5 billion pounds of debt by the end of this year, another 200 million pounds next year and achieve a return on equity of 15 percent.

U.S. asset-management clients took "a conservative approach to asset allocation and awarding new mandates" in the second quarter amid "volatile conditions," Roberts said, though the division attracted more investment in the first half.

The unit is not yet ready to sell shares to the public, Roberts said in a conference call from London today.

#### 'Mundane Task'

Old Mutual shares fell 0.4 percent in Johannesburg and declined 1.1 percent to 168 pence in London at 10 a.m. U.K.

time. The London-traded shares closed at the highest in almost four months yesterday, and are up 24 percent so far this year.

"The more mundane task of grinding out steady, predictable earnings and dividends year-in year-out is now upon the group,"

Eamonn Flanagan, a Liverpool-based analyst at Shore Capital, said in a note today, adding that other U.K. insurance stocks may offer "greater upside potential."

Flanagan said the company's earnings, dividend and embedded value beat his estimates and that Old Mutual's South African banking unit, Nedbank Group Ltd., had "a particularly strong performance." Embedded value is a measure of insurers' current value of future payments from existing policy holders.

Roberts said on the conference call that Old Mutual wants to expand in East and West Africa over the next three years, adding to its presence in southern African countries such as Botswana and Zimbabwe.

Nedbank remains a “key” part of the group, he said. He declined to comment on whether or not the company will try to sell more assets in the next 12 months.

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