



## SANLAM EMERGING MARKETS

### INVESTOR DAYS

16<sup>th</sup> & 17<sup>th</sup> October 2018

Insurance

Financial Planning

Retirement

Investments

Wealth



# Our Vision



# A strategy that supports sustainable performance



A key focus is to deliver on the Pan-African opportunity

## Our vision

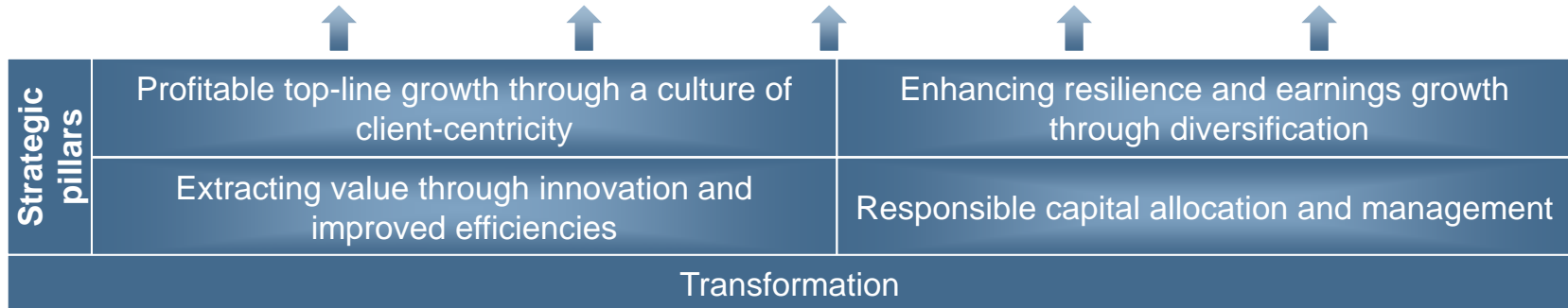
To **lead** in client-centric wealth creation, management and protection in South Africa

To be a **leading** Pan-African financial services group with a meaningful presence in India & Malaysia

To play a **niche** role in wealth and investment management in specific developed markets

## Our strategic intent

Sustainable value creation for all our stakeholders



# SEM's vision is to be a **leading pan-African** diversified financial services player with a significant focus in India & Malaysia



1

Leading companies in each country (#1,2 or 3)

2

Leading Pan African footprint

3

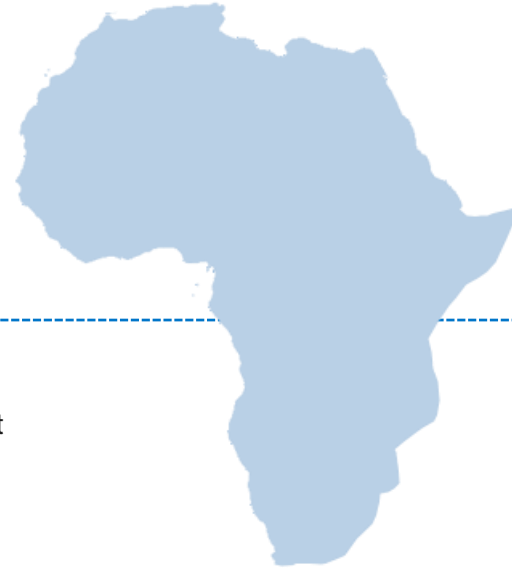
Go-to partner to multinational and other distribution partners

4

Provide a complete suite of products to meet the multinationals' needs as well as the retail and commercial clients in-country

5

Employ the best talent in Africa





## What it means to be a truly Pan African player

1

Having a group of leading companies in Africa that benefit from being a part of a larger Group from which they leverage collaborative support.

2

Being a company that has the ability to conduct business across all the four language regions of the continent

3

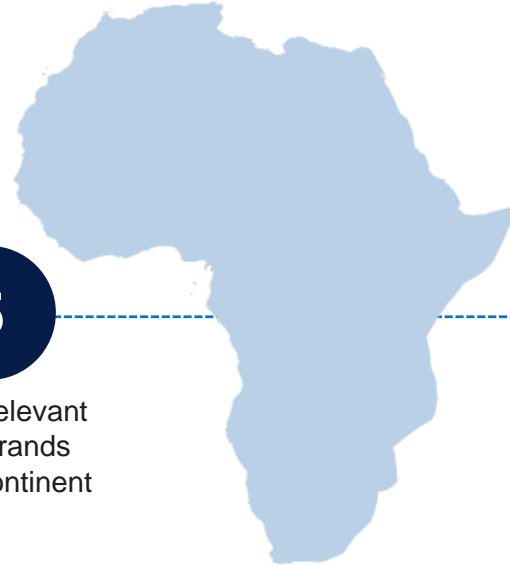
Being a company whose business model is built on partnerships

4

Being a company that reflects the continent of Africa in the employee profile with employee mobility across boundaries

5

Having relevant trusted brands on the continent



# Our Pan-African opportunity

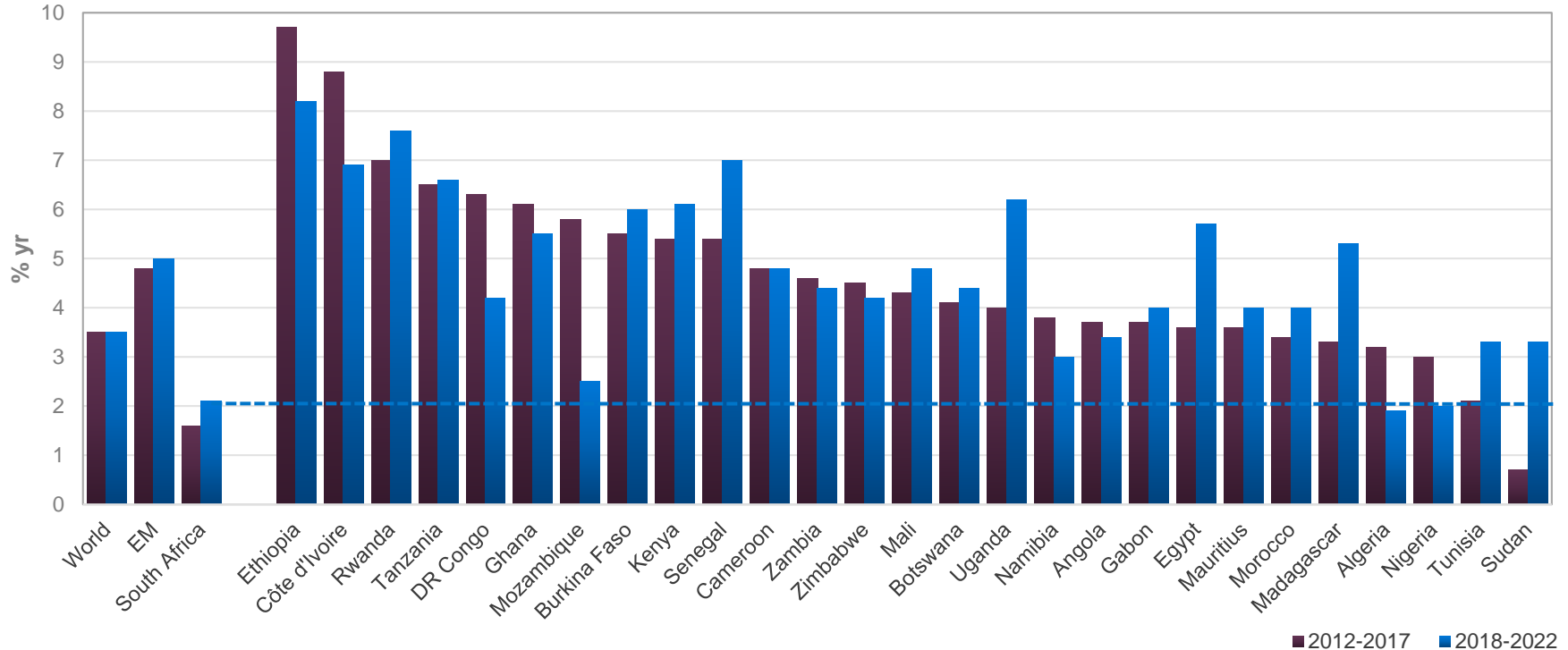
| A medium to long term growth engine

 Sanlam



# Pan-African GDP growth

Driving accelerated organic growth over the medium to long term



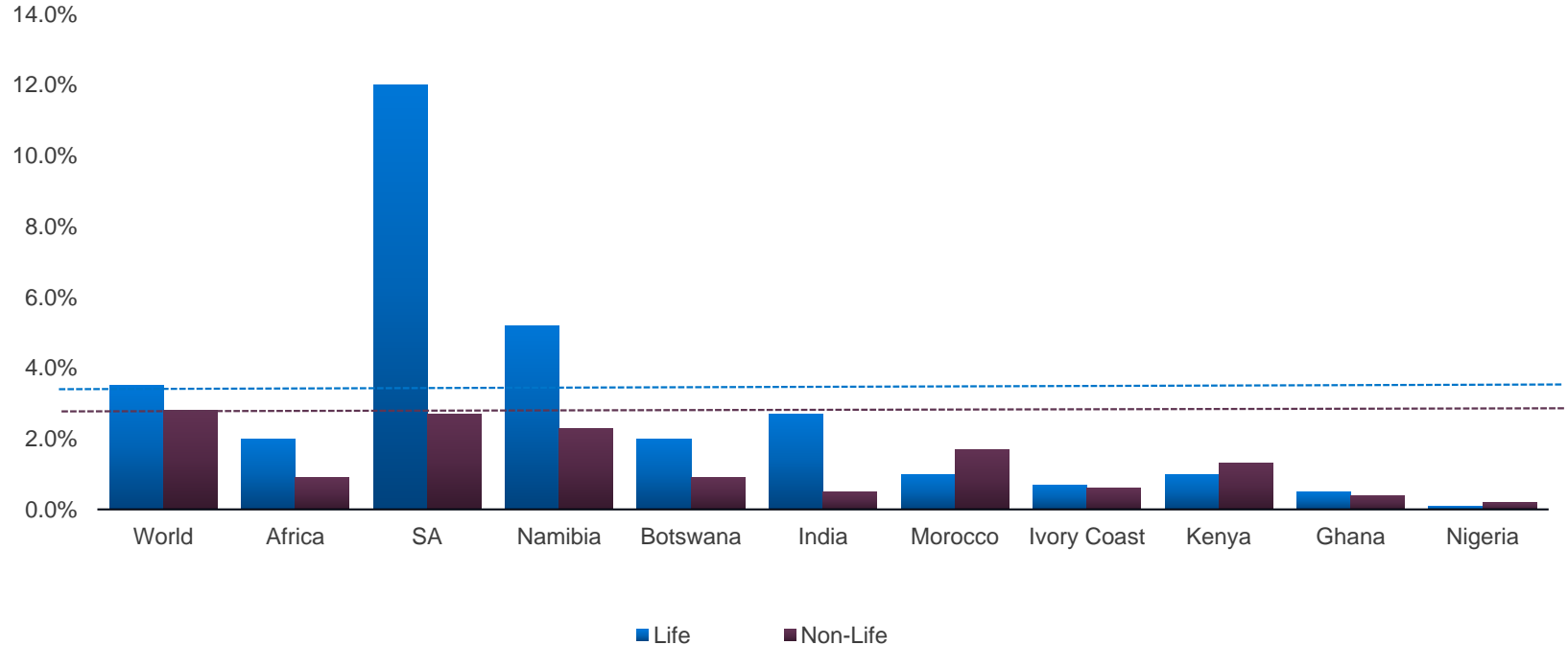


# Pan-African insurance penetration

Leveraged organic growth over the medium to long term



Insurance penetration as % of GDP



# Key drivers of insurance penetration



- ④ Africa's demographic dividend – population growth and urbanisation
- ④ Underlying economic growth (GDP)
- ④ Low insurance penetration presents opportunity for growth – nascent markets
- ④ Rising consumer demand (emerging middle class and increasing disposable income)
- ④ New technology
  - › Mobile/online usage growth enables distribution, fulfilment and claims
  - › Opportunities for cross industry collaboration
- ④ General insurance penetration increases first, followed by life insurance, employee benefits, asset management and healthcare
- ④ Regulatory change, e.g. compulsory retirement savings and general insurance coverage

# Key risks

## Why others have failed in Africa



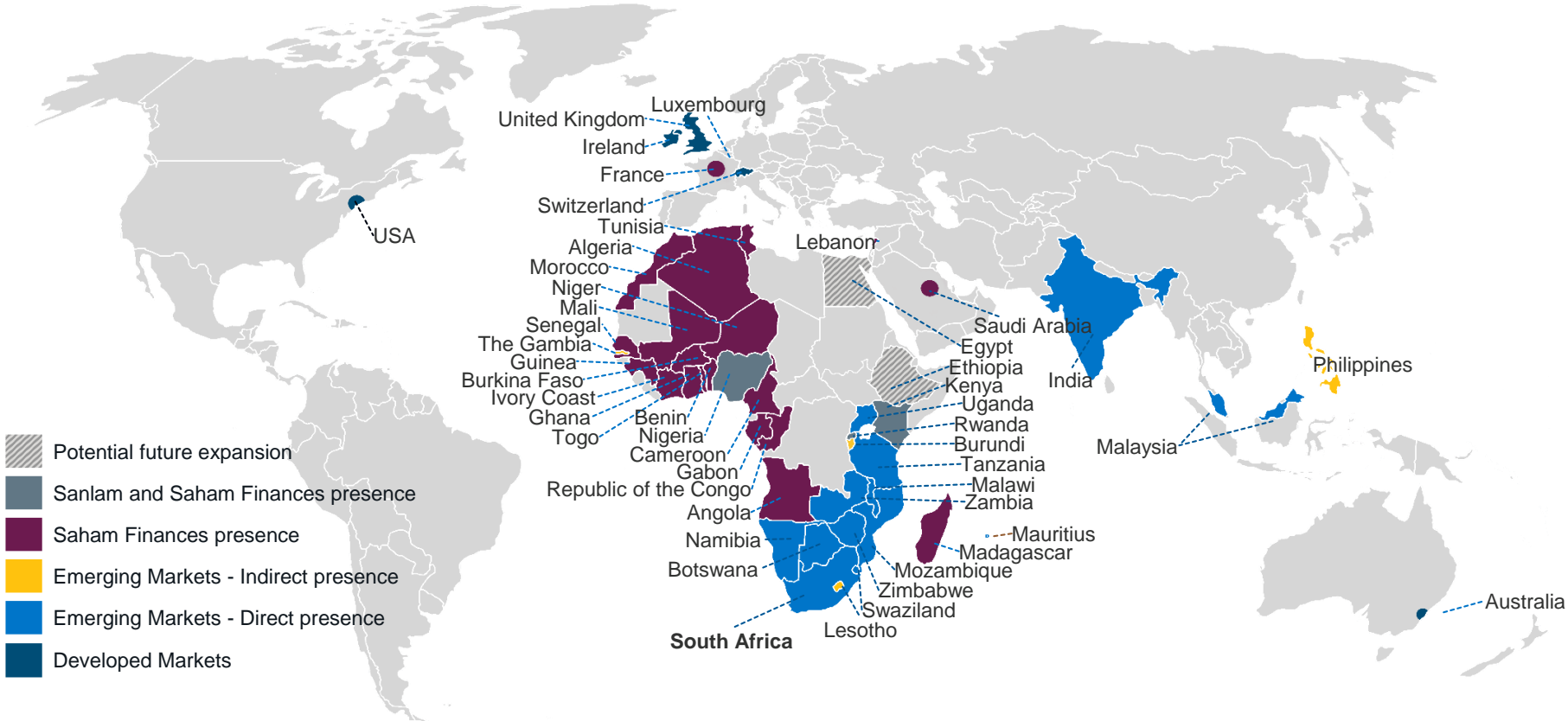
Key risk identified	Mitigating actions
Complexity of managing a large and diverse business across Africa	We reviewed our Target operating Model. We are moving away from a regional approach to a focus on product lines.
In-country risk of change (Political, Regulatory, Economic environments)	Our partnership model ensures that we have in country partners who guide and advise us on changes on the ground.
Increasing our exposure to General Insurance businesses (Saham is 85% GI)	We have brought Santam on-board to partner with us as the GI specialist in the Sanlam Group.
Ensuring support by local businesses post acquisition	We have retained the local partner in Morocco and have appointed Mr Said ALJ of the Sanam group as the Chairman of the board.
Cultural and Language diversity of the combined business	Cultural diversity is being managed carefully. We have been in partnership and working with Saham for 2 years before this transaction. There is an established working relationship between Saham and Sanlam.

# | The Saham rationale



# An unmatched Pan-African footprint

Unique offering to multinationals wrapped around local presence



# Saham Finances acquisition

A key component in our Pan-African strategy



## SEM

- ⌚ Strong life footprint and expertise
- ⌚ GI presence characterised by start-up businesses



## Santam

- ⌚ Strong GI expertise in SA
- ⌚ Specialist and reinsurance skills



## Saham Finances

- ⌚ Complementary footprint provides us with an unparalleled presence with minimal overlap
- ⌚ Strong GI footprint and expertise
- ⌚ Assistance and Health business - complementarity to Saham Finances GI expertise
- ⌚ Life presence characterised by start-up businesses



## Opportunities

- ⌚ Drive organic growth in current SEM GI portfolio in conjunction with Saham Finances
- ⌚ Grow Saham Finances LI portfolio
- ⌚ New products, e.g. assistance and medical, in current SEM market
- ⌚ Drive growth in specialist classes in conjunction with Santam
- ⌚ Santam plays a meaningful role in 3rd party reinsurance growth across the continent
- ⌚ Footprint enables multinational offering including P&C and Employee Benefits (GLA & Health)
- ⌚ Saham Finances has African health expertise
- ⌚ Internal reinsurance optimisation through SAHAM Re

# Return on Saham Finances acquisition

Meeting return hurdles on a comparable basis



ZAR'm	2016	Annualised RoGEV	2017	Annualised RoGEV	2018	Annualised RoGEV
<b>Opening GEV</b>			<b>3 880</b>		<b>8 195</b>	
Purchase price	4 263		4 599		–	
Goodwill adjustment – life	(172)	-5%	(43)	-1%	–	
Acquisition premium adjustment	(184)	-5%	(268)	-4%	–	
Normalised return	692	20%	1 025	15%	645	16%
Investment return variances	–	0%	(101)	-1%	–	0%
Foreign currency translation	(719)	-20%	(408)	-6%	517	13%
Economic assumption changes	–	0%	(411)	-6%	(193)	-5%
Dividends retained	–		–		168	4%
Dividends paid	–		(77)		(25)	
<b>Closing GEV</b>	<b>3 880</b>		<b>8 195</b>		<b>9 307</b>	
<b>Reported GEV</b>		<b>-11%</b>		<b>-3%</b>		<b>31%</b>
<b>Normalised RoGEV</b>		<b>20%</b>		<b>15%</b>		<b>16%</b>
<b>SEM hurdle</b>		<b>18%</b>		<b>17%</b>		<b>17%</b>

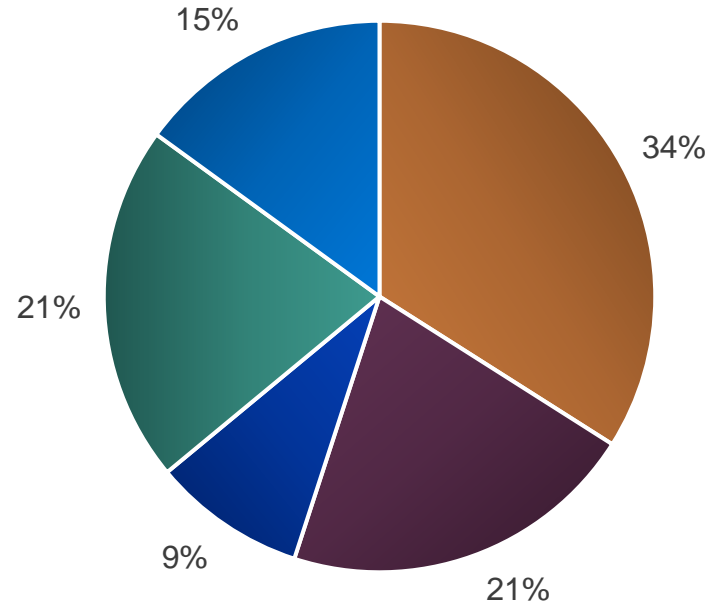
Compares to a 16% hurdle for Saham Finances

Return from currency movements across the portfolio, especially Moroccan Dirham and Angolan Kwanza

Impact from increased US risk free rate and reduced long term GDP estimates

# Saham Finances GEV contribution

Saham GEV breakdown at 30 June 2018



■ Morocco ■ Ivory Coast ■ Lebanon ■ Saham Re (Mauritius) ■ Other



# Saham Finances summarised STOPP

Including the type of assets driving returns



R million

## Assets

Intangible assets  
Investment assets  
Other assets

## Liabilities

Policy liabilities  
Other liabilities

## Net asset value

Non-controlling interest  
Shareholders' fund

Calculated carrying value

Foreign currency hedge

Goodwill recognised in the carrying value of associate

## Carrying value

June  
Reviewed  
2018

59 221

5 031

30 319

23 871

(43 243)

(35 174)

(8 069)

15 978

4 039

11 939

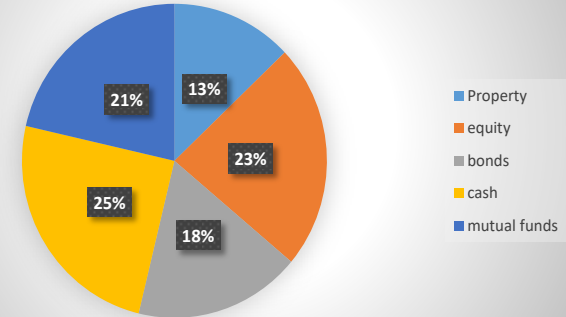
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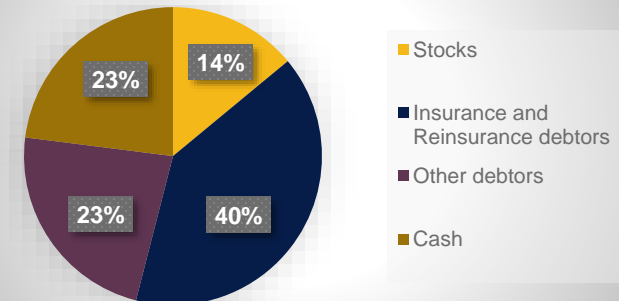
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10 712

## Investment Assets



## Other Assets



# Saham Finances own Income Statement

KMAD – 6 months results



	<u>June</u>	<u>June</u>
	2018	2017
Gross written premium	6,431,280	5,950,555
Gross unearned premium	-748,601	-672,394
<b>Gross earned premiums</b>	<b>5,682,679</b>	<b>5,278,161</b>
Other products out of insurance activity	209,671	217,941
Investment result	564,977	561,252
Technical charges of insurance activities	-3,351,121	-3,196,114
Net result of reinsurance	-483,801	-444,876
Gross commission	-733,595	-628,778
Amortisation of portfolio value	-6,380	-6,625
<b>General Expenses</b>	<b>-1,089,428</b>	<b>-1,117,254</b>
Other operating income and expenses	-1,742	86
<b>Operating Income</b>	<b>791,260</b>	<b>663,793</b>
Net foreign exchange result	-105,004	131,813
Finance costs	-44,173	-71,855
Share in the results of Associates / Joint Ventures	-36	3,188
Taxation	-208,959	-205,280
<b>Net income of the consolidated group</b>	<b>433,088</b>	<b>521,659</b>
Minority interests	-162,553	-162,107
<b>Net income Group share</b>	<b>270,535</b>	<b>359,552</b>

The transaction was done at a PE ratio of between 22 – 23



- ① The underwriting margin for non-life business is targeted to be within the 5% to 9% range, with the following components:
  - › An average loss ratio of 60%
  - › An average acquisition cost of 12%
  - › An average management expenses of 20%
- ② The future trend is:
  - › To optimize the average loss ratio through a better claims management process
  - › To reduce the management expense rate through growing the business volumes

# How we will deliver on the Pan-African opportunity

New target operating model

 Sanlam



# SEM group target operating model (ToM)



Move from regional set up to line of business verticals

- ④ Migrate from a SEM / Saham set up to line-of-business verticals
  - Current Saham becomes SEM General Insurance, including Assistance and Health
  - Current SEM becomes SEM Life Insurance, including Asset Management and Retail Credit
- ④ SEM Group CEO & SEM Group Functional Support team in the centre
- ④ GI businesses to move from SEM to Saham
- ④ SEM Health business to move to Saham
- ④ Saham Life business move to SEM Life
- ④ Santam to drive Reinsurance & Specialist Insurance classes
- ④ Collaboration between SEM GI & Santam on Reinsurance
- ④ India and Malaysia will be under SEM Life

# New ToM business structure (LI and GI Africa only)



Life sub-cluster (excludes AM and credit)

## As is

21 businesses in 11 countries

Country	LI	GI
Botswana	●	●
Kenya	●	●
Malawi	●	●
Mozambique	●	
Namibia	●	●
Nigeria	●	●
Rwanda	●	●
Tanzania	●	●
Uganda	●	●
Zambia	●	●
Zimbabwe	●	●

## To be

22 businesses in 22 countries

Country	LI
Botswana	●
Kenya	●
Malawi	●
Mozambique	●
Namibia	●
Nigeria	●
Rwanda	●
Tanzania	●
Uganda	●
Zambia	●
Zimbabwe	●

Country	LI
Angola	●
Benin	●
Burkina Faso	●
Cameroon	●
Gabon	●
Ghana	●
Cote d'Ivoire	●
Mali	●
Morocco	●
Senegal	●
Togo	●

# New ToM business structure (LI and GI Africa only)

GI sub-cluster (excluding assistance and reinsurance)



As is  
30 businesses in 19 countries

Country	GI	LI
Angola	●	●
Benin	●	●
Burkina Faso	●	●
Cameroon	●	●
Congo-Brazzaville	●	
Gabon	●	●
Ghana	●	●
Guinea	●	
Cote d'Ivoire	●	●
Kenya	●	
Madagascar	●	
Mauritius	●	
Mali	●	●
Morocco	●	●
Niger	●	
Nigeria	●	
Rwanda	●	●
Senegal	●	●
Togo	●	

To Be  
26 businesses in 26 countries

Country	GI
Angola	●
Benin	●
Burkina Faso	●
Cameroon	●
Congo-Brazzaville	●
Gabon	●
Ghana	●
Guinea	●
Cote d'Ivoire	●
Madagascar	●
Mauritius	●
Mali	●
Morocco	●
Niger	●
Nigeria	●
Rwanda	●
Senegal	●
Togo	●

Country	GI
Botswana	●
Kenya	●
Malawi	●
Nigeria	●
Tanzania	●
Uganda	●
Zambia	●
Zimbabwe	●

# Managing an expanded GI business with Santam



- ④ Santam participation post the acquisition of the remaining stake in Saham Finances
  - › Santam increased its effective stake in Saham Finances from 7% to 10%
  - › Align Santam's economic participation in the other SEM general insurance businesses in Africa, excluding Namibia, over time from 35% to also 10%
  - › Santam to take the lead in managing the combined Saham Finances and Santam specialist business on the continent in conjunction with SEM and Saham Finances
  - › Santam will play a more meaningful role in the reinsurance businesses of Saham Finances
- ④ Additional support to India and Malaysia from Santam and SPF
- ④ Strengthening and elevating role of Chief Risk Officer



# SEM Group executive team



**Junior Ngulube**  
Group Chief Executive Officer



**Robert Dommissie**  
SEM Life CEO



**Nadia Fettah**  
SEM GI CEO



**Emmanuel Brule**  
SEM GI Deputy CEO & Multinationals



**Annari van Niekerk**  
Group CFO



**Cornie Foord**  
Group COO



**Margaret Dawes**  
Synergies & Governance



**Thabied Majal**  
Corporate Affairs



**Niel Joubert**  
Group HR



**Lizelle Nel**  
Group CRO

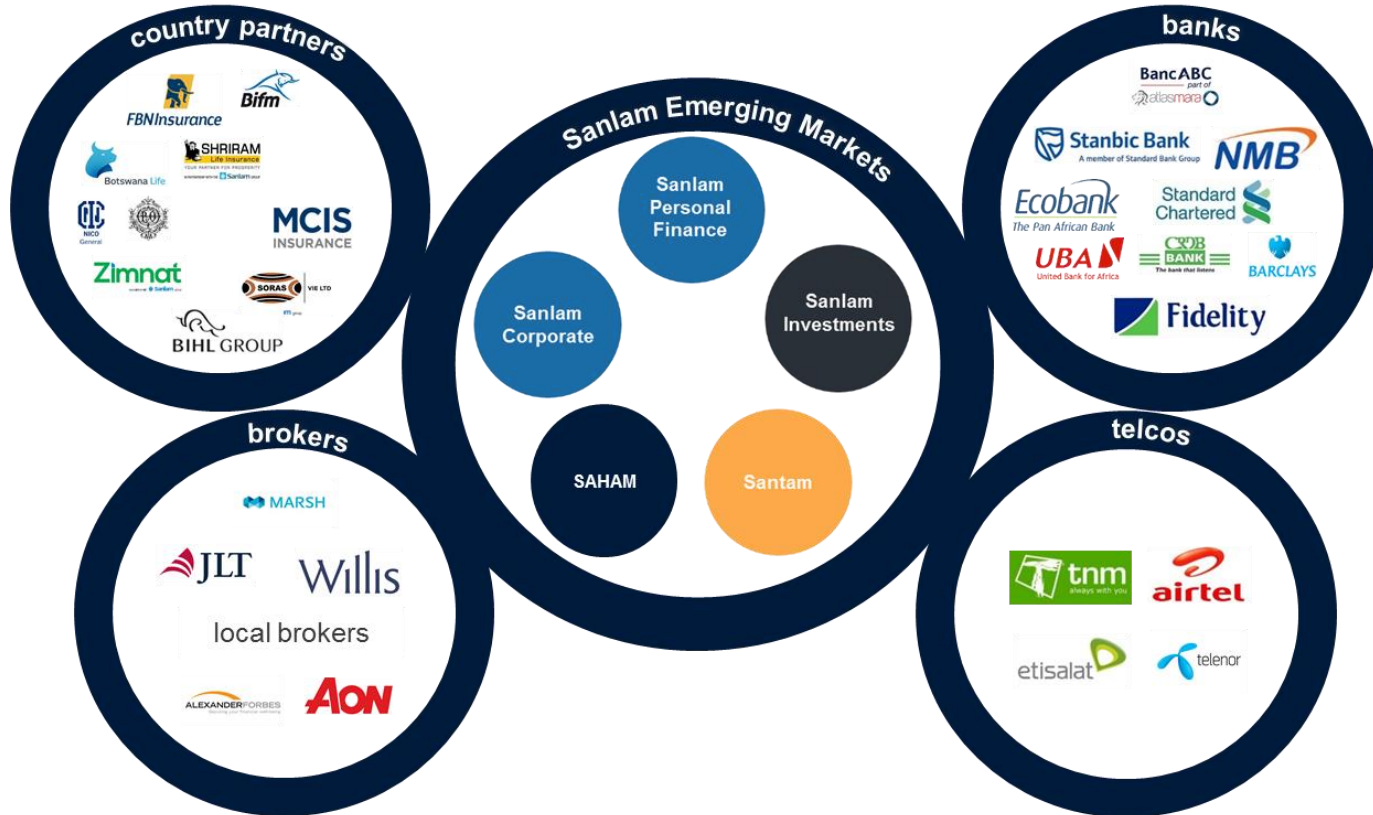


# the SEM business model

# Our business is underpinned by partnerships

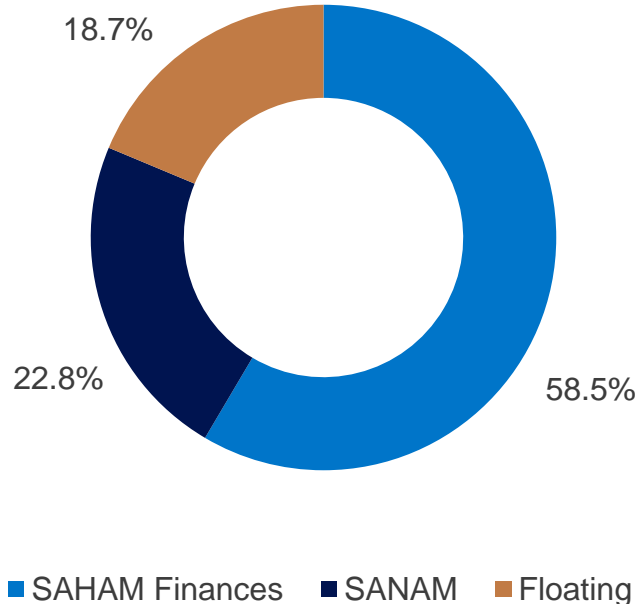


A key success factor - unique partner ecosystem





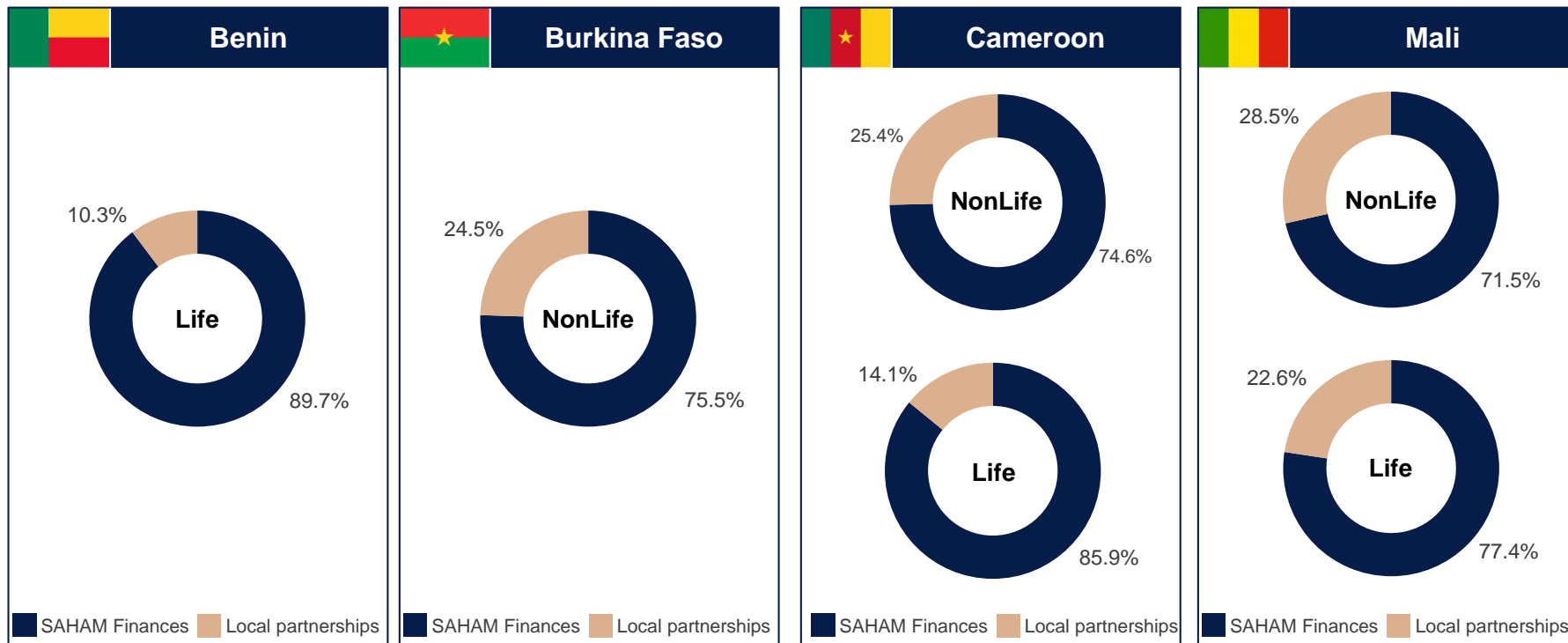
## SAHAM Assurance Morocco



The most important partner is the SANAM Group which is operating in various industries mainly food, distribution of technical equipment and real estate.

The Group is chaired by Mr. Said ALJ who is also chairing, since September 2018 SAHAM Assurance Morocco.

# Saham main partnerships - CIMA zone



All our local partners are investors in industries and businesses outside financial institutions

# Synergies



# Synergy initiatives

Significant business growth opportunities exist



- ④ Multinational offerings across a broad footprint
- ④ Growing Saham's Life businesses – particularly individual life lines
- ④ Reinsurance optimisation across all businesses
- ④ Business growth opportunities utilising Saham's expertise in Motor Assistance
- ④ Health strategy expansion
- ④ Various technology initiatives
- ④ Anticipated additional costs emanate from;
  - › Rebranding
  - › Financial, Actuarial and Compliance reporting

thank you 



