



Live with confidence

PROPOSED ACQUISITION OF CONTROL OF AFROCENTRIC BY SANLAM

12 October 2022

Financial Planning

| Investments

| Insurance

| Retirement

| Wealth

CONTENT

- ④ Transaction overview
- ④ Strategic rationale
- ④ Background of AfroCentric
- ④ Other relevant transaction terms



TRANSACTION OVERVIEW



STRATEGIC RATIONALE



Strategic alignment



Improved **alignment of interest** between Sanlam and AfroCentric



Consolidation of product offerings into a single well-recognized proposition



Route-to-market strength



Enhanced commercial visibility and Sanlam co-branding



Access to the overall Sanlam product offering for AfroCentric clients



Access for AfroCentric to **Sanlam's distribution network**



Healthcare offering



Overall healthcare value chain expansion for Sanlam

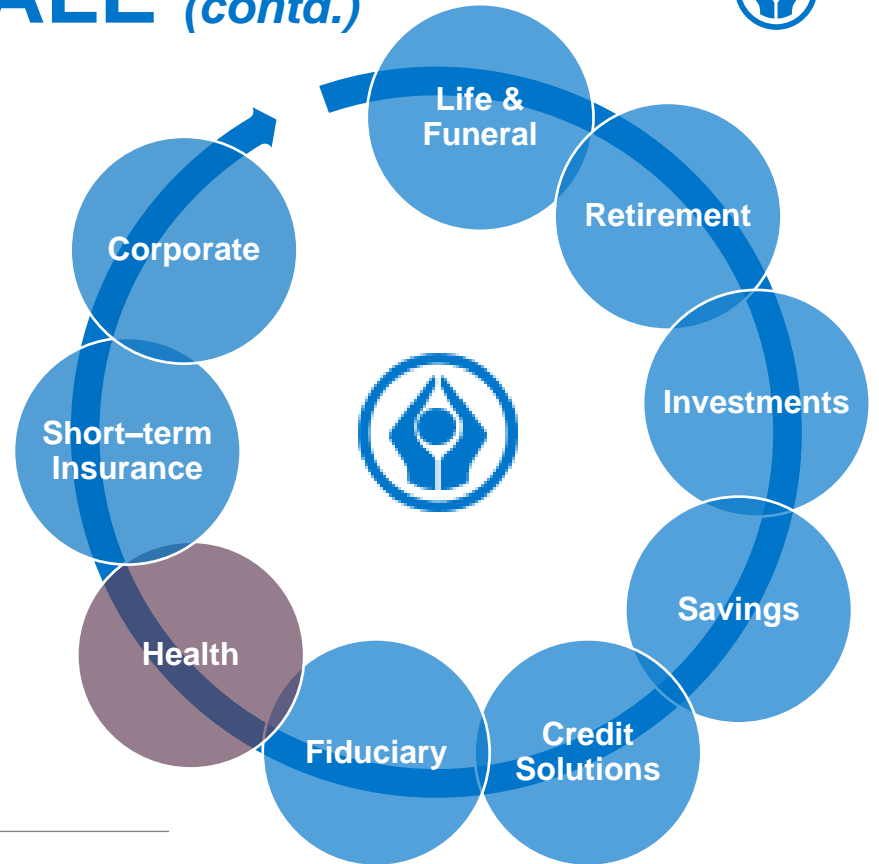


Integration of Sanlam and AfroCentric products for **bespoke healthcare solutions**

STRATEGIC RATIONALE (contd.)



- The proposed transaction will add strong healthcare capabilities to Sanlam's offering
- Sanlam market position in life and short-term insurance in South Africa
 - 🕒 Life insurance new business volumes #1*
 - 🕒 Corporate group risk volumes #1^
 - 🕒 Santam remains a general insurance market leader with over 20% market share
- The proposed transaction will position Sanlam as #2** in the medical scheme administration market and the largest managed care provider



* June 2022 UBS market share monitor, new business annual premium equivalent (APE) relative to Old Mutual, Discovery, Liberty and Momentum Metropolitan

^ Swiss Re 2021 Group Volume Survey (Sanlam + AlexForbes Life)

** AfroCentric market share of medical scheme lives under administration



*It is expected that the transaction will be **value enhancing** for **Sanlam**, with further value created when considering the **future synergies** and cross-sell opportunities, **without a material impact** on Sanlam's solvency*

TRANSACTION MECHANICS

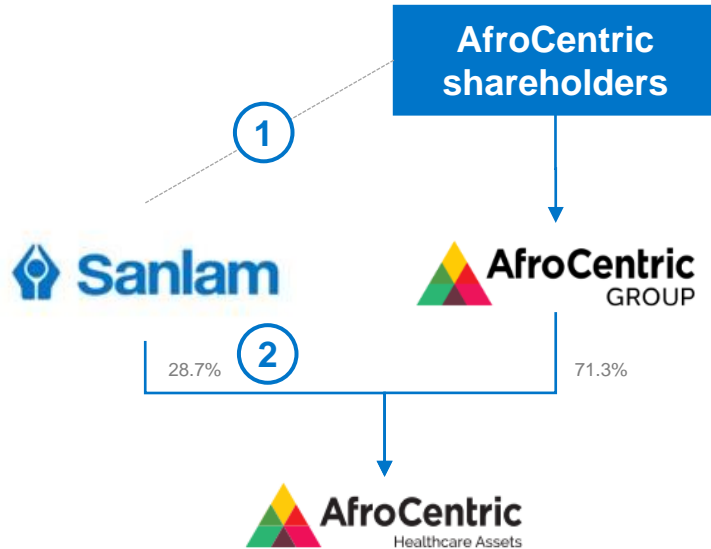


①

Partial offer for shares

Sanlam makes a partial offer to AfroCentric shareholders to acquire **no less than 36.9%** of AfroCentric Group

Sanlam settles the offer consideration in **Sanlam shares or cash**, at the election of the AfroCentric shareholders



②

Flip up of existing shares

Sanlam Life sells its **existing 28.7% shareholding in AfroCentric Healthcare Assets** to AfroCentric in exchange for **newly issued shares in AfroCentric Group**

Parts 1 and 2 are inter-linked and collectively referred to as the “Proposed Transaction”

TRANSACTION MECHANICS



Offer price



Partial offer bands

R6

per AfroCentric share

Implied PE multiple of 10.9x

R6
(Offer price)

55.07c
*(AfroCentric disclosed
basic HEPS)*

1

Waivable min

31.3% - 36.9%
R1.0bn – R1.2bn

2

Non-discretionary

36.9% - 43.9%
(inclusive)
R1.2bn – R1.5bn

3

Discretionary

43.9% - 64.8%
R1.5bn – R2.2bn

TRANSACTION MECHANICS *(contd.)*



Share exchange ratio

$$\frac{R6}{Z}$$

with Z being the higher of:

- R60 or
- 30-day SLM VWAP



If 30-day VWAP > R60, for example R65:

Use 30-day VWAP

$$\frac{R6}{Z} = \frac{R6}{R65} \\ = 0.09 \text{ SLM shares} *$$



If 30-day VWAP < R60:

Use R60

$$\frac{R6}{Z} = \frac{R6}{R60} \\ = 0.10 \text{ SLM shares} * \\ \text{Maximum ratio}$$



BACKGROUND ON AFROCENTRIC LIMITED

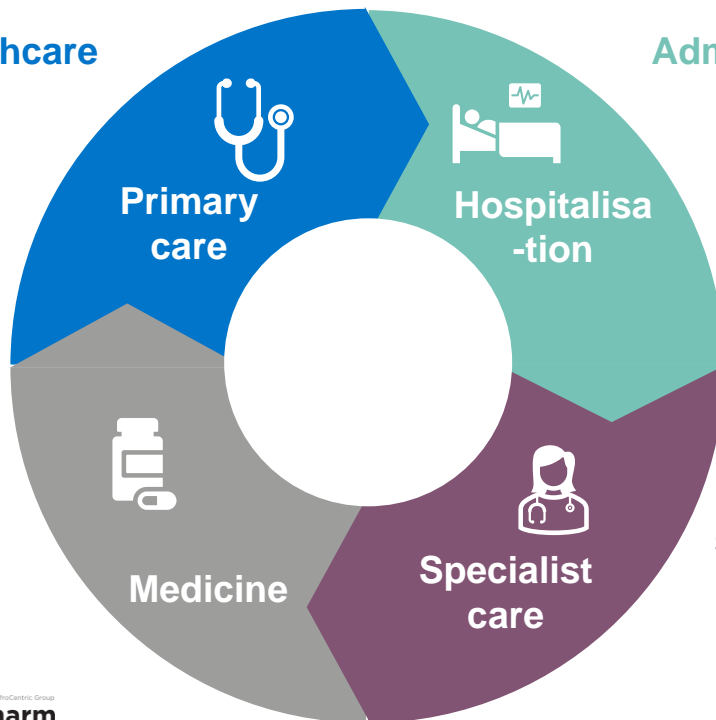


AFROCENTRIC'S BUSINESS MODEL



Coordinated day-to-day healthcare

Admission of patients to hospital



Allēgra



Drugs used to treat, manage and improve acute chronic conditions

Treatment provided by specialist medical disciplines



AFROCENTRIC'S INVESTMENT CASE

Strong market positioning

An established track record as a medical scheme administrator – 3.8 million lives under care (**c40% market share**)
The **largest distributor of chronic medicine** to public hospitals and clinics (**c10 million scripts p.a.**)

Consistent financial performance

Compound annual revenue and operating profit growth of **20.0% and 15.8% respectively since 2018**
Multiple successful acquisitions deliver **growth in the pharmaceutical and retail clusters**

Diversified across healthcare services and countries

Increased diversification focus, with pharmaceutical business generating 49% of revenue
Present in other **Southern Africa countries**

Competent experienced management

Experienced and **empowered leadership** team with broad **healthcare expertise**
Market-leading intellectual capital with **clinical, actuarial, data analytics and health intelligence competence** and capabilities

Multiple growth drivers

Enhanced efficiencies for **reduced healthcare costs**
Digitalisation – 1m claims processed by **robotic process automation**
Positioned for **success in National Health Insurance** environment

Efficient capital allocation

Acquisitions and organic growth mainly funded from **internally generated cash**

Debt-to-equity ratio of 12.4%



AFROCENTRIC FINANCIAL INFORMATION

RECENT AFROCENTRIC RESULTS

↑ 8.0%
Group
revenue

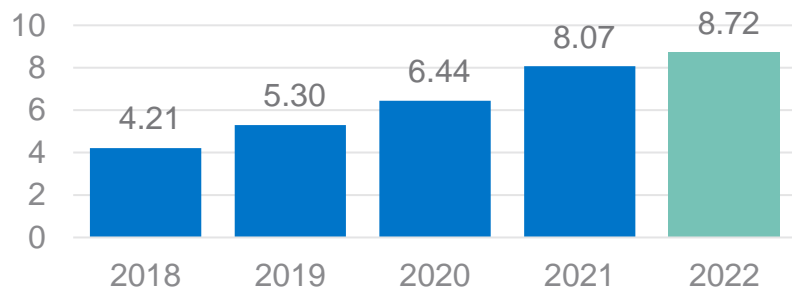
↑ 2.6%
Profit for
the year

↑ 4.1%
Basic
earnings

↑ 14.6%
ROE

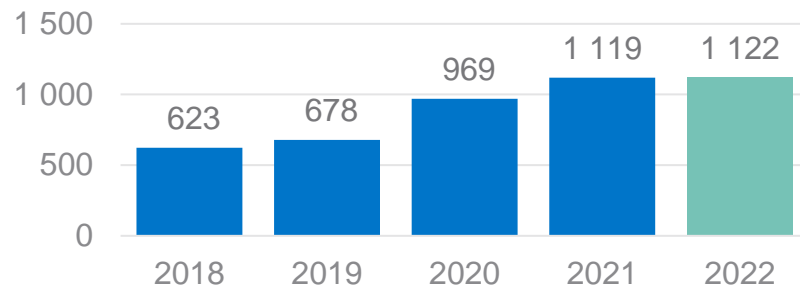
Total revenue (R'bn)

CAGR 20.0%



Operating profit (R'm)

CAGR 15.8%





OTHER RELEVANT INFORMATION



TRANSACTION GOVERNANCE



CONDITIONS PRECEDENT TO PARTIAL OFFER



Shareholder approval for the Partial Offer and the Flip-up



>36.9% of AfroCentric shareholders tendering in the Partial Offer (Sanlam can waive)



Required **regulatory approvals** being obtained



Conditions to the Flip-Up being fulfilled or waived, other than the condition requiring the Partial Offer to be implemented

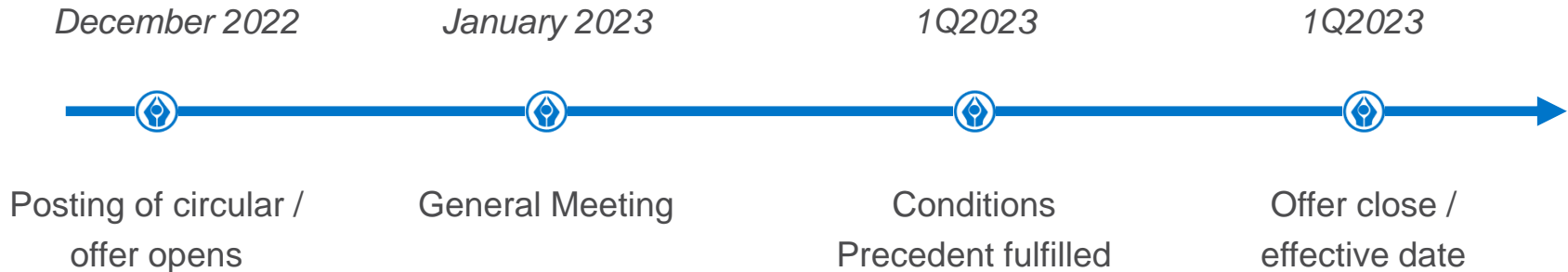


No material change in circumstances (MAC) having occurred

INDICATIVE TIMELINE



IMPLIED FROM ANNOUNCEMENT



Indicative timeline subject to various regulatory approvals required

