

# Live with confidence



Fortress South Africa  
transactions:  
Capital Legacy and BrightRock



Financial Planning | Investments | Insurance | Health | Retirement | Wealth

# Partnership with Capital Legacy and purchase of Brightrock minorities



## CAPITAL LEGACY

Wills & Estates Specialists

Sanlam will partner with Capital Legacy to create a formidable wills, estates and trust management merged business, leveraging the strengths of both companies

Sanlam has also agreed to bring BrightRock under full control, increasing our shareholding from 62% to 100%

BRiGHTROCK



Transactions represent a significant **deployment of discretionary capital** of some **R1,1 billion**



Each transaction will **generate appreciable synergies**, contributing to **returns exceeding the Group's target** return hurdles



The **Group's discretionary capital position remains strong** post these transactions, further guidance on capital allocation and deployment will be provided with the annual results

# Strategy at a glance

## Our vision

To become the most admired financial services group in Africa

### Our Strategy

-  Becoming an African champion
-  Building a fortress position in South Africa
-  Accelerating growth outside of South Africa
-  Strengthening our position where we operate outside of Africa

### Enabled by

- Data and digital transformation
- Continuous development of our culture
- Innovation
- Partnerships

## Executed through our clusters

SA Life & Savings

- Retail Affluent
- Retail Mass
- Corporate

Emerging markets

Investment Group

Santam

Group office

## How we are embedding strategy in our business

- **Integration** – expand product offering and improve cross-sell
- **Digitalisation** – improve client and intermediary experience and efficiency
- **Empowerment** – contribute to inclusive economic participation and support Fortress SA strategy
- **Culture** – readying our people and culture to operate differently ensures we remain a future-fit organisation
- **Partnerships** – exploit growth opportunities and gain access to underpenetrated market segments across the continent and where we operate outside Africa

# CAPITAL LEGACY TRANSACTION



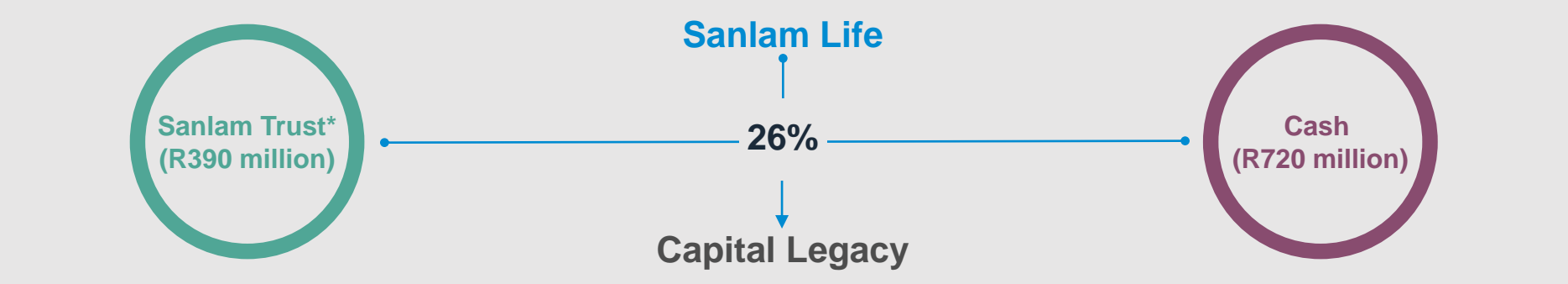





# Overview of Capital Legacy

- Founded in 2012 based on an innovative and alternative approach to support financial inclusion by addressing the estate planning need
  - Integrating the complete value chain through a life insurance policy, the Legacy Protection Plan
  - This policy covers the costs of executor, trustee, or conveyance fees on winding up of estates, creating significant savings for beneficiaries
- Capital Legacy has established itself as one of South Africa's fastest-growing wills and estate administrators, with almost 600 000 wills drafted to date
- More than 250 000 Legacy Protection Plan policies in force
- 65% of clients younger than 50 years old
- Largest part of wills book is for estate sizes below R2,5 million, with most below R1 million

# Capital Legacy transaction mechanics

**CAPITAL LEGACY**  
Wills & Estates Specialists



-  Sanlam Life will hold a **26% interest** in the enlarged Capital Legacy Group that will include Sanlam Trust, transaction concluded on an **Appraisal Value** basis
-  A **profit share arrangement** provides **additional profit to Sanlam** in respect of Sanlam clients serviced by Capital Legacy
-  Sanlam will have first right to provide **financial and other reinsurance** to Capital Legacy on **all new business**, an additional source of profit for Sanlam

\* Sanlam's Private Wealth Fiduciary Services and Sanlam Corporate's Beneficiary Fund are not part of the proposed transaction and will remain with Sanlam





# Rationale for Capital Legacy transaction

**CAPITAL LEGACY**  
Wills & Estates Specialists



Capital Legacy has built significant **first mover advantage** in the intermediary market through their **extensive financial planning and distribution infrastructure**, which will **now access the Sanlam client base**, with Sanlam sharing in the value creation



Capital Legacy has **200 consultants** performing specialist **estate planning, drafting of wills, and selling Legacy Protection Plans**, and more than **100 broker consultants** liaise with financial intermediaries



Capital Legacy has been **growing strongly**

Wills growing at 45% and Legacy Protection Plan's at 37% CAGR over the past three years



# Financial and operational impacts for Capital Legacy

**CAPITAL LEGACY**  
Wills & Estates Specialists



Capital Legacy **generated significant value** in its life insurance operations



Generated a **net value of new business (VNB) of around R300 million** for the year ending **March 2022**

Grew VNB by a CAGR of around **40%** over the past three years



Sanlam's **distribution and client base offer considerable opportunity** for Capital Legacy to now access and **grow even more strongly**



The Capital Legacy business **relies on financial reinsurance** to fund new business. **Sanlam will provide this reinsurance** in future, adding to the return on investment for Sanlam



Fiduciary planning often **highlights additional financial needs** for clients, for which Sanlam's wide range of solutions will be presented



**Minimal operational impacts** on Sanlam



# ARC considerations on Capital Legacy transaction

CAPITAL LEGACY  
Wills & Estates Specialists



Sanlam already has an indirect holding in Capital Legacy through its 25% shareholding in the portfolio of **African Rainbow Capital Financial Services Investments (ARC FSI)**

ARC FSI currently holds 29% of Capital Legacy (which will reduce to 25% post transaction)



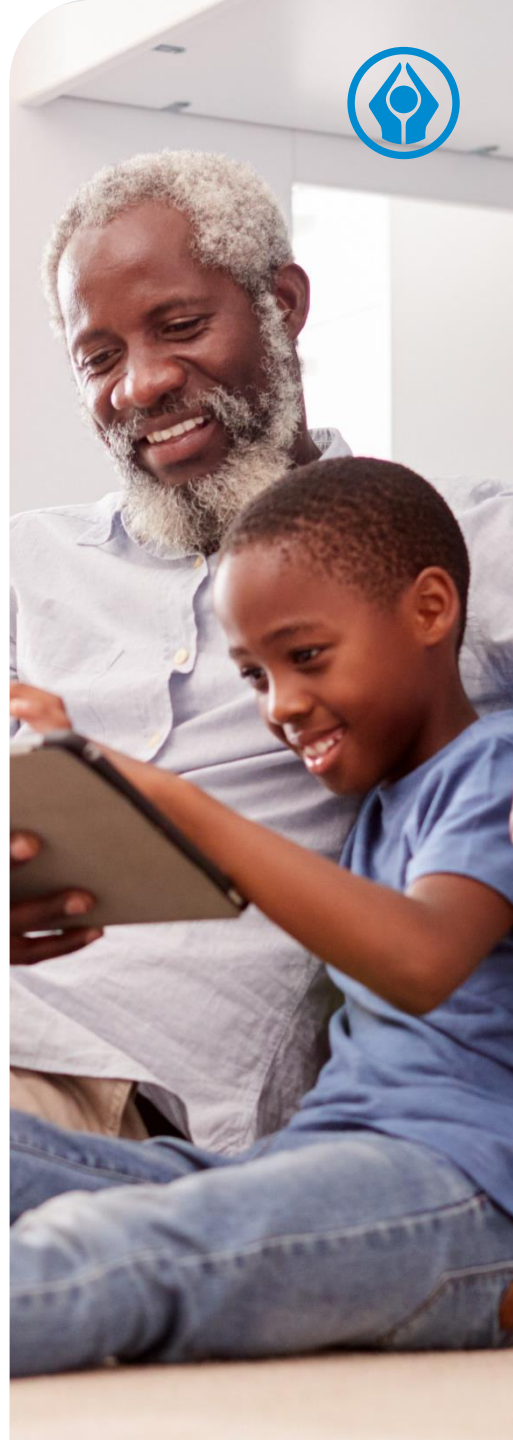
African Rainbow Capital (ARC) and ARC FSI are **not direct parties to the transaction**

Transaction has been **considered by the Independent Committee of the Sanlam Board** to ensure that the terms are favourable to Sanlam



The terms of the transaction from a Sanlam perspective has been **assessed by an independent expert advisor** who has determined that the terms of the transaction are fair to Sanlam shareholders

**ARC is Sanlam's business and empowerment partner**



# BRIGHTROCK TRANSACTION



# BrightRock transaction mechanics

BRIGHTROCK



Sanlam has also agreed to bring BrightRock **under full control**, increasing our shareholding from 62% to 100% for an initial payment of R399 million, reflecting **current embedded value** in the business



Further payments of **between R95 million and R437 million** will be paid over the next three years, subject to negotiated **value of new business targets** being met



The **management of BrightRock** are incentivised to deliver future value through the transaction structure, which **defers payment and links the price to achievement of VNB targets**





# Rationale for BrightRock transaction

BRIGHTROCK



**BrightRock has grown significantly** and created strong value for Sanlam

Average **operational RoGEV** of **21.5%** (2017 to 2019), significantly **ahead of the Sanlam hurdle rate**

BrightRock, as a **mono-line insurer**, was significantly impacted by Covid-19 pandemic



Together with BrightRock, Sanlam has the **largest market share of new retail risk business (23.7%)** in the independent financial adviser (IFA) channel, and the **second largest including all channels\***



Intention is to **transfer BrightRock's business to the Sanlam Life license**

Will lead to **capital synergies** and **expense efficiencies**



BrightRock will remain as an **operating division of Sanlam Life**, with its own brand, distribution and product focus



# Overview & operational impacts of the BrightRock transaction

BRIGHTROCK



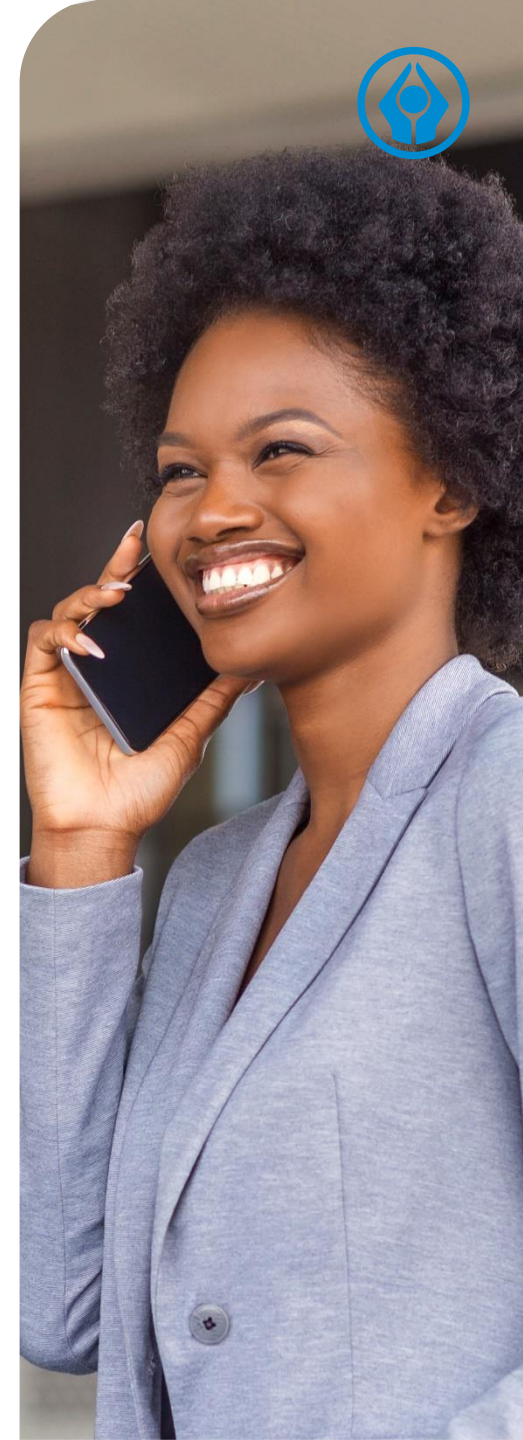
Although BrightRock will continue to operate as a distinct offering to the market, with its own management team, there will be some operational impacts once the **business is transferred onto the Sanlam Life license**



We expect BrightRock to continue to have its own operations, but **certain functions will be performed by Sanlam Life** post the transfer of the business onto the Sanlam Life license, in order to realise synergies



We anticipate that these **operational demands will not be significant for Sanlam**, who already manage a wide product set





# Impact on Sanlam's key performance metrics

- The proposed transactions will be accretive to return on group equity value (RoGEV)
  - Capital Legacy from its strong VNB contribution
  - BrightRock from capital synergies and expense efficiencies
- The proposed transactions will have marginal positive impacts on earnings and dividends in the initial years, with growing contributions as synergies are realised
- Expected to deliver a return on capital deployed well in excess of Sanlam's hurdle rate
- Group's discretionary capital position will remain strong post these transactions



# Conclusion

The proposed transactions represent an **excellent deployment** of discretionary capital

**Operational impacts** of the two transactions are **not significant**



The Capital Legacy and BrightRock offerings **add to our excellent client offering and supports our purpose and strategy**

The transactions will be **subject to regulatory approvals**







# Disclaimer

In this presentation we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as “believe”, “anticipate”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour” and “project” and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Any forward-looking information contained in this announcement has not been reviewed and reported on by Sanlam’s external auditors.

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