

PAN-AFRICAN INSURANCE UPDATE**Reconfiguring Africa's insurance landscape**

*Yesterday's announcement that South Africa's largest insurer Sanlam had acquired 100% of the insurance assets of Morocco's Saham Finance, in a transaction valued at USD 1.05 billion, marked **the culmination of an intriguing saga - with two clear winners ... and one also-ran.***

1) When it was first announced last summer that an entity controlled by US giant Prudential¹ was paying USD 130 million to purchase a 40% stake in the Ghana's Enterprise Group (EGL) previously held by Sanlam, we flagged two of the deal's most **striking anomalies**²:

- The US insurer was **helping a prospective competitor to exit** a strategically unsatisfactory position, **at a 6.05x multiple**³ of its original purchase price.
- the fact that Enterprise was yet to establish a single affiliate outside of Ghana⁴ significantly **undermined the stated rationale of it providing a spring-board** for the acquirer's planned expansion across the W. African sub-region.

2) Less than a month after liquidating its Enterprise holding⁶, **Sanlam used the sale proceeds to increase its stake in Saham Finance** - from 30% to 46.6%. In fact, the **USD 329 million investment** had been **announced back in December 2016**, when it was reported that the S. African insurer would fund USD 200 million of the purchase price from retained earnings, with the balance of **approximately USD 130 million to be financed from unspecified 'external sources'**⁷. And so it came to pass.

3) As if it were not bad enough that **Prudential's cash had helped recapitalize an already formidable competitor**, worse was to follow. That October, when Sampo Japan Nipponkoa Insurance Inc, **Japan's largest non-life provider**, decided to start servicing its corporate clients operating in Africa, it **opted for a strategic partnership with the Sanlam-Saham juggernaut**⁸.

Bottom line

- ✎ Moulay Mhamed Elalamy, Saham's founder and chairman, has been **looking to re-engineer the group into a pan-African investment vehicle**. The sale of Saham Finances gives him a billion-dollar war-chest with which to pursue this ambition⁹.

¹ I.e. Black Star Holdings' (BSHL), a fund managed by Leapfrog, whose sole investor is Prudential.

² See our research note, "[Making sense of the Enterprise rights offer](#)", Aug. 21, 2017.

³ In terms of the stock-market premium, the transaction was executed at a multiple of 4.26x, indicating that there had been essentially no value accretion during the 2 years that Sanlam had owned the sizable position, naturally, with board representation.

⁴ Not even in the adjacent markets of Côte d'Ivoire, Togo or Burkina Faso.

⁵ The trade validated a point one has had occasion to share, with a few international insurers looking to build a presence in sub-Saharan Africa. The most efficient gateway is to be found in Casablanca rather than Johannesburg – on account of the enormous footprint that Moroccan groups such as Saham, Attijariwafa and BMCE have established across the Continent, particularly in francophone Africa.

⁶ I.e. in July 2017.

⁷ See "[Le groupe sud-africain Sanlam porte à 46,6% sa participation dans le capital du groupe marocain Saham Finance](#)", posted by Agence EcoFin, 14 Déc., 2016.

⁸ See "[Les panafricains Saham et Sanlam s'allient à Sampo, le leader nippon du « non-vie »](#)", posted by La Tribune d'Afrique, Oct. 20, 2017.

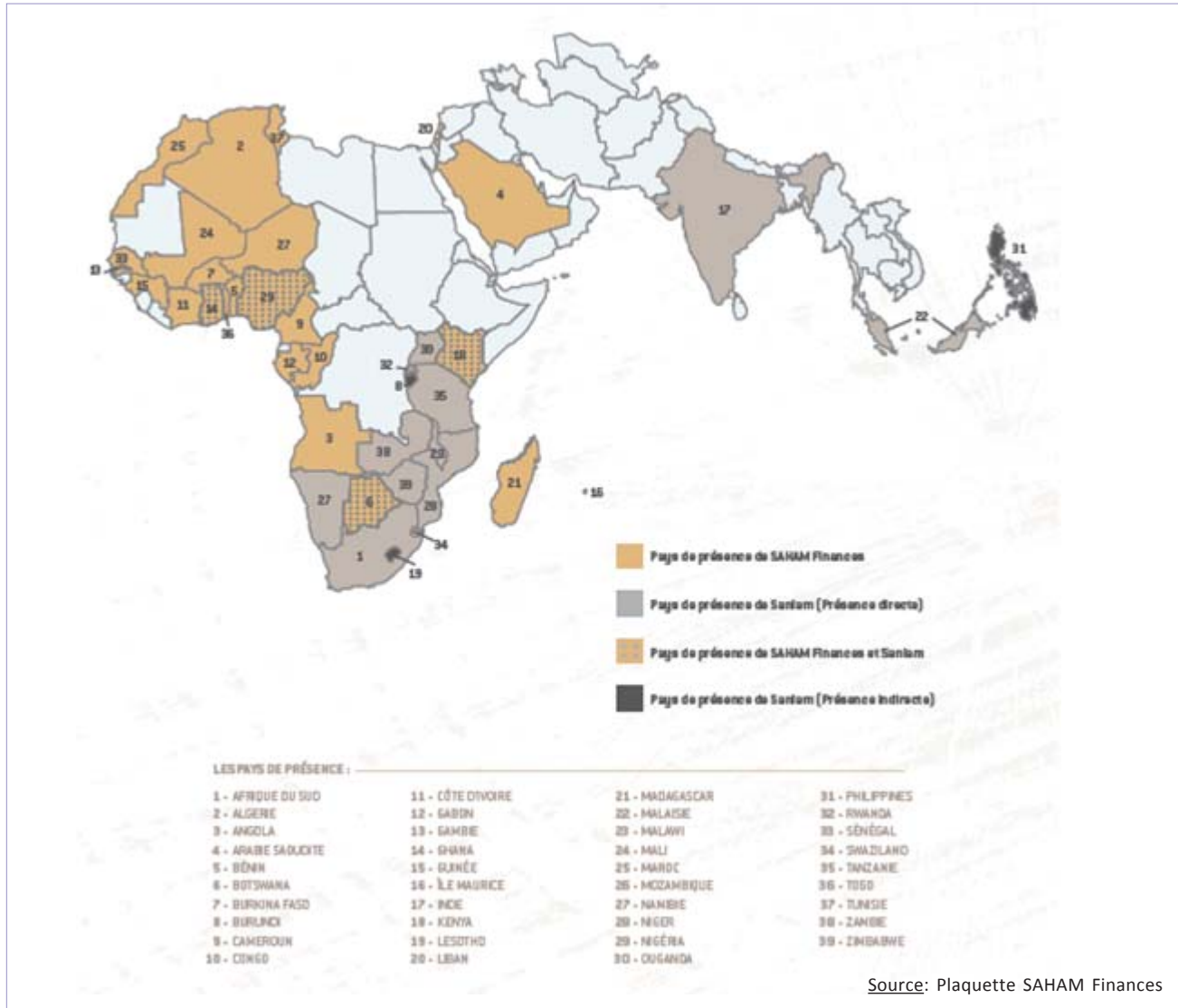
⁹ Reportedly, the fund will target opportunities in the sectors of health, the provision of offshore services, agriculture "without closing the door" on financial services.

↳ The Saham takeover has cemented Sanlam’s position as Africa’s dominant insurance player, with a sizable footprint in each of the Continent’s sub-regions, as shown in the map below.

↳ But, where the transaction leaves Prudential’s Africa strategy remains far from clear.

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The Saham-Sanlam footprint (2017)



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