

SANLAM KENYA INSURANCE | RIGHTS ISSUE NOTE

Sanlam Kenya PLC is in the market to raise KES 2.5Bn through the issuance of 500Mn new ordinary shares at KES 5.00 each. The rights issue has received all necessary regulatory approvals.

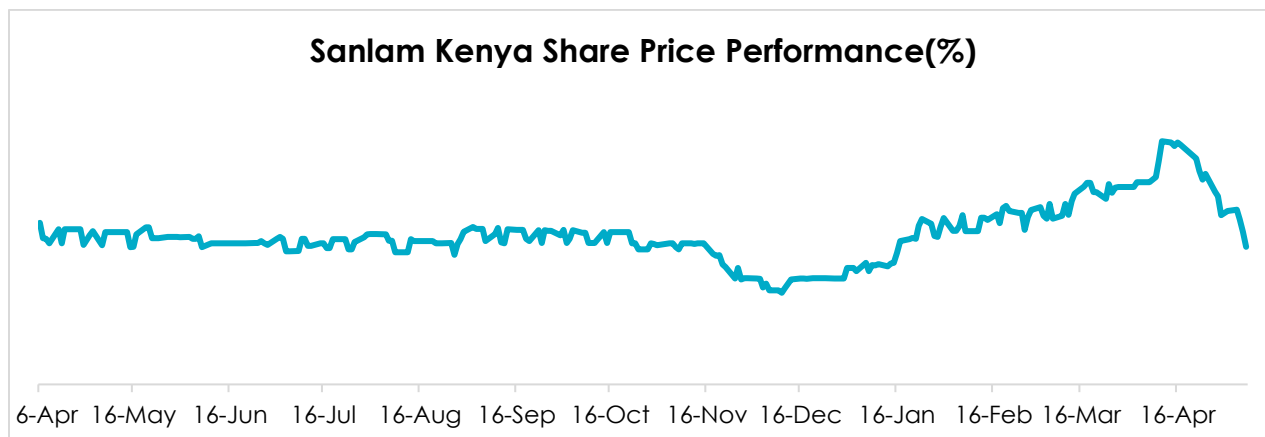
The rationale for the rights issue is to;

- Reduce long-term debt to sustainable levels.
- Lower interest expenses paid to the Company's lenders.
- Improve financial flexibility and support return to profitability.

Transaction Details	
Details	Information
Rights Issue Size	KES 2.5 Bn (gross proceeds assuming full take-up)
Offer Price	KES 5.00 per share
Par Value	KES 5.00 per share
Entitlement Ratio	125 New Shares for every 36 Existing Shares held on Record Date
Total New Shares Offered	500,000,000
Record Date	22-Apr-25
Trading of Nil Paid Rights Begins	25-Apr-25
Rights Subscription Deadline	9 May 2025, 5pm
Listing of New Shares	4-Jun-25

Key Dates (Timetable of Events)	
Event	Date/Time
Record Date (Register Closure Date)	22-Apr-25
Rights trading period on NSE	25 April – 6 May 2025
Rights subscription period	25 April – 9 May 2025
Last date of acceptance and payment	9 May 2025, 5pm
Announcement of results	13-May-25
Refunds for unsuccessful applicants	20-May-25
Listing and trading of new shares	4-Jun-25

Source: Company financials, NCBA IB Research



Source: Bloomberg, NCBA IB Research

COMPANY OVERVIEW

Sanlam Kenya Plc is a diversified financial services group listed on the Nairobi Securities Exchange (NSE) providing a comprehensive suite of financial solutions tailored to meet the distinctive Kenyan market needs. The group has two active subsidiaries, **Sanlam Life Insurance Limited** and **Sanlam General Insurance Limited** with a branch network of 10 client experience centers within Kenya. The firm has an estimated market share of **3.78%** in the life insurance industry and **2.0%** in the Kenyan general insurance industry, serving over 16,000 policyholders under Personal Lines and more than 1,200 under Commercial Lines.

Sanlam Kenya PLC also has other dormant subsidiaries which are in the process of being wound up including;

- Sanlam Investments Ltd
- Chemi-Chemi Mineral Water Company
- Mae Properties

Sanlam Kenya Plc is a subsidiary of **Sanlam Limited**, a diversified financial service with headquarters in South Africa and is listed at the Johannesburg Stock Exchange with Sanlam Emerging Markets a subsidiary of Sanlam Limited being the intermediate parent of the group. The parent firm is one of the 50 largest internationally active insurance groups with a presence in 44 countries.

Shareholding Summary:

Share Ownership	Percentage
Hubris Holdings Ltd	57.14%
Aksaya Investments Holding Limited	21.04%
Mwangi, Peter Kingori	1.56%
Mayfair Insurance Company Ltd	0.79%
Standard Chartered Nominees A/C 9595	0.59%
Patel, Anjay Vithalbhai	0.59%
Kenya Reinsurance Corporation Limited	0.36%
Thammo Holdings Limited	0.32%

Malde, Anilkumar Virpar	0.31%
Carbacid Investments Limited	0.27%
Others	17.04%
% Total	100.00%
Total No. of Shares	144,000,000

Source: NSE, NCBA IB Research

ANALYSIS OF THE OFFER

For Existing Shareholders: Participate or Sell and Exit?

Value of Participation:

- **Discount Opportunity:** The 23% (Price as of 7th May) discount on the offer price provides immediate value, especially if the market price aligns with or exceeds this discounted level over time.
- **Staying Aligned with Sanlam Kenya Growth:** Participating would allow the shareholder to maintain or increase their stake in Sanlam's expected expansion once it sorts out its debt issue. This could support share price growth and enhance long-term value.

Risks of Participating:

- **Dilution Risk:** Non-participating shareholders face a risk of dilution. If they neither exercise their rights nor purchase additional shares, their ownership percentage decreases.
- **Execution Risk:** The company's turnaround plan hinges on successfully deploying capital to support balance sheet.

Recommendation:

For clients with a risk tolerance aligned with Sanlam Kenya growth objectives, participating in the rights issue may provide value if they believe in the long-term trajectory of the company.

For more conservative clients, selling could be a prudent approach if they wish to minimize exposure to execution and market risks.

The insurance company posted commendable results for FY24.

Going forward, new investors would want to observe the post-issue financial and operational performance to ensure the stock aligns with their portfolio goals, as the success of the company will be pivotal to the value derived from their entry point.

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