

SEM well positioned to expand Sanlam footprint

Sanlam Emerging Markets (SEM), the division within the Sanlam Group tasked with international expansion, says it is well on track to deliver on its mandate of supporting the Sanlam Group objective of becoming a leading financial services player in selected emerging markets. SEM is currently doing business in ten countries in Africa excluding South Africa and Namibia.

This is in line with the Sanlam Group strategy which defines emerging markets as one of the key areas to be exploited for potential growth in the business.

Sanlam Group chief executive, Dr Johan van Zyl stated that "In 2011 Sanlam's international business contributed around 15% of operating profit (pre-minorities). Our view is that this contribution can be doubled over the next five years as these markets are seen as key growth engines. Considerable work continues to be done to identify core markets for expansion."

Earlier this month Sanlam Group announced financial results for the year ended December 2012 and reported that SEM delivered gross operating profit of R850 million, up 30% from R656 million in 2011. SEM is expected to deliver a compounded annual growth rate of (CAGR) 17% between 2011 and 2015.

Pleased with it's progress

SEM CEO, Heinie Werth says the company is pleased with the progress made by the business cluster responsible for Sanlam's expansion in emerging markets outside South Africa.

In 2012 SEM concluded transactions to the value of roughly R3 billion. In the first quarter of 2013 a further transaction worth approximately R1 billion with Shriram Transport Finance Company was concluded.

For the 2012 financial year, SEM managed to increase gross operating profit from its Indian operation (Shriram) by 750% from R4 million to R34 million. With the Shriram transactions completed in 2012, a contribution of approximately R400m in profit is expected in 2013.

Gross operating profit for Namibia increased 10% to R225 million and 20% for Botswana to R499 million. For the rest of Africa, the businesses managed to increase gross operating profit by 134% to R117 million.

Among the highlights was the Nigeria operation which has managed to break even within two years of its launch, testimony to SEM's low cost expansion model in Africa.

Says Werth: "We are making steady progress towards our objectives and we are satisfied that the cluster is well positioned to increase its contribution to the Group over the next five years as the markets we operate in are seen as key growth engines."

Strong local partnerships

In addition, Werth says strong local partnerships play an important role in the company's performance: "We rely on strong local partners and management to drive business growth within each country and this has been mutually beneficial in India and in our operations in Africa."

Sanlam has been in partnership with the Indian Shriram Group in respect of life insurance (Shriram Life) since 2005 and short term insurance (Shriram General) since 2008.

SEM was established in 2011 as a separate cluster within Sanlam to focus exclusively on emerging markets. As part of the restructuring, operations outside of South Africa formerly managed within SPF, Sanlam Developing Markets, Santam and

Sanlam Investments were transferred to SEM. The integration of these businesses within SEM was successfully completed during the first half of 2012, without losing operational focus.

"We take a number of factors into account when investing. These include potential market size, growth potential, market accessibility, general business environment, specific information around financial services in life insurance, asset management and retail credit in the countries in which we operate as well as those in which we seek opportunities.

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