



DISCLOSABLE
TRANSACTION
CIRCULAR

Disclosable transaction circular (the “Circular”)

in relation to the acquisition of 100% of Saham Assurance Company Kenya Limited (“Saham Kenya”) through its subsidiary MUA Insurance (Kenya) Limited (“MUA Kenya”), which constitutes a Disclosable transaction for MUA Ltd (“MUA”).

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

For a full appreciation of this Circular, the document should be read in its entirety. If you are in doubt about the action you should take, you should consult your financial adviser, your investment dealer or any other independent adviser immediately.

This Circular is not an invitation to the public to subscribe for shares in MUA Ltd. The Circular has been prepared for the purpose of complying with Chapter 13 of the Listing Rules issued by the Stock Exchange of Mauritius Limited (“SEM”).

The SEM accepts no responsibility for the contents of this document, makes no representation as to the accuracy or completeness of any of the statements made or opinions expressed therein and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Circular.

Pursuant to Chapter 13 of the Listing Rules, this Circular has been submitted to the SEM for approval prior to its issue and has been filed with the Financial Services Commission (“FSC”).

29 July 2020

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1. DECLARATION BY DIRECTORS

This Circular includes particulars given in compliance with the SEM rules governing the official listing of securities for the purpose of giving information with regard to the issuer. The Directors of MUA (the "Directors"), whose names appear on page 5, collectively and individually, accept full responsibility for the accuracy and completeness of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Circular is issued for the purpose of informing the general public on the acquisition of 100% of Saham Kenya (the "Transaction") by MUA Kenya, subsidiary of MUA Ltd. A Cautionary Announcement was also published on 06 July 2020 to inform the shareholders of MUA and the public at large of The Transaction.

Having considered all aspects of the Transaction, the Board of MUA (the "Board") is of the opinion that this acquisition is in the best interest of MUA and its shareholders.

By order of the Board
ECS Secretaries Ltd

2. INTRODUCTION

Further to the announcement dated 10 January 2020 in relation to the Transaction, the Board wishes to inform its shareholders and the investing public in general that its subsidiary, MUA Kenya, a company registered in the Republic of Kenya, has completed the acquisition of 100% of the share capital of Saham Kenya on 03 July 2020. The acquisition was subject to certain conditions precedent, and all conditions precedent, including regulatory approvals, have been fulfilled.

3. DETAILS OF THE TRANSACTION

3.1. Background on Saham Kenya

Saham Kenya, formerly known as Mercantile Insurance Company Ltd, was established in 1993 as a composite insurance company. It was previously controlled by Colina Holdings Ltd, a wholly owned subsidiary of the Sanlam Group, and financial conglomerate listed on the Johannesburg Stock Exchange and Stock exchange of Mauritius. The sellers are Colina Holdings Ltd and private individuals - all independent third parties.

Saham Kenya is duly licensed to carry out general and life insurance business in Kenya with main business lines including motor, medical and fire insurance and capabilities in marine. The table below summarises the main lines of business.

LINE OF BUSINESS	2019 (MUR '000) ¹
Engineering	24,528
Fire domestic	6,674
Fire industrial	50,531
Liability	11,511
Marine	1,822
Motor private	176,301
Motor commercial	66,593
Personal accident	12,233
Theft	13,392
Workmen's compensation	26,320
Medical	356,404
Miscellaneous	65,136
TOTAL	811,445

¹Based on exchange rate KES/MUR as at 31 December 2019. Whilst the life insurance business forms part of the acquired assets, the intention is for this part of the business to be spun-off by the end of 2020.

This is subject to regulatory approvals and the purchase consideration takes account of this spin-off.

Saham Kenya holds 1.98% market share in the Kenyan general insurance market and is engaged in underwriting a wide range of general insurance products including medical, motor, fire and engineering insurance. Saham Kenya has a reputation of being one of the most dynamic insurance companies in Kenya with an experienced management team and extensive operational knowledge.

3.2. Rationale of the Transaction

The Transaction represents an important milestone in MUA's 3-year strategic plan, *Ambition 2020*, which has a strong focus on regional expansion in East Africa. The group's expansion strategy focuses on increasing insurance penetration particularly in Kenya, a market with high potential in a context of rapid population growth.

- ▶ The Transaction will allow MUA to reinforce the group's presence in East Africa, allowing the Kenyan operations to attain the required critical mass to fully capture the significant growth potential of the insurance market in that region.
- ▶ Saham Kenya has solid experience in the Kenyan market with an experienced management team and extensive operational knowledge.
- ▶ The integration of Saham Kenya into MUA is complimentary and opportune given that the two companies share certain key characteristics in terms of corporate structure, culture, values and market knowledge.
- ▶ MUA believes that its insurance products, know-how, insurance underwriting capabilities and ability to innovate and digitalise operations will be well coupled with the operations of Saham Kenya and will be key factors in driving the business forward.
- ▶ In addition, MUA has an extensive international network and technical expertise which is expected to further increase market share and ensure long term sustainability.
- ▶ Through the combined strength of MUA Kenya and Saham Kenya, MUA expects to leverage on the benefits of economies of scale to further enhance its competitiveness in the region.

3.3. The purchase consideration

The purchase consideration of USD12.325m for the Transaction (the "Purchase Consideration") was determined based on negotiations between the respective parties and was settled in cash. Appropriate financial, tax, legal, operational and actuarial due diligence has been carried out by MUA and its advisors. The Purchase Consideration represents a price to book ratio of 1.5 as at 31 December 2019.

3.4. Completion

The Transaction was subject to certain conditions precedent, including regulatory approvals, all of which have been met. The regulatory approvals include approvals from the COMESA Competition Commission, the Insurance Regulatory Authority of Kenya ("IRA") and the South African Reserve Bank. The Kenya Competition Authority was also duly notified of the acquisition.

The completion date of the Transaction was 03 July 2020 and subject to IRA approval, the merger of MUA Kenya and Saham Kenya is expected by end of 2020.

3.5 - Terms of Payment

The Purchase Consideration was paid on completion of the Transaction, being the 03 July 2020. MUA provided a loan of USD11m to MUA Kenya for the financing of the acquisition and the balance was financed through MUA Kenya's own funds.

3.6. Financial information

The table below sets out the evolution of key financial indicators for Saham Kenya:

In MUR'000	2019	2018
Gross earned premium	860,461	766,482
Net earned premium	405,183	362,250
Profit before taxation	37,482	43,690
Taxation	-10,291	-11,296
Profit after taxation	27,191	32,394
Gross assets	1,326,827	1,367,229
Shareholders' funds	306,217	268,036

4. EFFECTS OF THE TRANSACTION

For illustrative purposes only, based on the audited consolidated balance sheet of MUA as at 31 December 2019 and on the assumption that the Transaction had been effected on that date, the impact on earnings of MUA are as follows:

MUR'000	THE GROUP		THE COMPANY	
	Audited 2019	Post Proposed Transaction	Audited 2019	Post Proposed Transaction
ASSETS				
Investment in subsidiary companies	-	-	1,850,022	1,850,022
Other non-current assets	13,057,022	13,285,757	202,710	644,360
Total non-current assets	13,057,022	13,285,757	2,052,732	2,494,382
Cash and cash equivalents	611,685	431,616	97,715	85,551
Other current assets	3,101,606	4,032,984	207,000	35,487
Total current assets	3,713,291	4,464,600	304,715	121,039
Total assets	16,770,313	17,750,357	2,357,447	2,615,421
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued share capital	723,968	7,223,968	723,968	723,968
Reserves	2,111,190	2,111,190	1,126,653	1,126,653
Non-distributable share of Life surplus	4,335	4,335	-	-
Total ordinary shareholders' equity	2,839,493	2,839,493	1,850,621	1,850,621
Non-controlling interests	638,039	638,039	-	-
Total equity	3,477,532	3,477,532	1,850,621	1,850,621
Technical provisions	11,621,631	12,363,149	-	-
Non-current liabilities	195,096	226,435	-	-
Borrowings	604,737	626,220	504,737	762,713
Other current liabilities	871,317	1,057,021	2,089	2,087
Total current liabilities	13,292,781	14,272,825	506,826	764,800
Total equity and Liabilities	16,770,313	17,750,357	2,357,447	2,615,421

Barring unforeseen circumstances, the Transaction is expected to contribute positively to the future earnings of MUA since Saham Kenya is income generating and profitable and the merged entities is expected to translate into higher market share.

5. OTHER INFORMATION

5.1 Corporate information

Name of Issuer	MUA Ltd
Registration number	C157344
Registered office	4,Leoville L'Homme Street Port -Louis, Mauritius

5.2 Stated capital

As at 31 December 2019, the stated capital of the MUA amounted to MUR723,968,000 made up of 45,090,000 ordinary shares of no par value. All issued shares are fully paid. The shares are in registered form.

5.3 Statement of Directors' interests as at 30 June 2020

DIRECTORS	CATEGORY	INTERESTS	
		Direct	Indirect
Mr Vincent Ah Chuen	Non-Executive Director	356,370	254,608
Mr Alfred Bouckaert	Independent Non-Executive Director	-	-
Mr. Bertrand Casteres	Executive Director	19,825	-
Mr Bruno Huet D'arlon De Froberville	Non-Executive Director	52,999	758,811
Mr Olivier De Grivel	Independent Non-Executive Director	-	-
Mr Dominique Galea	Non-Executive Director	323,137	6,631,223
Mrs Melanie Faugier	Non-Executive Director	1,310	2,412,243
Mrs Catherine McIlraith	Independent Non-Executive Director	-	-
Mr Ashraf Musbally	Executive Director	5,400	-
Mr Mushtaq Oosman	Independent Non-Executive Director	8,437	-
Mr Brian Ah-Chuen	Alternate to Mr Vincent Ah Chuen	2,250	-
Mrs Celine Gormand	Alternate to Mr Dominique Galea	-	-

5.4 Directors' service contracts

There are currently no service contracts between MUA and its Directors.

5.5 Legal proceedings

As far as the Directors are aware, there are no current, pending or threatened legal or arbitration proceedings against MUA which may have, or have had, in the past twelve months preceding the date of this Circular, a material impact on MUA's financial position.

GLOSSARY

TERM	DEFINITION
Board	The Board of Directors of MUA
Circular	The disclosable transaction circular issued for the purpose of complying with Chapter 13 of the Listing Rules
Directors	The Directors of MUA as at the date of the Circular
FSC	Financial Services Commission
IRA	Insurance Regulatory Authority of Kenya
Kenya	Republic of Kenya
m	million
MUA	MUA Ltd
MUA Kenya	MUA Insurance (Kenya) Limited
MUR	Mauritian rupees
Transaction	The acquisition of 100% of Saham Kenya
Purchase Consideration	The purchase consideration of USD12.325m for the Transaction
Saham Kenya	Saham Assurance Company Kenya Limited
SEM	Stock Exchange of Mauritius Limited
USD	United States Dollars

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FOR MORE INFORMATION PLEASE VISIT



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