Company Update Report

Sanlam Limited

Financials

Ticker	SLM-ZA
Share price	R88.25
Intrinsic value	R99
Upside/(Downside)	12%
Recommendation	Buy

As at: 9 July 2026

Analyst thesis

Our recommendation is based on:

- Diversified insurance and wealth platform: Sanlam Limited (SLM) has a diversified earnings base across life insurance, wealth management, investment management, credit, and general insurance operations. Its broad South African franchise is complemented by exposure to Africa, India, and other international markets. This geographic and business diversification supports earnings resilience, recurring fee income, and long-term growth opportunities.
- Supportive operating environment and growth opportunities: Despite short-term inflationary pressures pushing rates higher, weaker equity markets, and market volatility, SLM is positioned to benefit from improving financial conditions over the longer term. Growth opportunities across Africa and India are supported by low insurance penetration, rising savings demand, and continued acquisition-led expansion.
- Strong capital generation and resilient profitability: SLM continues to deliver solid returns, underpinned by a diversified operating model, disciplined capital allocation, and a strong balance sheet. The group's capital position supports sustainable dividends, strategic acquisitions, and continued investment in growth initiatives.
- SLM currently trades at a discount to our intrinsic value, suggesting the market is not fully reflecting the benefits of its diversified franchise, acquisition strategy, and long-term growth opportunities.

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Key highlights

In this report, we review the FY25 results released in March 2026:

Financial results at a glance:

- Total insurance revenue grew by 10% from R93.5 billion in FY24 to R102.9 billion in FY25, reflecting expansion in both life and general insurance portfolios, supported by higher written premiums and record new business volumes across the group's diversified operations.
- Results from insurance operations increased by 6% from R13.1 billion in FY24 to R13.8 billion in FY25, underpinned by strong underwriting performance in general insurance and favourable risk experience in the life book, evidencing robust technical margins and disciplined risk selection.
- Results from other operations declined by 21% from R14.0 billion in FY24 to R11.1 billion in the current period, with the change in fair value of liabilities more than offsetting the rise in investment surpluses during the period.
- Profit for the year decreased by 25% from R24.8 billion in FY24 to R18.7 billion in FY25, driven mainly by a change in fair value of liabilities from other operations and the absence of prior-year discontinued operations gains, rather than a broad weakening in core underwriting or fee-based operations.
- Total new business volumes remained strong, showing growth of 18% from R420.2 billion to R496.0 billion for FY25. The rise was supported by all business units as life insurance increased by 10%, general insurance improved by 12%, and investment management rose by 20%.
- GEV increased by 8% from R171.8 billion to R185.6 billion, bringing the GEV per share to R87.73.
- A normal cash dividend of 485 cents per share was declared for FY25, up from 445 cents in FY24, reflecting a 9% uplift and signalling confidence in SLM's solvency position, capital generation, and ability to fund growth while maintaining attractive returns to policyholders and shareholders
- 1Q26 trading update: SLM delivered strong momentum, with comparable operating profit expanding by 8%, bolstered by growth in life insurance, investment management, and credit businesses. New business volumes increased by 29%, while net client cash inflows rose 45% to R38.6 billion. General insurance earnings were impacted by elevated catastrophe claims.

Sector outlook

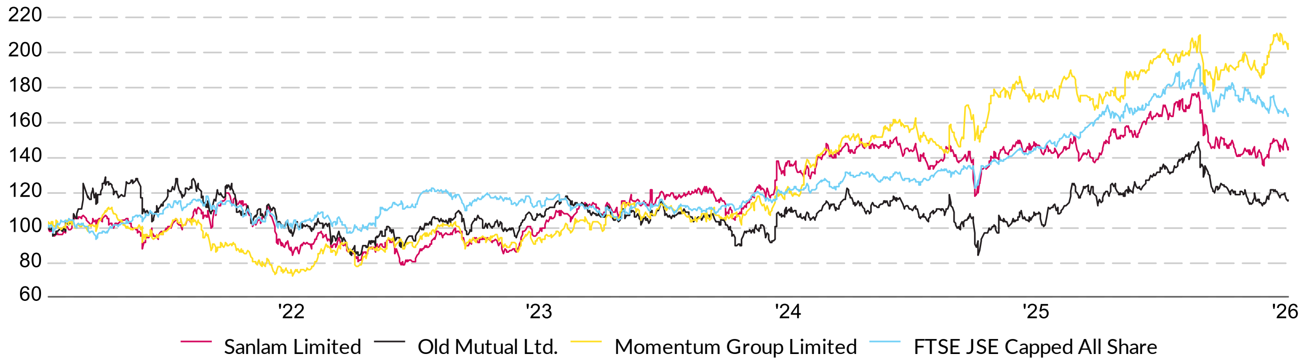
The global insurance and wealth management sector remains supported by structural growth drivers, including rising insurance penetration, retirement savings demand, and increasing demand for investment solutions. South Africa's weak economic growth and affordability pressures constrain near-term premium growth although, over the long term, lower interest rates and stronger markets should support savings flows and asset-based revenues. Africa and India offer longer-term growth opportunities driven by rising financial inclusion and underpenetrated insurance markets. However, market volatility, catastrophe claims, regulatory changes, currency risks, and competitive pressures remain key challenges.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year EPS CAGR is 12.3%. EPS expansion is expected to be driven by resilient underwriting margins, disciplined cost control, and operating leverage, supported by improving investment income and steady new business growth.
Valuation	★★★☆☆	The share price is trading at a 12% discount to the intrinsic value (IV). Current NTM P:E of 9.7x is trading at a 7% discount to the five-year average NTM P:E of 10.4x.
Dividend	★★★★☆	LTM dividend yield 5.5%. NTM dividend yield 5.9%.
Issuance	★★☆☆☆	Shares issued have increased by 1% over the past five years.
Catalyst	South African macro normalisation supporting insurance demand: Gradual easing in inflation and stabilising growth support affordability, insurance uptake, and persistency, with reduced macro stress improving lapse experience. Interest rate cycle sensitivity driving mixed earnings impact: Sticky yields support strong reinvestment income and investment margins, while gradual normalisation may moderate margins but is partly offset by improved policyholder behaviour and lower reserving pressure. India and pan-African growth driving structural uplift: Stronger growth in India and selected African markets supports higher insurance penetration, faster volume growth, and diversification away from mature South African operations. Underwriting discipline and cost efficiency supporting margins: Tight underwriting, favourable claims experience, and cost control sustain resilient margins and support embedded value earnings growth.	
Quality of earnings	★★☆☆☆	Five-year average ROE of 15.5%. Five-year average expense ratio of 50%. SLM has recorded positive earnings growth in seven of the past 10 years. SLM's ROE is expected to increase over the next two years, driven by continued top-line growth and strong cost control, while the current five-year average is slightly lower than pre-Covid levels. Earnings are significantly influenced by the assumptions, estimates, and actuarial judgements applied in the insurance business.
Moat	★★★☆☆	Switching costs and policyholder inertia: Long-term life and retirement products create high switching costs, supporting strong persistency and recurring earnings. Scale and diversified earnings base: Diversified operations across South Africa and faster-growing international markets smooth earnings volatility and support stable growth. Brand trust and distribution strength: Established brand and long-standing adviser and platform relationships support customer retention and new business flows.
Management and governance	★★★☆☆	Paul Hanratty has served as group CEO of Sanlam since July 2020, having previously held senior leadership roles at Old Mutual. His tenure at Sanlam has emphasised disciplined capital allocation and growth in international and emerging markets, including India and Africa.
Balance sheet	★★★★☆	The five-year average SCR coverage ratio is 177%, reflecting a strong capital position. The ratio has moderated from pre-pandemic levels, but remains robust, indicating strong capital generation and prudent balance sheet management.
Risks	Market and investment risk: Earnings are exposed to equity markets, interest rates, and credit spreads, which affect investment returns and embedded value. Underwriting, catastrophe and experience risk: An adverse experience to mortality, morbidity, lapse, expense, or catastrophe and weather-related claims relative to assumptions could pressure margins and earnings. South African macro risk: Weak growth, high unemployment, and inflation may constrain affordability, increase lapses, and limit new business growth. Execution risk in diversified operations: Exposure to India and African markets introduces complexity in execution and operational consistency across regions. Regulatory and capital risk: Changes in solvency requirements or IFRS 17 interpretation may increase capital strain and constrain growth or dividends.	

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



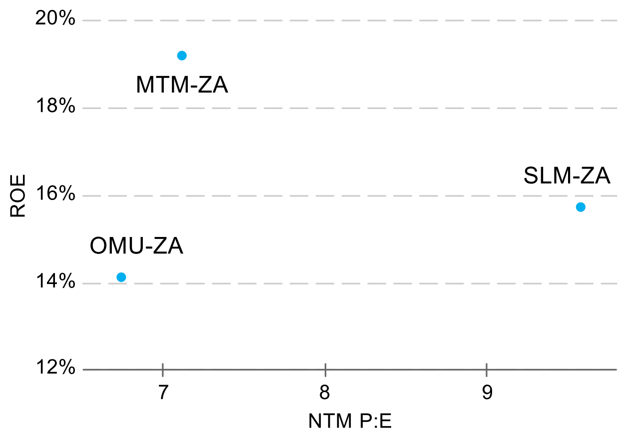
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
SLM-ZA	-10.4%	0.0%	0.6%	-13.8%	0.3%	7.4%	47.4%	46.5%	50.6%
OMU-ZA	-12.0%	-2.3%	-5.1%	-13.9%	7.4%	4.5%	8.7%	16.3%	*-
MTM-ZA	4.2%	-1.9%	8.5%	2.7%	17.0%	71.4%	120.0%	106.2%	82.6%
JSE All Share	-4.6%	0.0%	-4.0%	-6.3%	14.1%	36.7%	47.7%	65.9%	111.0%

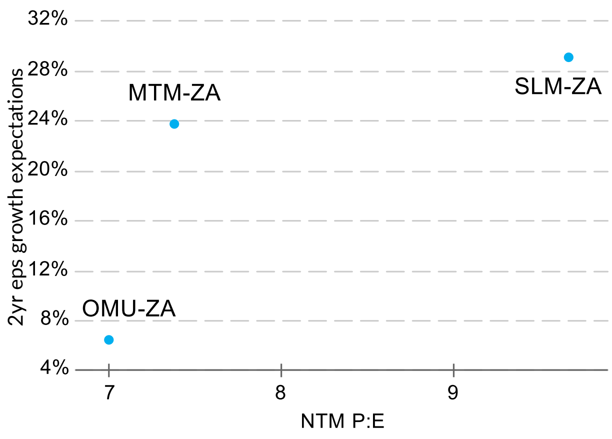
Source: FactSet
*Not listed for the period

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

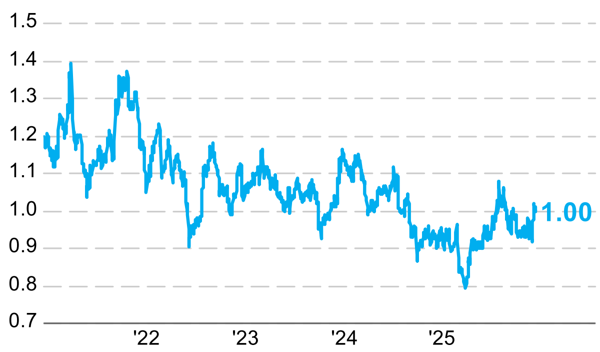
Valuation

The valuation of SLM is based on a forecast GEV with a P:GEV multiple reflecting the group's life insurance, savings, and asset management operations. Earnings and embedded value forecasts incorporate assumptions about new business growth, underwriting margins, expense discipline, and investment returns. The valuation multiple is anchored to SLM's historical P:GEV trading range, reflecting medium-term growth prospects, capital strength, and return profile. Bear, base, and bull scenarios are considered, with probability weightings reflecting macroeconomic conditions, market volatility, and capital return assumptions.

Table 3: Valuation summary

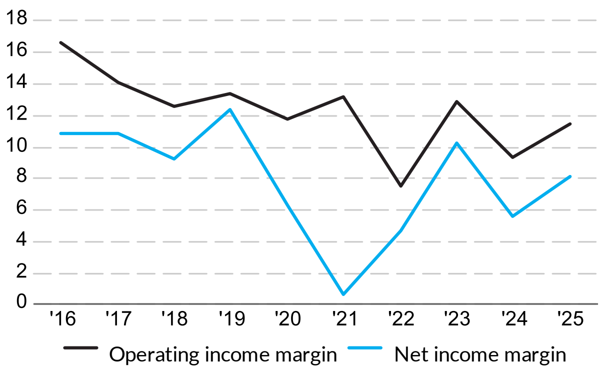
Valuation probabilities			
	Bear	**Base**	**Bull**
P:GEV	0.8x	1.35x	1.5x
Probability	25%	50%	25%
Implied share price	R63	R107	R121
Weighted intrinsic value			**R99**
Upside/(Downside)			**12%**

Graph 4: NTM P:E relative to benchmark



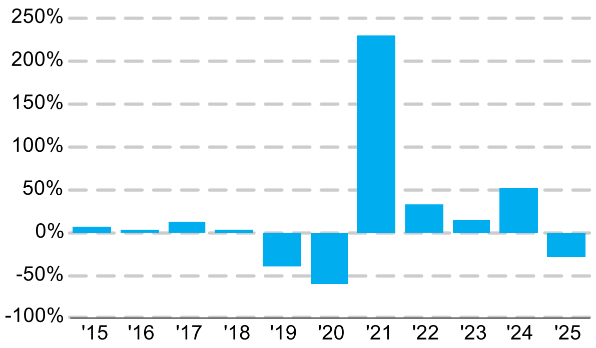
Source: FactSet

Graph 5: Profit margins (%)



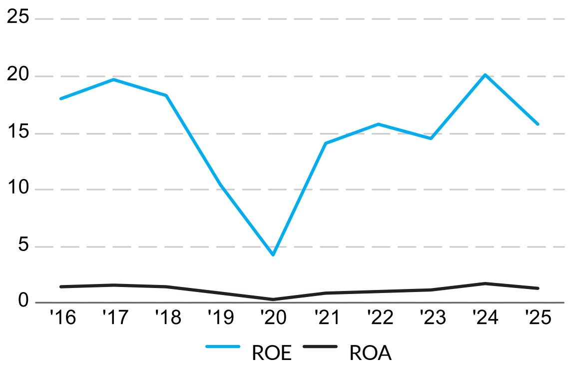
Source: FactSet

Graph 6: 10Y EPS year-on-year change



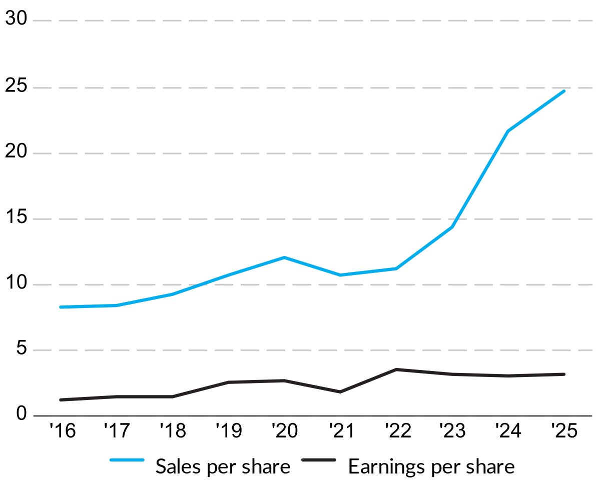
Source: FactSet

Graph 7: ROE and ROA (%)



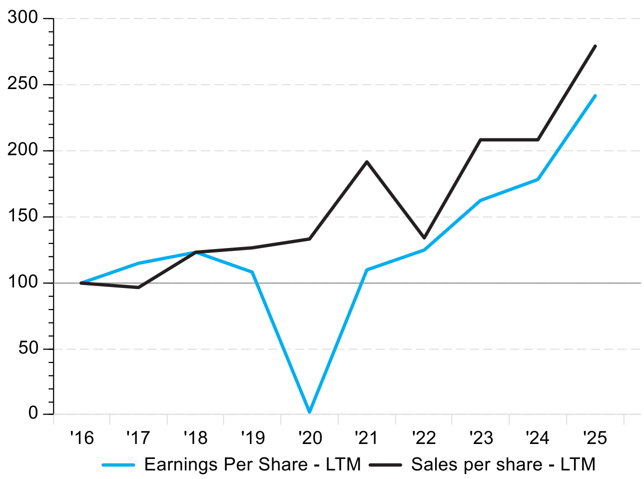
Source: FactSet

Graph 8: Sales and earnings per share (Rand)



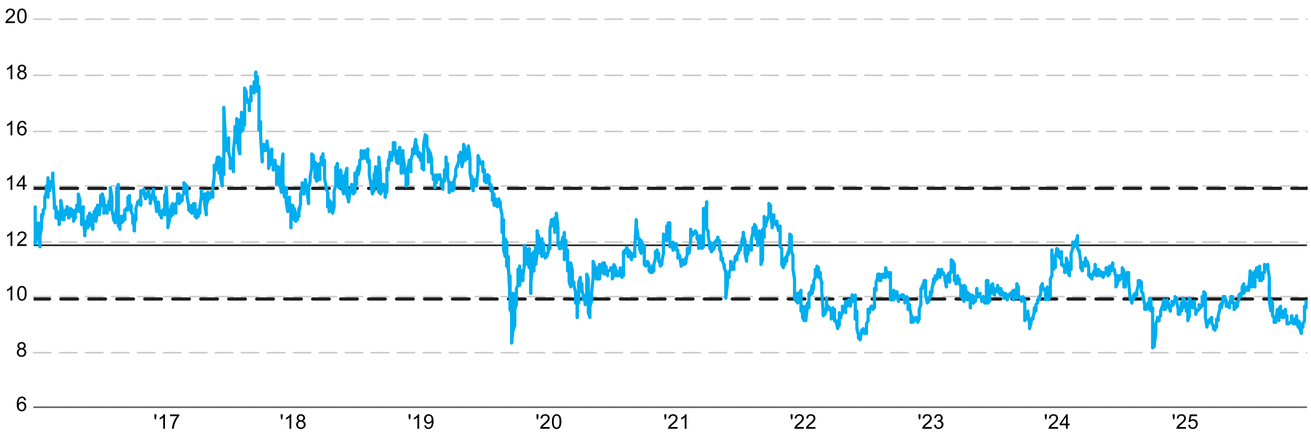
Source: FactSet

Graph 9: Sales and earnings per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income statement (RMn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	191 557	109 802	206 220	234 218	288 638	23%	38%	20%
Operating expenses	177 230	96 025	187 390	209 079	265 900	27%	40%	19%
Net operating result	14 327	13 777	18 830	25 139	22 738	-10%	18%	40%
Pretax Income	15 338	15 424	20 682	29 513	26 364	-11%	20%	38%
Tax expense	5 352	3 464	7 079	7 909	7 652	-3%	30%	15%
Net income (continued operations)	9 986	11 960	13 603	21 604	18 712	-13%	16%	68%
EPS (Rand)	5	6	7	11	8	-29%	8%	85%
Balance sheet (RMn)	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	1 056 178	998 154	996 720	1 133 544	1 295 698	14%	9%	7%
Total shareholders' equity	82 896	98 958	96 905	110 155	111 522	1%	4%	8%
Total liabilities	973 282	899 196	899 815	1 023 389	1 184 176	16%	10%	6%
Ratios	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**5Y Avg**		
SCR cover ratio	173%	169%	170%	188%	183%	177%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
CAGR	Compounded annual growth rate
DCF	Discounted cash flow
EPS	Earnings per share
FCF	Free cash flow
FY	Financial year
GDP	Gross domestic product
GEV	Group equity value
LTM	Last 12 months (also known as trailing)
M	Month
MTD	Month-to-date
MTM-ZA	Momentum Group Limited
NTM	Next 12 months (also known as forward)
OMU-ZA	Old Mutual Limited
P:E	Price-to-earnings
P:GEV	Price to group equity value
R	South African rand
ROA	Return on assets
ROE	Return on equity
SCR	Solvency capital requirement
SLM-ZA	Sanlam Limited
Y/y	Year(s)
YoY	Year-on-year
YTD	Year-to-date

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House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the portfolio committee is likely to precede the release date and price on the report.

*Share price as at closing.

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