

Alex Forbes explains sale of brokerage

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ALEXANDER Forbes said yesterday that the decision to sell its brokerage business was influenced by a strategic imperative to increase its focus on areas where it saw high growth.

In an interview, group CEO Edward Kieswetter also said Africa's largest independent retirement-fund administrator would replace the net income of more than R100m lost as a result of the disposal of the unit through organic growth.

Alexander Forbes said this week it had agreed to sell its brokerage business to the local office of US professional services group Marsh & McLennan Companies.

It said the consideration payable by the various Marsh subsidiaries was R808,7m. But this could, subject to certain conditions and the achievement of specified revenue, operational and strategic performance targets, increase by up to R310,5m, to R1,12bn.

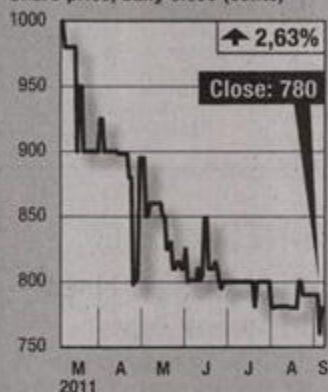
Mr Kieswetter said it was important to appreciate the transaction was largely "about the risk services business and positioning it in the best possible way for its client offering and therefore future growth", adding: "The global link and ability to offer global insurance programmes to multinational clients is crucial to them.

"As a secondary benefit, this does provide capacity to increase our focus on the areas that we see as high growth, being the retail (individual clients) space both in the financial services side of our business and on the short-term insurance through Alexander Forbes Insurance."

Mr Kieswetter said the institutional part of the firm's financial services business remained important, though. "We have an established and well-secured presence in the institutional and corporate client

ALEXANDER FORBES

Share price, daily close (cents)



Graphic: RUBY-GAY Source: I-NET BRIDGE

space," he said. "The opportunity is for us to extend our presence and focus on the individual clients and achieve higher growth."

Mr Kieswetter said in addition, as a dominant market player in the employee benefit consulting and pension fund administration business, Alexander Forbes was confident the expertise and intellectual capital it had developed would be used to bring innovative solutions to the rest of Africa, where these markets were fast developing.

"Replacing the income will largely come from organic growth through, among others, the strategies (already mentioned)," Mr Kieswetter said.

"Reported profit from operations (before nontrading and capital items) for the year ended March was R1,1bn. The contribution of the risk businesses that are the subject of this transaction was approximately 10% of that," he said.

Mr Kieswetter also said the local presence of Alexander Forbes and the global expertise of Marsh was expected to create a formidable combined business.

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