



December 8, 2024

**Delta Insurance Company SAE**  
**Attention: Mr. Hossam El-Din Hefnawi, CEO**  
**By email: [Hossam\\_hefnawi@deltains.org](mailto:Hossam_hefnawi@deltains.org)**

**Private & Confidential  
Indicative Non-binding Offer**

**Confidential and non-binding expression of interest**

Dear Sirs,

AXA Egypt Investment SAE ("AXA") is pleased to submit this preliminary and non-binding offer (the "Offer") in relation to our interest in acquiring up to 100% of the issued share capital of Delta Insurance Company SAE ("Delta" or the "Company") and, indirectly, its subsidiary Delta Life Assurance SAE (the "Transaction") for the purpose of eventually merging the Company and its subsidiary with our Egyptian subsidiaries.

Developing further our presence in Egypt is a strategic priority for AXA, where we have been operating since 2015. We have been particularly impressed by the reputation for quality of Delta's operations, as well as its strong growth and profitability in the last years and believe Delta would be a very attractive addition to our own operations. We consider the Transaction to be a unique opportunity to accelerate our ambitions in the country.

We are also convinced that AXA, as part of a major international insurance group with a strong knowledge of the Egyptian insurance market and extensive experience in similar transactions around the world is uniquely placed to ensure the successful development of Delta, while ensuring you and your client an efficient execution with minimal disruption to clients, employees and distributors.

We provide in this letter a detailed explanation of our Offer. We hope this Offer will be received positively by you and your client as we believe it represents a compelling value proposition to all stakeholders.

#### **1. Presentation of AXA**

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**AXA Group is a global insurance leader**

The AXA Group is a worldwide leader in insurance with IFRS revenues of EUR 102.7 billion in 2023 and a market capitalization of EUR 74.84 billion (as of December 7, 2024) as well as the largest



player worldwide in commercial P&C. It benefits from an extensive reach in geographically diverse markets with operations in Africa, the Americas, Asia, the Middle East and Africa.

AXA's 145,000 employees and distributors are committed to serving 95 million clients, individuals and businesses in 51 countries worldwide, capitalising on strong and diversified distribution networks and unique product skills where we have demonstrated our capacity to leverage best practices across the group.

Further, the AXA brand is a highly recognised asset globally and was ranked in the top insurance and 50 best global brands in 2023 by Interbrand.

#### **AXA Group's presence in Egypt**

AXA Group has been present in Egypt since 2015 when it incorporated the P&C insurance company AXA General Insurance Egypt SAE and subsequently acquired a 100% stake in the life insurance company Commercial International Life Insurance Company afterwards renamed as AXA Life Egypt SAE (together "AXA Egypt").

AXA is one of the largest players in the Egyptian insurance market, with a leading position on the Health segment, ranked as the third health insurer with EGP 2bn and in Life, ranked as the third largest life insurer in Egypt with EGP 3.2bn of GWP in 2023 (IFRS calendar year). AXA Egypt's leading position and strong profitability are the result of a clear knowledge of the Egyptian insurance market supplemented by (i) strong cost efficiency, (ii) solid customer segmentation capabilities, (iii) superior underwriting skills, (iv) excellent customer service (including full in-house claims management), and (v) innovative and technology-led solutions.

## **2. Strategic rationale**

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Our strategy is to further develop AXA's presence in Egypt, both organically and through external growth. Our ambition is to reinforce our positioning as a market leader in Egypt by entering the top 5 ranking in P&C through both the further strengthening of our existing businesses, as well as the development of our operations through acquisitions of highly reputable market leaders where we see the highest potential.

We believe that Delta would be an excellent platform to help achieve our ambition, with its widespread distribution network, very experienced management team and its historical business mix being fully aligned with AXA's strategic priorities.

#### **What AXA can bring to Delta**

While recognizing the strengths of Delta, we believe that the current operations of the Company could be further developed and enhanced through the successful combination of our businesses,





and thereby reach or maintain leading positions across key lines of business. We believe that the combination will create opportunities for all stakeholders including customers, employees and distributors.

In particular, we are convinced we can bring substantial value to Delta with minimal disruption to the operations in the following areas, to be further discussed with Delta management team:

- **Product expertise:** AXA can leverage its global and local expertise to further strengthen Delta's businesses.
- **Health:** AXA is a leading player in Health insurance. We are convinced that Delta will benefit from our technical and operational excellence, our product innovation as well as from the support of our dedicated international platforms in this segment which we see as a key area of future growth.
- **Commercial P&C:** AXA is the largest player worldwide in commercial P&C. Our core expertise in commercial lines, in areas such as pricing and segmentation or reinsurance will be key differentiating factors to accelerate the development of such lines. In particular, AXA's financial support and international presence will allow Delta to benefit from higher capacity and retention as well as large international business.
- **Distribution channels:** AXA's business model is based on a multi-channel distribution (financial advisors, brokers, partnerships and bancassurance). As such, we have deep experience of leveraging the key strengths of each of these networks, thanks to well-designed incentives and tools to increase productivity while maintaining loyalty to our business and attracting new distributors.

AXA Egypt would plan to merge the Company and its subsidiary with AXA Egypt's subsidiaries after de-listing the Company from the Egyptian Stock Exchange.

### 3. Purchase Price and Assumptions

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#### 3.1 Financial Consideration

AXA is highly motivated by this unique opportunity. Based on the information received to date, AXA values Delta at 5,000m EGP at 100% on a fully diluted basis subject to the assumptions and conditions set out below.

This represents 50,00 EGP per share for each existing and fully paid share of Delta and represents a very attractive premium of 252% over the market cap as of December 6, 2024 and multiples of 8.0 P/E 2024, 2.9 P/BV 2024 and 2.5 P/GWP 2024.

This financial consideration will be subject to further adjustment following completion of the customary due diligence and confirmation of the assumptions set out below.



**AXA is willing to discuss the potential payment of part of the consideration in USD or Euro in the next phase to the extent permitted by Egyptian law and subject to regulatory approval.**

### 3.2 Valuation Methodology

AXA has used customary methods to approach the valuation of the Company. In particular, AXA has performed a detailed discounted cash-flow analysis based on the information available and has factored in the expected value of potential synergies arising from the combination of Delta with our own operations in Egypt.

### 3.3 Assumptions

Our Offer assumes it will cover 100% of the issued share capital of Delta (subject to AXA acquiring at least 75% of the shares of the Company). **Given our limited access to information on the Company and its operations as of the date of this Offer, we would need to verify certain assumptions during due diligence phase to ensure the accuracy of our offer, including but not limited to the following:**

- There has been no material adverse change in the financial condition, assets, liabilities and business (including with respect to customers) of Delta and its subsidiaries since 30 June 2024, and there are no material or contingent liabilities, including litigations, regulatory investigations or similar matters (together, "MAC");
- Given that Delta P&C's solvency position is not available to us, we are assuming that i) Delta has approximately 60% of current shareholder funds of available capital under the solvency regime with a solvency ratio of approximately 250% and ii) a liabilities coverage ratio that will stay at a healthy position during the plan period. These are among the key assumptions that will be subject to in-depth review during the due diligence period, and the value will be adjusted upwards or downwards following such review and clarifications with the management team.
- For the Delta Life entity, to avoid taking wrong assumptions with the limited information around the underlying business, we have relied on the financial information available with a few adjustments in the investment yield and payout ratio assumptions (to reach levels of 85%) that have been aligned with the ones taken for the P&C entity. We assume that solvency and liabilities coverage will stay at a healthy position during the plan period. These are among the key assumptions that will be subject to in-depth review during the due diligence period, and the value will be adjusted upwards or downwards following such review and clarifications with the management team.
- Adequate provisions have been made by Delta in respect of all (i) potential losses or liabilities; (ii) off balance sheet commitments and contingent liabilities; and (iii) outstanding or threatened litigations (and/or other claims) or regulatory investigations or examinations (including tax examinations);





- The Transaction will have no material impact on the operations of Delta, in particular on its relationships with its clients, distributors, service providers and reinsurers, and there are no change of control provisions in Delta's material contracts which will be triggered by the Transaction;
- There is no need for any transitional services between the sellers and Delta;
- There is no security or lien of any kind over the share capital of Delta or of any of Delta subsidiaries;
- There are no shareholders' agreements governing the rights or responsibilities of shareholders in Delta;
- The Transaction will not trigger or breach any ownership restrictions to which Delta is subject (pursuant to applicable law, regulation or otherwise); and
- The information and assumptions set out in the information available to date, the information to be provided during the due diligence process (subject to FRA approval) and the Transaction documents are and will be accurate and not misleading in any material respect.

#### **4. Funding and Approvals**

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We are pleased to confirm that we will pay the consideration in cash at completion of the Transaction from existing and immediately available internal resources. We expect the acquiring entity will be AXA Egypt Investment SAE directly, its parent company or its affiliates.

This Offer has been approved by AXA Group management, who are fully aware and supportive of the Transaction.

Finally, customary regulatory and antitrust consents for the acquisition of the Company would be required.

#### **5. Conditions Precedent**

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Any decision of AXA to announce a mandatory takeover offer for the share capital of Delta will be conditional on:

- Obtaining written confirmation from the relevant regulatory authorities in Egypt including the Egyptian Financial Regulatory Authority (on terms satisfactory to AXA) that AXA may acquire up to 100% of Delta in compliance with the laws of Egypt;
- Subject to the approval of the FRA, the satisfactory completion of due diligence, including with respect to financial, actuarial, accounting, tax, legal, compliance, anti-bribery and



corruption, regulatory, HR and operational matters along with more detailed discussions with the management of Delta, in particular, the due diligence shall include but not be limited to:

- Expected profitability by line of business and distribution channel;
  - Review of the asset portfolio, reserves and reserving policies;
  - Tax and Regulatory compliance including any past or ongoing audit or investigation; from the relevant authorities;
  - Delta's cost structure;
  - Ongoing and threatened material litigation exposure and status;
  - Anti-bribery, Corruption and prevention of financial crimes framework, including but not limited to, detailed review of Delta's Marine and Commercial lines portfolio; and
  - Material contracts with clients, partners, distributors, brokers, service providers, reinsurers, banks and all other relevant counterparties;
- AXA, EKH and other material shareholders (which would enable AXA to acquire at least 75% of the Company) having agreed a share purchase agreement containing mutually satisfactory representations, warranties and indemnities including tax indemnities;
  - Delta operations having been carried on since 30 June 2024 in the ordinary and usual course, consistent with past practice, and there having been no MAC; and
  - To the extent necessary, the agreement of any transitional services agreements.

Closing of any mandatory takeover offer in connection with the Transaction will be conditional on:

- There having occurred no MAC;
- Acceptances to the offer having been received from shareholders holding at least 75% of Delta's issued share capital (to ensure AXA can, post-closing, de-list Delta from the Egyptian Stock Exchange and merge Delta's P&C and Life companies with AXA's existing operations in Egypt);
- Closing having no material impact on the customers, key contracts, key suppliers and key managers of Delta;
- Compliance of the Transaction with all applicable law and regulations; and
- Approvals being obtained from all necessary or desirable governmental, administrative, and regulatory bodies including the Egyptian Competition Authority, the COMESA Competition Authority, and the Egyptian Financial Regulatory Authority as well as obtaining contractual consents or waivers.





## 6. Next steps

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We anticipate conducting a due diligence process, including with respect to financial, actuarial, accounting, tax, legal, compliance, anti-bribery and corruption, regulatory, HR and operational matters, among others, along with discussions with the management of Delta.

AXA is highly focused on delivering the Transaction and is prepared to move quickly and engage all resources needed. In this respect, please note that AXA will retain appropriate advisors.

## 7. Contact Information

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You may contact any of the following people if you have questions or comments with regard to this letter:

Mr. Nicolas Barsky  
Chief Financial Officer  
AXA Egypt

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## 8. Other Matters

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This Offer is not intended to be and does not create any legally binding obligation on AXA or any of its affiliates. In particular, the figures set out above are for indicative purposes only and shall not be



used as a basis for any commitment, representation or warranty made by AXA or any other entity of the AXA Group. Further this letter does not give rise to any obligation.

This Offer is valid for a period of 30 days after the date of issue, i.e. until January 8<sup>th</sup>, 2025.

We confirm that AXA is acting alone in relation to the Transaction and that it is not acting in conjunction with, or as agent or broker for, any other party outside the AXA Group.

We look forward to your feedback and working together in the next phase. In the meantime, we remain at your disposal, should you have any questions regarding our proposal.

Yours sincerely,

  
**Omar Shelbaya**  
Managing Director  
AXA Egypt Investment, SAE

