Standard Bank set to buy out Liberty

Standard Bank is planning to buy up the 46% of shares in Liberty it does not already own, to take full ownership of the insurance company.

Source: ©Rowan Jackson 123rf.com

Liberty offers life insurance, asset management, investment, and health products to more than one-million clients across Africa., while Standard Bank is Africa's biggest lender in terms of assets at R2.5trn.

Standard Bank wants to acquire the balance of 96-million shares in Liberty that it does not currently own, at R14.40 per ordinary share plus 0.5 of Standard Bank's ordinary shares. Liberty will also pay its shareholders R11.10 per share through a special distribution. In all, that amounts to about R88 per share.

Share price up

Liberty's share price soared on news of the deal in early trading on Thursday, climbing by nearly 25% to R84.20 per share, its highest in a year and a half. The jump in Liberty's share price, and its lower price-to-earnings (PE) ratio - the tool used by investors to determine whether a stock is overvalued or undervalue compared to its competitors - may mean Standard Bank is getting the business at a bargain price

A high PE ratio could mean that a company's stock is overvalued, or else that investors are expecting high growth rates in the future. Liberty's forward PE was at 8.6, against Santam and Momentum's forward PE of 11.6.

Standard Bank said that it has long enjoyed a strategic relationship with Liberty, thanks to a "highly successful and valuable bancassurance arrangement". It now wants to offer "an increasingly wide range of financial and associated services".

Once the transaction is completed, Liberty will being delisted from the JSE and becoming a wholly-owned Standard Bank subsidiary.

The takeover is subject to approval of Liberty's minority shareholders, as well as from financial authorities, including the Reserve Bank and the Competition Commission. Once approvals are finalised, the transaction is expected to be completed in the first quarter of 2022.