

ACQUISITION

Why Cornerstone is buying NIC

Last week, Nigeria's Industrial and General Insurance announced it would sell its 64.95 percent controlling stake in NIC Holdings to Cornerstone Asset Managers, pending regulatory approvals.

Markets.

DEOGRATIUS WAMALA

Simon Mwebaze left Old Mutual in July 2024 after 13 years, the last of them as managing director.

By December 9, 2024, his new firm, Cornerstone Asset Managers, had secured a license from Capital Markets Authority. He launched the firm two days later. 14 months after its launch, Cornerstone announced a bid to acquire a 64.95 percent controlling stake in NIC Holdings, the parent company of NIC General Insurance and NIC Life Assurance.

The seller, Industrial and General Insurance (IGI) of Nigeria, has operated in Uganda through its special purpose vehicle, Corporate Holdings.

No transaction price has been disclosed, and the deal remains subject to approval by Insurance Regulatory Authority and Capital Markets Authority.

The Nigerian exit

IGI entered Uganda in 2005 after acquiring a controlling stake in the then government-owned National Insurance Corporation as part of its African Expansion Programme. The group later expanded into Rwanda and The Gambia, but that footprint is being unwound.

Under new management installed in 2024 following the death of founder Remi Olowude in 2014, prolonged leadership disputes, shareholder wrangles, and a January 2024 federal court order temporarily blocking its annual general meeting, IGI has shifted its focus back to Nigeria, targeting the domestic retail market through digital distribution.

Managing subsidiaries across multiple jurisdictions proved increasingly difficult. We understand that IGI faced persistent challenges managing NIC, a familiar problem for multinationals overseeing underperforming foreign assets.

NIC Holdings posted a loss of Shs1b in the first half of 2025, reversing a Shs2b profit recorded during the same period in 2024. Its share price on Uganda Securities Exchange has remained flat at Shs5 throughout 2025 and into 2026.

For a group restructuring operations and redirecting capital back to Nigeria, holding onto a loss-making subsidiary whose stock price had stagnated for over a year became increasingly unattractive. Divesting at any reasonable multiple of book value was, therefore, appealing.

Sources indicate that Cornerstone approached NIC earlier this year. While the initial response was muted, IGI eventually agreed to engage.

Cornerstone's rapid rise

In just 14 months, Cornerstone has grown from an outlier collective investment scheme managing Shs11b in assets in 2024 to overseeing Shs338.4b. Its unit trust business alone now stands at Shs119b, and in 2025, the firm registered the fastest growth in the market of 981 percent.

Cornerstone's flagship Shilling Income Fund generated Shs6.65b in interest income during the 12 months ending December 2025. About 85 percent of the fund's assets were invested in government securities and bank deposits.

After expenses of Shs1.05b, the fund retained Shs5.6b in profit, translating into an 84.2 percent profit margin. In practice,



Cornerstone's bid for NIC signals a bold bet on reviving Uganda's oldest insurer through disciplined investment. PHOTO/FILE

cal terms, for every Shs100 earned, the business spent only Shs15.7 in operating costs. Inside the firm, Mwebaze is described as someone constantly pursuing "the next great opportunity", which could explain the logic behind the NIC acquisition.

The insurance logic

Insurance companies generate value through underwriting profit, premiums collected minus claims and operating costs, and investment income generated from managing the float.

Cornerstone's value creation thesis appears to rest primarily on the second mechanism. The latest publicly available financial results for NIC suggest that the acquisition thesis may be stronger than the headline losses imply.

NIC's unaudited first-half 2025 results show insurance revenue increasing by 4.3 percent to Shs16.4b. More importantly, the insurance service result, effectively the core underwriting profit before investment income, improved from a loss of Shs232m in the first half of 2024 to a profit of Shs285m in the first half of 2025.

This suggests that the underwriting business itself was improving. The reported net loss of Shs1.06b was driven largely by a one-off Shs2.7b loss from disposal of an investment property.

The investment problem

The disposal loss also highlights a deeper structural issue within NIC's investment portfolio.

Over several decades, NIC accumulated investment properties carried on its balance sheet at fair value, with unrealised gains recognised year after year. However, when some of those properties were eventually sold, the market prices achieved fell below their accumulated book values, creating disposal losses.

Thus, the bigger concern is declining investment income, which fell from Shs2.37b in the first half of 2024 to Shs2.07b in the first half of 2025, a 12.6 percent decline on a Shs92.5b asset base.

Part of the problem appears structural. NIC's finance and investment functions are largely managed by the same team.

A finance department focused primarily on control and compliance often tends to hold fixed-income positions beyond the optimal point, instead of reallocating into higher-yielding instruments when opportunities arise.

As a result, NIC appears to have missed favourable yield curve movements during the bond market rally, when government bond yields ranged between 15.8 percent for two-year tenors and 17.95 percent for 20-year tenors in the final quarter of 2025. In effect, NIC sat on assets that a dedicated fixed-income manager would likely have repositioned.

That is precisely the gap Cornerstone believes it can close.

Signs of underwriting recovery

The combined ratio, the sum of the loss ratio and expense ratio, is a key indicator of underwriting profitability before in-

vestment income is considered.

NIC's first-half 2025 data places its combined ratio at about 83 percent, down from above 100 percent a year earlier. This means that, for the first time in recent periods, the core insurance business was generating an underwriting profit.

Every percentage point below 100 percent represents money flowing directly to the bottom line. Cornerstone's apparent view is that the underwriting side is stabilising. The remaining task is to improve investment performance.

Key numbers

64.95%

Nigeria's Industrial and General Insurance last week announced that it would sell its 64.95 percent controlling stake in NIC Holdings to Cornerstone Asset Managers.

2024

Cornerstone Asset Managers, which launched in December 2024, has after 14 months of operation taken a bold step to acquire a controlling stake in one of Uganda's oldest insurance assets.

The valuation gap

NIC's share price of Shs5 implies a market capitalisation of roughly Shs10.5b against shareholder funds of Shs40.5b as of the first half of 2025. That translates into a price-to-book ratio of just 0.26x.

The 64.95 percent stake being acquired, valued by the market at around Shs6.8b, represents approximately 0.17x attributable net assets of Shs26.3b.

In practical terms, for every Shs100 of net assets on NIC's balance sheet, the market currently values those assets at just Shs26. Comparable insurers in regional markets typically trade between 0.8x and 1.5x book value. NIC, therefore, trades at a significant discount.

The market's verdict appears to be one of two things. Either investors believe the balance sheet is overstated, particularly the Shs47.3b in investment properties, or they no longer trust NIC's ability to generate adequate returns from its assets.

Cornerstone, however, reportedly believes the properties are underutilised. Thus, its strategy may involve holding, developing, and managing the assets within a broader investment framework while applying the same yield discipline it has successfully used in government securities.

The missing numbers

One major uncertainty remains. NIC disclosed that its audited financial statements for the year ending December 31, 2025, were delayed until May 15 due to audit complexities across subsidiaries.

As a result, analysts and minority shareholders are still relying on six-month-old financial data. Sources close to the transaction indicate that Cornerstone is waiting for the full-year results before finalising the acquisition price.

The risks

NIC's 35.05 percent public float faces the classic agency risks associated with controlling shareholder structures.

The incoming majority shareholder will determine strategy, appoint board members, and influence dividend policy, all with direct implications for minority investors.

Meanwhile, NIC's equity turnover jumped sharply from Shs4.3m in the third quarter of 2025 to Shs793 million in the fourth quarter. Such activity is consistent with informed trading ahead of a public announcement, a pattern regulators typically scrutinise closely.

There is also execution risk. Cornerstone's expertise in asset management does not automatically translate into insurance operations. Managing claims, actuarial reserving, underwriting, and distribution networks is operationally distinct from managing fixed-income portfolios.

But Cornerstone, we understand, believes it can close the capability gap within 12 months, especially within a supportive macroeconomic environment. Bank of Uganda projects economic growth of around 8 percent in the medium term.

People close to the firm say Mwebaze is not entering the transaction blindly.

The bet appears to be that, by 2027, a combination of disciplined investment management, restructured leadership and more active management of NIC's property portfolio could drive a meaningful turnaround.