

11 June 2021

Company announcement no. 11/2021



Alm. Brand A/S to acquire the Danish business of Codan Forsikring A/S

Alm. Brand A/S ("**Alm. Brand**") is pleased to announce that it has entered into a binding agreement with Intact Financial Corporation ("**Intact**") and Tryg A/S ("**Tryg**"), through their jointly-owned subsidiary Scandi JV Co 2 A/S ("**Seller**"), whereby Alm. Brand will acquire Codan Forsikring A/S's ("**Codan Forsikring**") Danish business (the "**Acquisition**"). The Acquisition is currently expected to complete during the first half of 2022 following the transfer by Intact and Tryg of the Danish business of Codan Forsikring into a Danish legal entity incorporated for such purpose ("**Codan DK**").

Chairman of the Board of Directors Jørgen Hesselbjerg Mikkelsen:

"With the acquisition of Codan DK, the Board of Directors sets a clear strategic course, significantly enhancing the company's long-term competitive position. We will double our business volume and become one of the largest players in the attractive Danish non-life insurance market with a strong capital position and very exciting development opportunities going forward. We look forward to welcoming customers and employees from Codan DK. For our shareholders, we believe that the acquisition marks an attractive transaction that will create significant value in the coming years."

CEO Rasmus Werner Nielsen:

"Alm. Brand and Codan are a perfect match. We will create Denmark's second-largest non-life insurance company and combine the best of both companies under one roof. The acquisition brings together two well-reputed insurance companies in a transaction that will create a single major and strong Danish insurance group with more than 700,000 customers and a clear ambition of providing best-in-class solutions for our customers. We look forward to further developing the strong traditions of the two companies in an even more competitive business, ready to take the lead in developing the best insurance products, create new opportunities and tasks for our skilled employees and generate even more value for our shareholders by leveraging substantial economies of scale and our strengthened market position."

Acquisition highlights

- At completion of the Acquisition, Alm. Brand will acquire 100% of the issued and outstanding shares in Codan DK into which the business of Codan Forsikring's Danish business will have been transferred prior to completion.
- The consideration under the terms of the Acquisition values Codan Forsikring's Danish business at approximately DKK 12.6 billion, payable in cash. The consideration will be adjusted on a capital neutral basis in order to account for any changes in Codan's own funds post the de-merger and to account for the earnings generated between the de-merger date and completion.
- The Acquisition is currently expected to complete during the first half of 2022, subject to certain conditions, including receipt of approvals from the relevant regulatory and antitrust authorities as well as the completion of the Rights Issue and the separation of Codan Forsikring's Danish business into Codan DK.

- Synergies are expected to reach approximately DKK 600 million pre-tax to be fully realised by 2025, and the Acquisition is expected to generate a return on investment (ROI) of about 7% and high teens EPS accretion by 2024 based on fully realised synergies.
- Alm. Brand intends to launch a rights issue to raise gross proceeds of approximately DKK 11.6 billion (the “**Rights Issue**”) to finance a part of the Acquisition. The Rights Issue is expected to be launched in the second half of 2021 and Alm. Brand has entered into a standby underwriting agreement, subject to certain conditions, with J.P. Morgan AG (“**J.P. Morgan**”), Nordea Danmark, Filial af Nordea Bank Abp, Finland (“**Nordea**”) and Skandinaviska Enskilda Banken, Danmark, filial af Skandinaviska Enskilda Banken AB (publ) Sverige (“**SEB**”). As such, the Rights Issue will, subject to certain conditions, be fully underwritten by J.P. Morgan, Nordea and SEB.
- Alm. Brand af 1792 f.m.b.a. (the “**Association**”) has signed an irrevocable subscription undertaking towards Alm. Brand, J.P. Morgan, Nordea and SEB under which the Association has committed to subscribe for new shares in the Rights Issue for a total subscription amount of DKK 3.750 billion and to further subscribe for new shares on a cash neutral basis. The Association currently holds 58% of the shares in Alm. Brand. Following the Rights Issue, the Association’s shareholding in Alm. Brand is expected to decrease below 50% of the shares in Alm. Brand with the intention to increase the ownership to above 50% of the shares in Alm. Brand over time.

Strategic rationale

Following the Acquisition, Alm. Brand will become the second-largest non-life insurance company in Denmark and the largest non-life insurance company focused entirely on the Danish market with a market share of approximately 18% and a more diversified customer portfolio, estimated at about 700,000 households and corporate customers. Alm. Brand will strengthen its product offering through the expansion with Codan’s insurance activities and the Privatsikring partnership and will step up its activities in the corporate customer area supported by Codan’s strong customer relations with a number of large corporates.

On a pro forma basis for FY 2020, Alm. Brand’s (including Codan DK) total premium payments for Non-life amount to DKK 10.9 billion.

Doubling its business volume, Alm. Brand expects to be able to realise substantial synergies and economies of scale from a common IT platform, procurement, administration, lease costs and shared functions, and claims management, thereby improving the profitability and competitive strength of the combined company. The pre-tax synergies are expected to total around DKK 600 million, and are expected to be fully realised by 2025, phased in with approximately DKK 90 million by 2022, DKK 240 million by 2023, DKK 450 million by 2024 and DKK 600 million by 2025. Cost efficiencies are expected to represent approximately 63% of the total synergies, while synergies related to claims processing and claims payments are expected to represent approximately 37%. In addition, revenue synergies through cross-selling and sharing of best practices are expected to add further benefits over time. In order to realise the synergies, Alm Brand expects to incur restructuring and transaction costs of approximately DKK 1.0 billion after tax.

The combined company will benefit from larger business volumes by being able to offer a holistic set of best-in-class products, create greater investment capacity, and generate enhanced financial performance and significant value creation which in turn will benefit the company’s customers, business partners, employees and shareholders.

Following the Acquisition, the combined company will maintain a robust solvency position with a pro forma Solvency II ratio of approximately 200%.

Outlook

The Acquisition is expected to deliver value for shareholders with an expected ROI of approximately 7% and high teens EPS accretion by 2024, therefore creating significant potential to increase the ordinary dividend over time.

About Codan Forsikring's Danish business

Codan is headquartered in Copenhagen and has approximately 1,000 employees. The company was established in 1916 and is the fourth-largest non-life insurance company in Denmark with a market share of approximately 9%. Codan assists around 240,000 households and 50,000 corporate customers.

About Alm. Brand

Alm. Brand is headquartered in Copenhagen and has approximately 1,400 employees. The company was established in 1792 and is the third-largest non-life insurance company in Denmark with a market share of approximately 9%. Non-life Insurance assists around 320,000 households and 90,000 corporate customers. Life Insurance assists around 70,000 customers.

Webcast and conference call

Alm. Brand will host a conference call (in English) for investors and analysts today, Friday, 11 June 2021 at 14.30 CET. The conference call and presentation will be available from Alm. Brand's investor website.

Conference call dial-in numbers for investors and analysts:

Denmark: +45 8233 3194

United Kingdom: +44 333 300 9031

USA: +1 646 722 4957

Link to webcast: [Alm. Brand Investor Call](#)

Financial and legal advisors

Deloitte Corporate Finance is acting as financial advisor and Accura Advokatpartnerselskab is acting as legal advisor to Alm. Brand in connection with the Acquisition.

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