

# Tryg acquisition of Alka

04<sup>th</sup> December 2017

**Acquiring a high-performing business in our core market**

- Alka is a best-in-class operator within the Danish non-life market
- Attractive financial profile with average combined ratio over last five years of 84%

**Strong accretion of earnings and dividends**

- Alka's technical result for the last 12 months (to Sept-2017) was DKK325m, run-rate merger benefits of DKK300m
- Earnings enhancement in the first full year following the acquisition, with high single digit earnings accretion by 2021

**Continuing on a strong financial foundation**

- DKK4bn fully underwritten equity placing to partly finance the transaction
- Extraordinary dividend of DKK1bn to be paid in Q1 2018 is confirmed

# Unique opportunity, attractive financial profile



## ● Purchase price

- DKK8.2bn - valuing operations of Alka at DKK5.7bn, with DKK2.5bn of excess capital

## ● Financing sources

- Placing of DKK4bn through issuing up to 10% of current shares outstanding through an accelerated bookbuilding
- TryghedsGruppen will subscribe for 60% of placing at the bookbuild price – furthermore TryghedsGruppen has committed to underwrite all shares at DKK146 per share
- Issuance of DKK500m in Tier 1 to be executed during H1 2018
- Use of Tryg excess capital and other capital optimisation measures

## ● Financial impact

- Earnings enhancement in the first full year following the acquisition, with high single digit earnings accretion by 2021
- Significant long term potential to increase ordinary dividends
- Pro forma Solvency II ratio of 170%

# Strong strategic rationale

## ● **Increased presence in Tryg's core market segment**

- Results in market share for Tryg in Denmark of 22%
- Alka adds market share in private lines of 6%\*

## ● **Strong complementary market proposition**

- Alka is a consistent top performer in terms of customer loyalty and satisfaction
- Potential to leverage Alka's strong presence in the online channel

## ● **Significant opportunity to increase penetration rate across unions**

- Tryg expects to continue successful partnership with unions
- Alka's customers are eligible for TryghedsGruppen's members bonus, which has been 8% of premiums per annum over the past two years

## ● **Alka has been highly successful in leveraging data analytics**

- The combined entity will leverage the best practices in using data analytics for the purpose of pricing, lead generation and fraud detection

# 2020 Targets



## Earnings

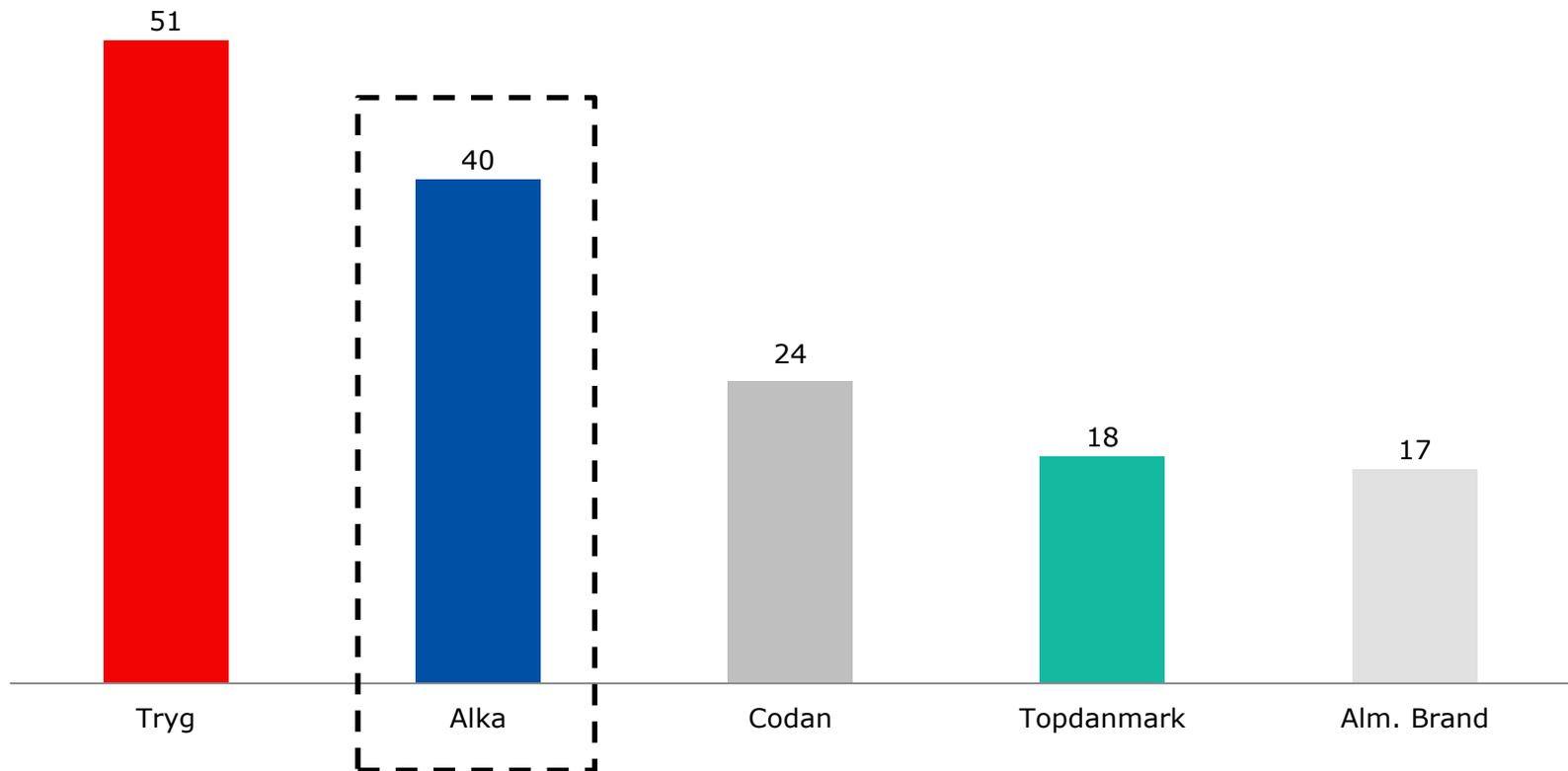
	<b>CMD 2017</b>	<b>Post transaction</b>
Technical result	DKK2.8bn	DKK3.3bn
Combined ratio	≤ 87%	≤ 86%
Expense ratio	~14% reaffirmed	~14% reaffirmed
<b>RoE</b>	<b>≥ 23%</b>	<b>≥ 21%</b>

## Customers

	<b>CMD 2017</b>	<b>Post transaction</b>
TNPS	70	70
No. products per customer	+10%	+10%

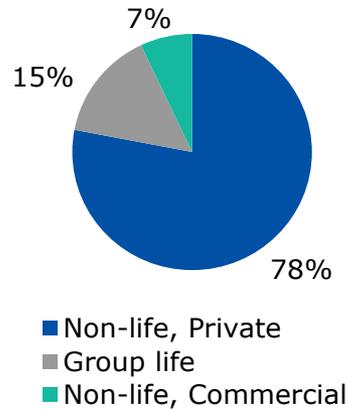
- **8<sup>th</sup> largest Danish non-life insurance company** with a market share of 4.3%, with an estimated private lines market share of 6%
- **~380,000 customers**, with a CAGR of 5% of policies over the last 5 years
- **Strong relationships with unions** developed over more than 100 years, complementary to Tryg's experience built up over more than 75 years with labour unions
- Consistently reported **highly attractive combined ratio** (84% average in last five years)
- Advanced digital platform with **~36% of premiums distributed online**
- **Strong brand awareness**, supported by high-profile sponsorships

## Unaided knowledge of the Alka brand (%)\*

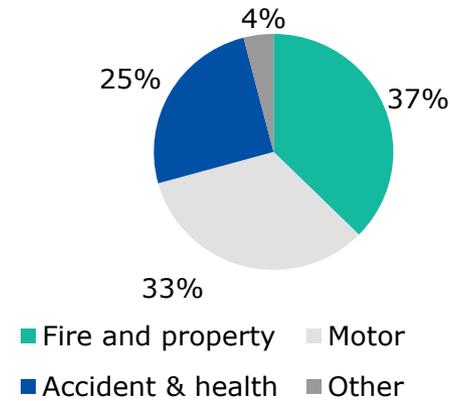


\*As at Q2 2017

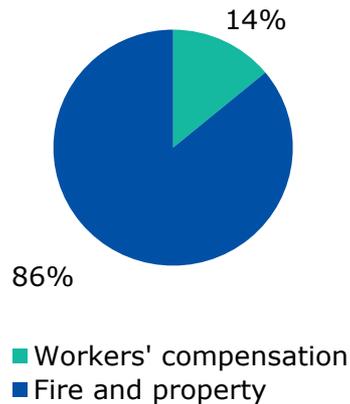
**Gross premiums by business (DKK2.5bn in 2016)**



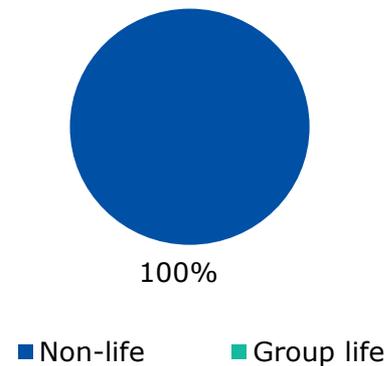
**Gross premium, Non-life private (DKK1.9bn in 2016)**



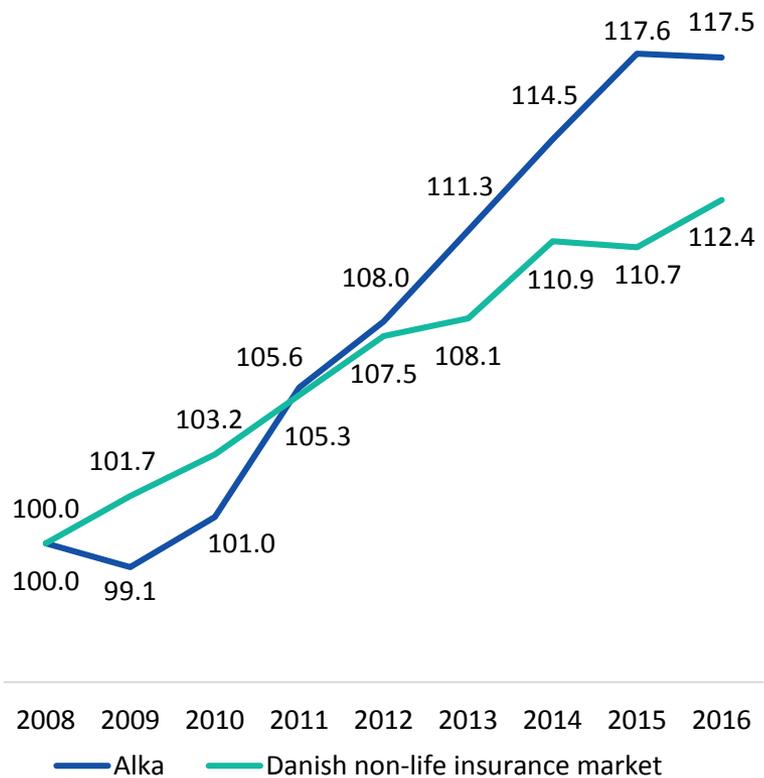
**Gross premium, Non-life commercial (DKK0.2bn in 2016)**



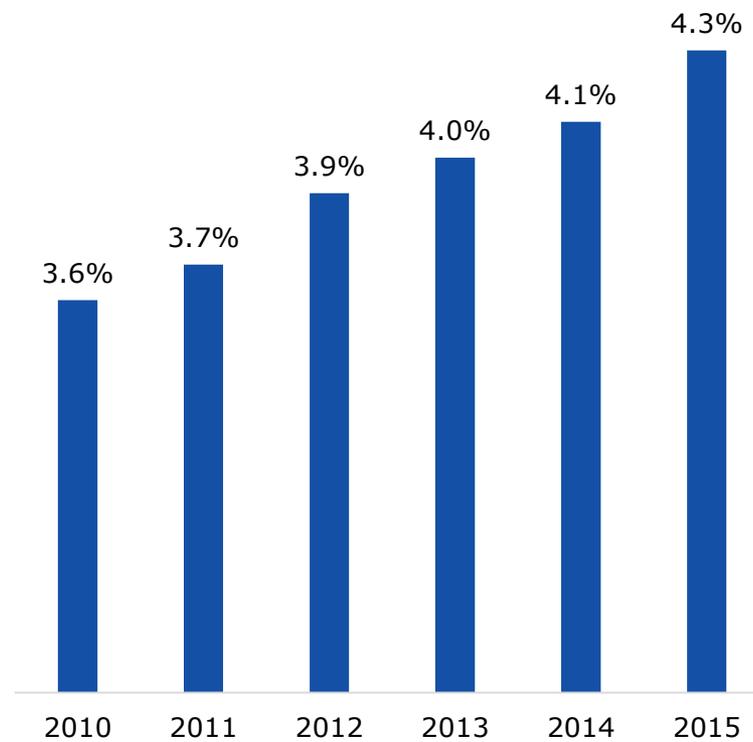
**Technical result (DKK288m in 9M 2017)**



## Alka vs. Danish non-life insurance market: indexed gross premiums (%)



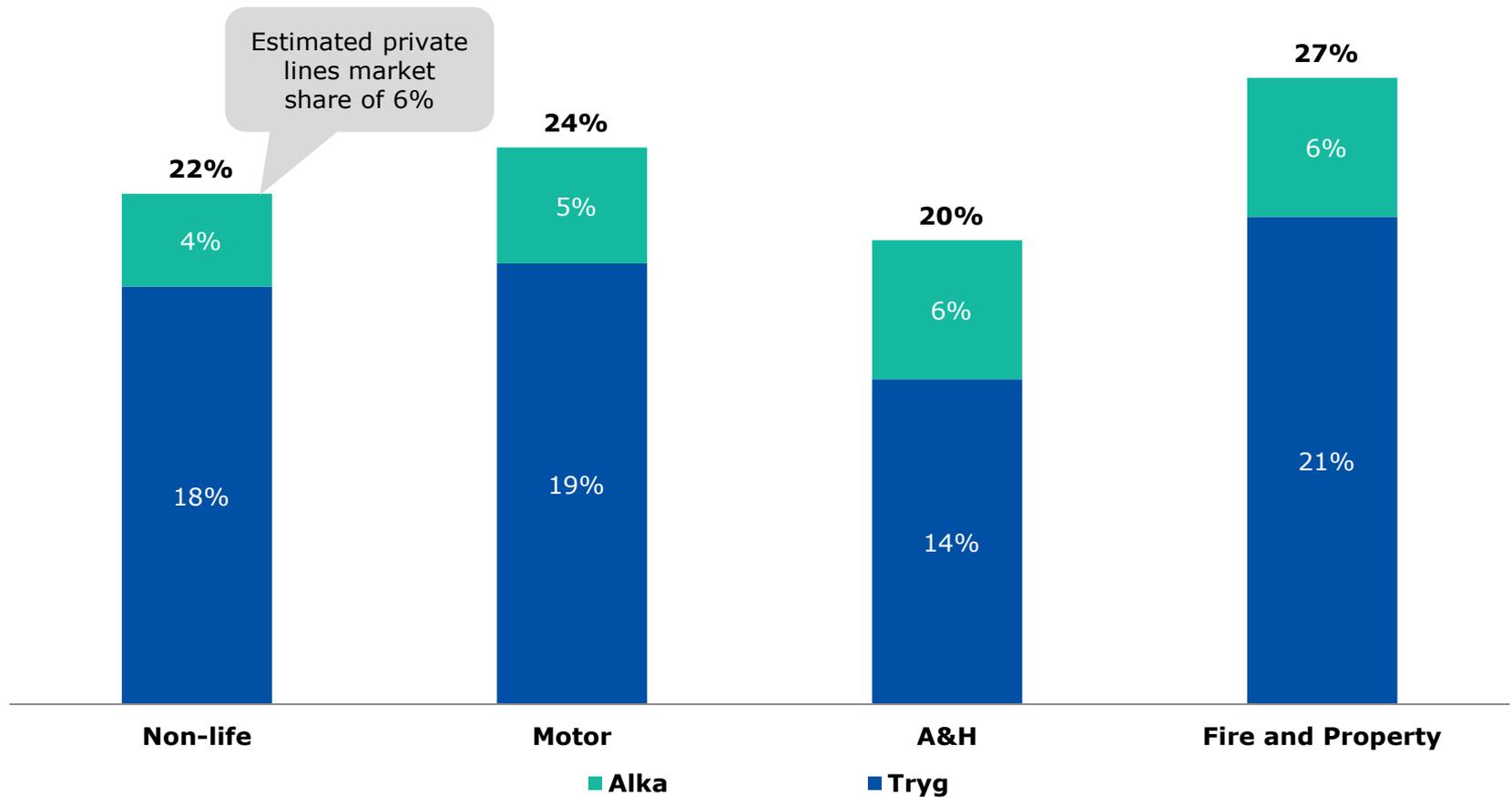
## Development in Alka's Danish non-life market share



# Strengthens position in core Danish market

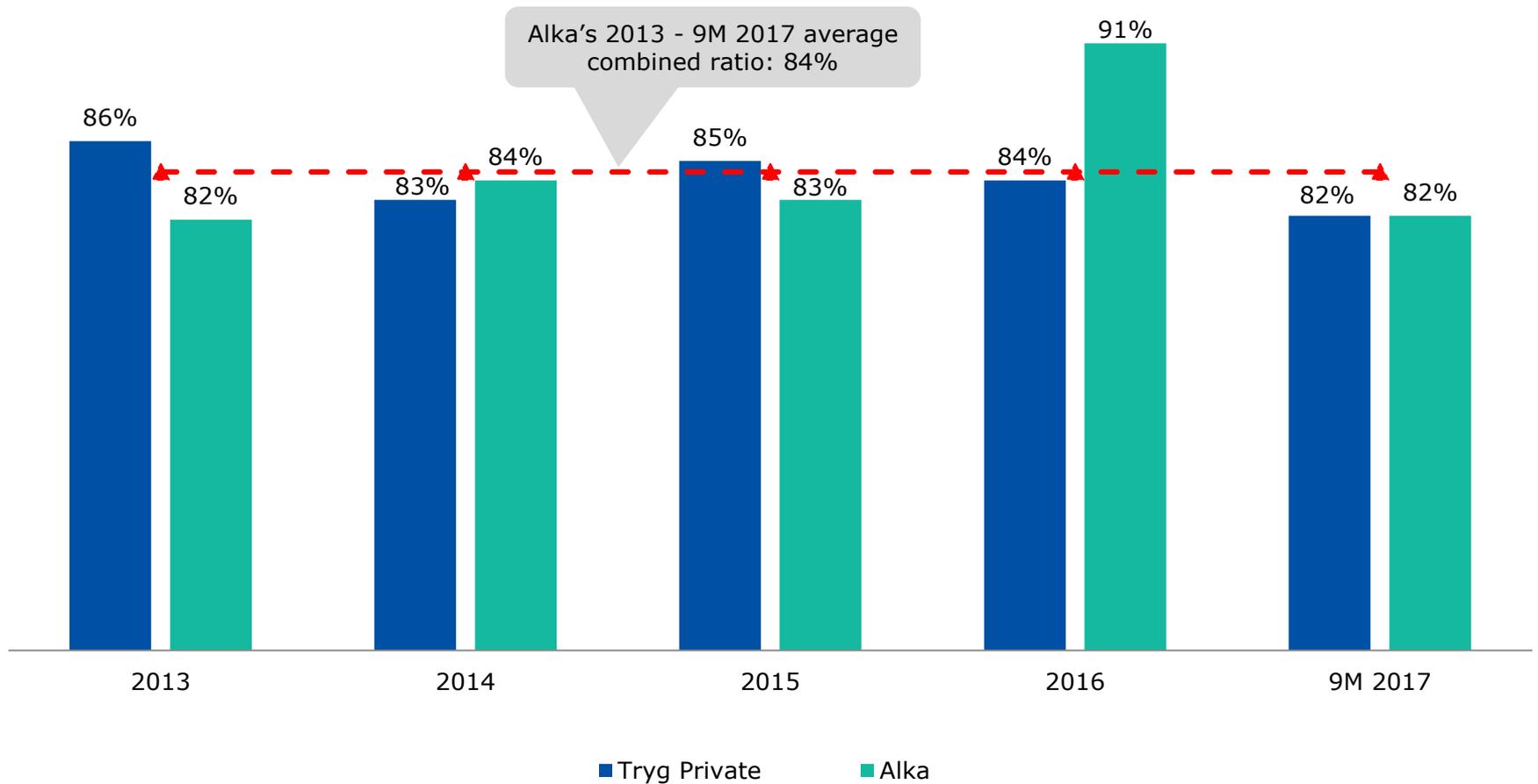


## Market share (latest available)



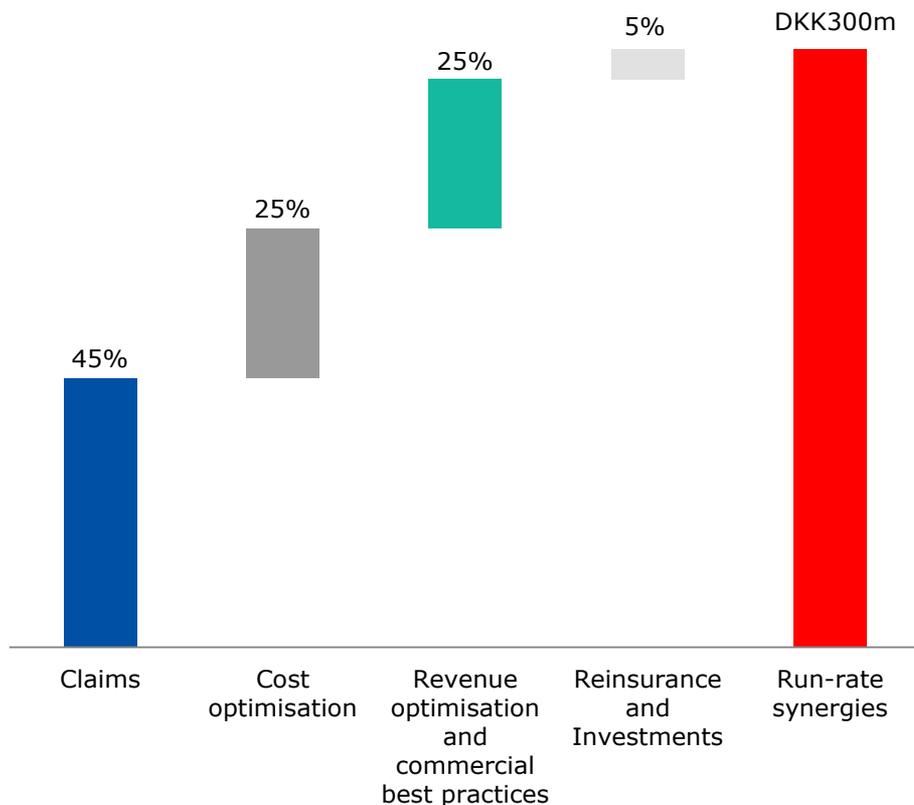
Source: Forsikring & Pension.

# Best-in-class combined ratio profile



# Compelling merger benefits of DKK300m

## DKK300m in run-rate merger benefits in combined entity



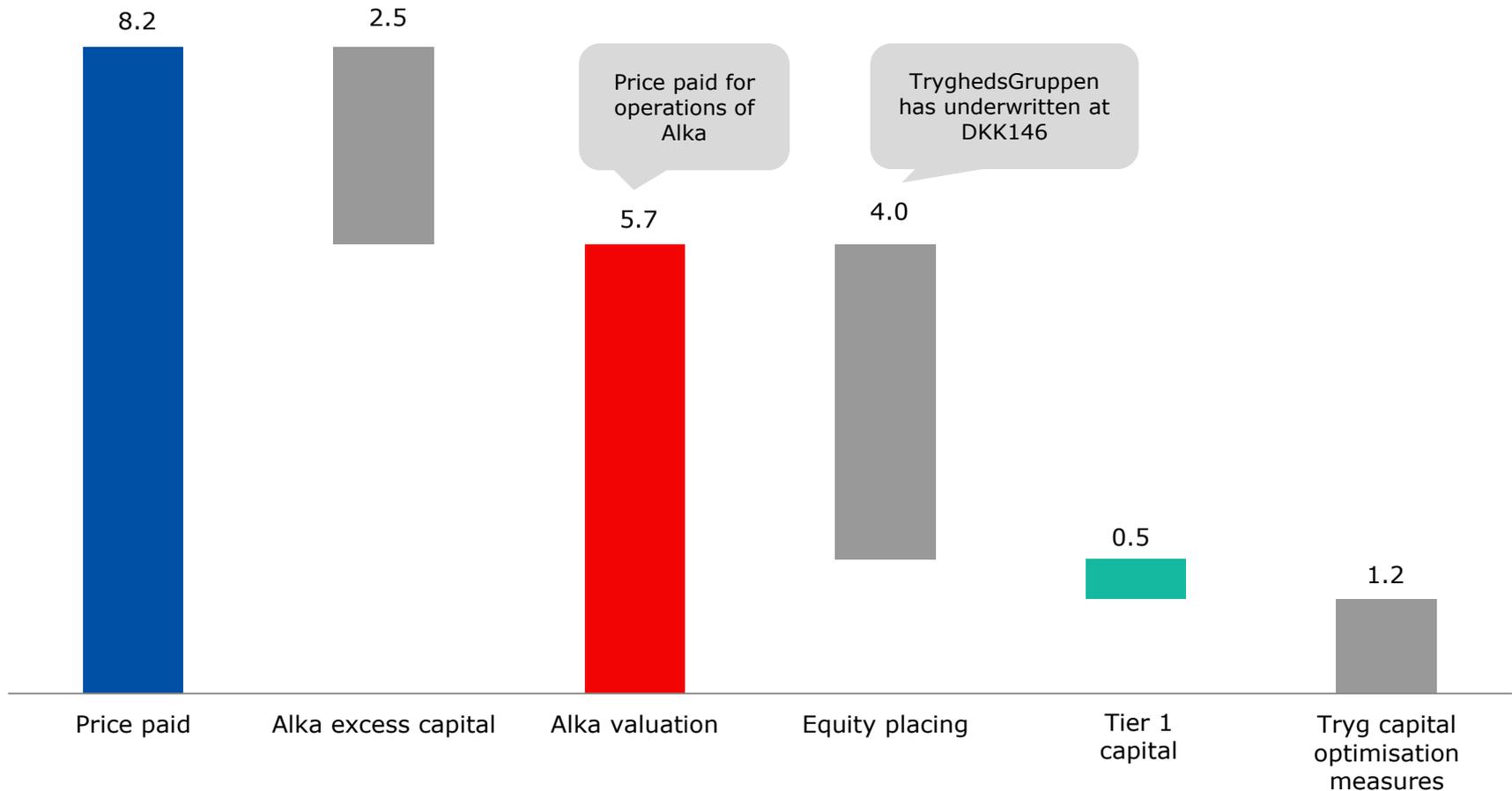
## Commentary

- Full run-rate impact in 2021 of DKK300m
- 25% impact expected in 2019, 50% impact in 2020
- Drivers include:
  - Claims procurement
  - Fraud detection
  - Data analytics
  - Online
  - Product and service innovation
- Reduction in overlapping labour costs will mostly be delivered through natural attrition across the combined entity
- DKK250m in one-off transaction costs and restructuring provision in 2018

# Funding via a fully underwritten equity placing

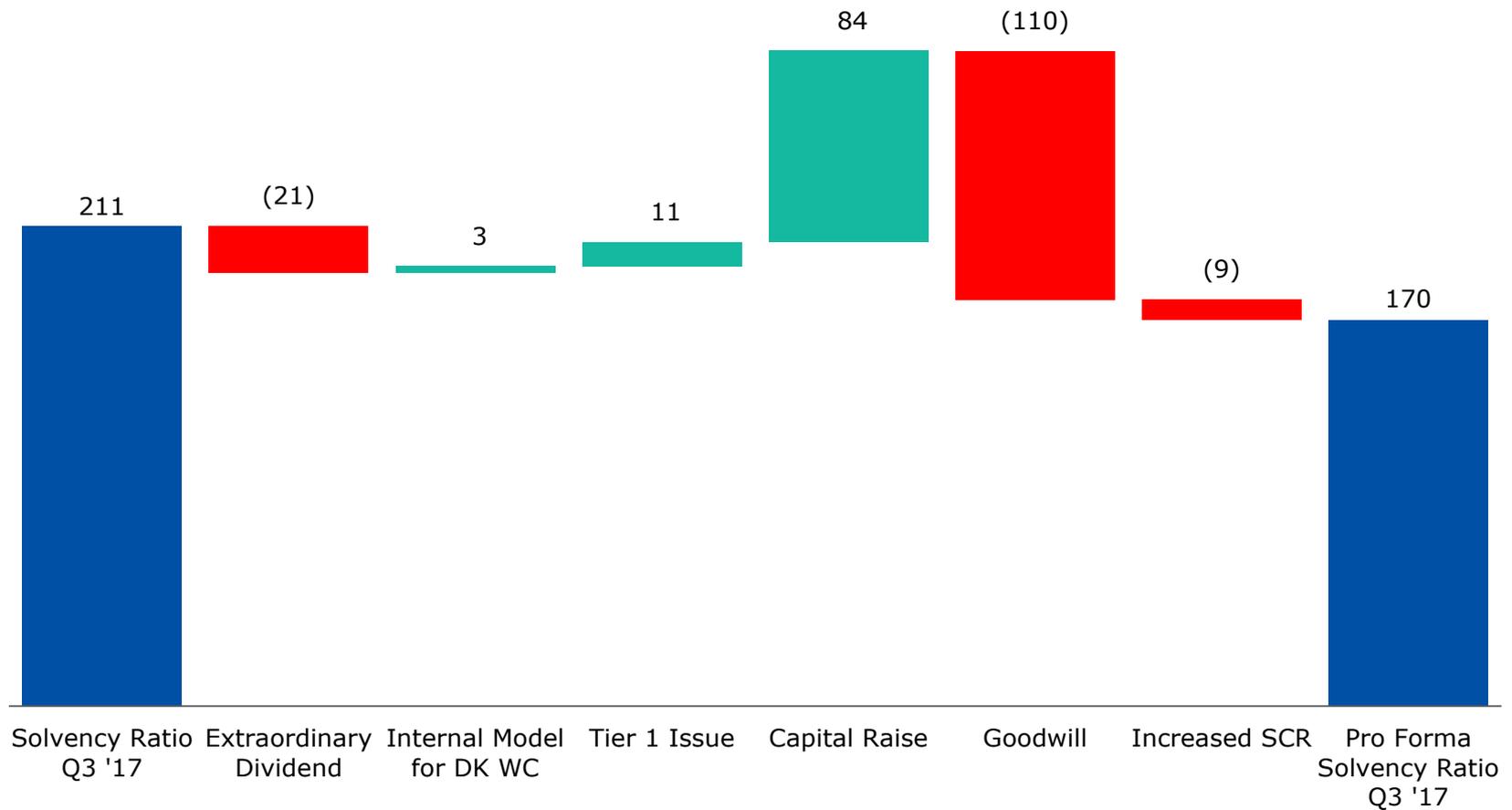


Sources of funding to finance the transaction (DKKbn)



# Combined Solvency II ratio of 170%

## Solvency II ratio Q3' 17 pro forma



# Strengthening the core, while embracing the future



**Acquiring a high-performing business in our core market**

**Strong accretion of earnings and dividends**

**Continuing on a strong financial foundation**



**Long term profitable growth and attractive shareholder value creation**

# Q&A

# Contact details



## **Gianandrea Roberti**

Investor Relations Officer

+45 20 18 82 67

[gianandrea.roberti@tryg.dk](mailto:gianandrea.roberti@tryg.dk)

## **Peter Brondt**

Investor Relations Manager

+45 22 75 89 04

[peter.brondt@tryg.dk](mailto:peter.brondt@tryg.dk)

## **Tanja Frederiksen**

Head of Communications

+45 51 95 77 78

[tanja.frederiksen@tryg.dk](mailto:tanja.frederiksen@tryg.dk)

# APPENDIX

# Alka: Very strong financial track record

DKKm	2012A	2013A	2014A	2015A	2016A	9M 2017
<u>Non-life</u>						
Gross premiums	1,854	1,938	2,006	2,035	2,078	1,624
<b>Technical result</b>	<b>363</b>	<b>368</b>	<b>335</b>	<b>357</b>	<b>191</b>	<b>288</b>
Expense ratio	16%	15%	16%	18%	18%	16%
<b>Combined ratio</b>	<b>81%</b>	<b>82%</b>	<b>84%</b>	<b>83%</b>	<b>91%</b>	<b>82%</b>
Life insurance technical result	12	5	(3)	(5)	(2)	(0)
Investment income	174	88	76	98	120	124
Profit before tax	550	461	408	454	295	412
<b>Net profit</b>	<b>402</b>	<b>343</b>	<b>307</b>	<b>344</b>	<b>235</b>	<b>319</b>
Shareholders' equity	1,912	2,195	2,450	2,630	2,696	2,958
Invested assets	4,597	4,592	4,991	5,361	5,146	5,446
Solvency ratio (standard model)	n.a.	n.a.	n.a.	362%	364%	360%

Source: Alka company filings for 2012-2016, 9M 2017 via due diligence process.