

# Acquisition of Lykill



# Highlights

- TM has acquired 100% stake in Lykill fjármögnun hf. from Klakki ehf.
- Purchase price is ISK 9,250 million plus distributable after-tax profit of Lykill for full year 2019
- Lykill had equity of ISK 11,688 million at end of 2019 H1
- Purchase price equals P/B 0.82x\*
- TM sees significant potential to increase the profitability of Lykill
- Transaction to increase shareholder value as EPS expected to increase by 20-30% in the coming years
- New equity of up to ISK 3,000 million will be raised where shareholders have pre-emptive rights
- Solvency capital ratio above 1.5x post transaction
- TM will call for a shareholder meeting to approve the following:
  1. The acquisition of Lykill
  2. To increase the equity of TM worth up to ISK 3,000 million
  3. Changes to articles of association
- The completion of the transaction is subject to:
  1. Shareholder meeting approval
  2. Approval of Fjármálaeftirlitið (e. Financial Supervisory Authority)
  3. Approval of Samkeppniseftirlitið (e. Competition Authority)

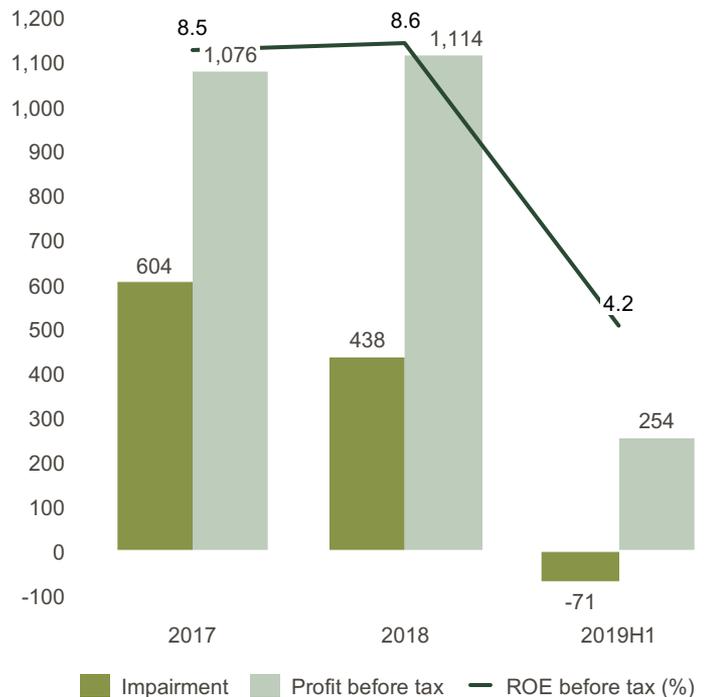
# Why is TM acquiring Lykill?

- Strategic acquisition that strengthens and diversifies TM's business, which will now rest on three pillars:
  1. Insurance operations
  2. Lending activities
  3. Investment activities
- Considerable synergy opportunities, both on the revenue side and on the cost side
- Increasing shareholder value => EPS will increase by 20-30% in the coming years\*
- Expansion into lending activities means more income streams and therefore more risk diversification

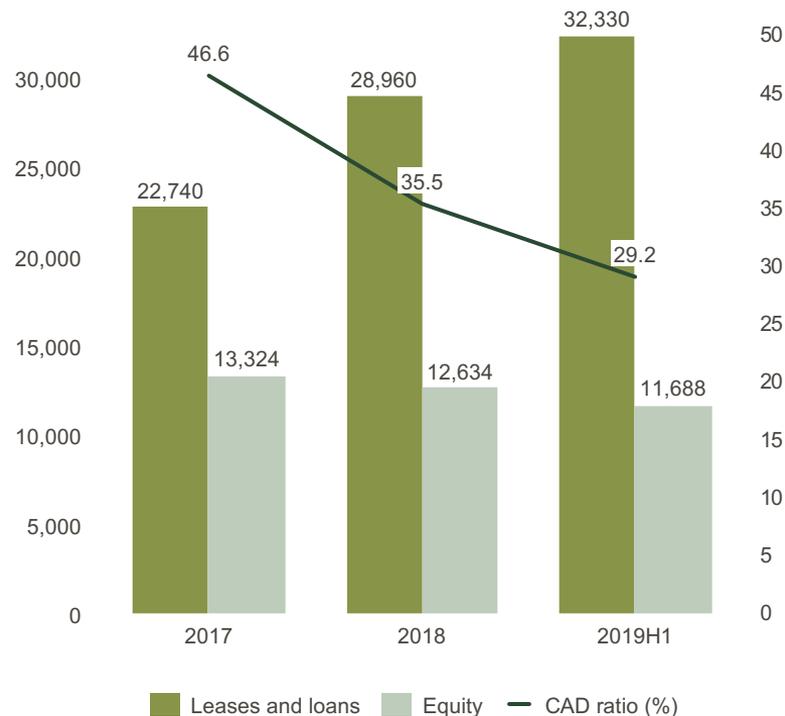
# Lykill – Key financials

ISK million

Income statement key figures\*



Balance sheet key figures



\* Annualised ROE based on TM calculations

# Significant opportunities to increase ROE of Lykill

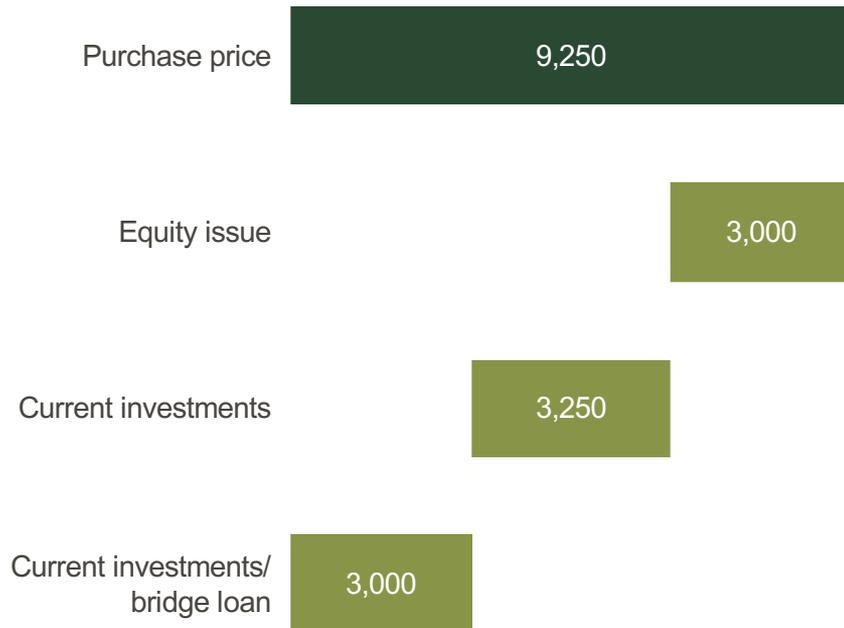
- 1 Platform to grow business
- 2 Expand funding sources to lower funding cost
- 3 Optimized use of equity
- 4 Synergies



**ROE of Lykill in  
coming years > 10%\***

# Funding of purchase price

ISK million

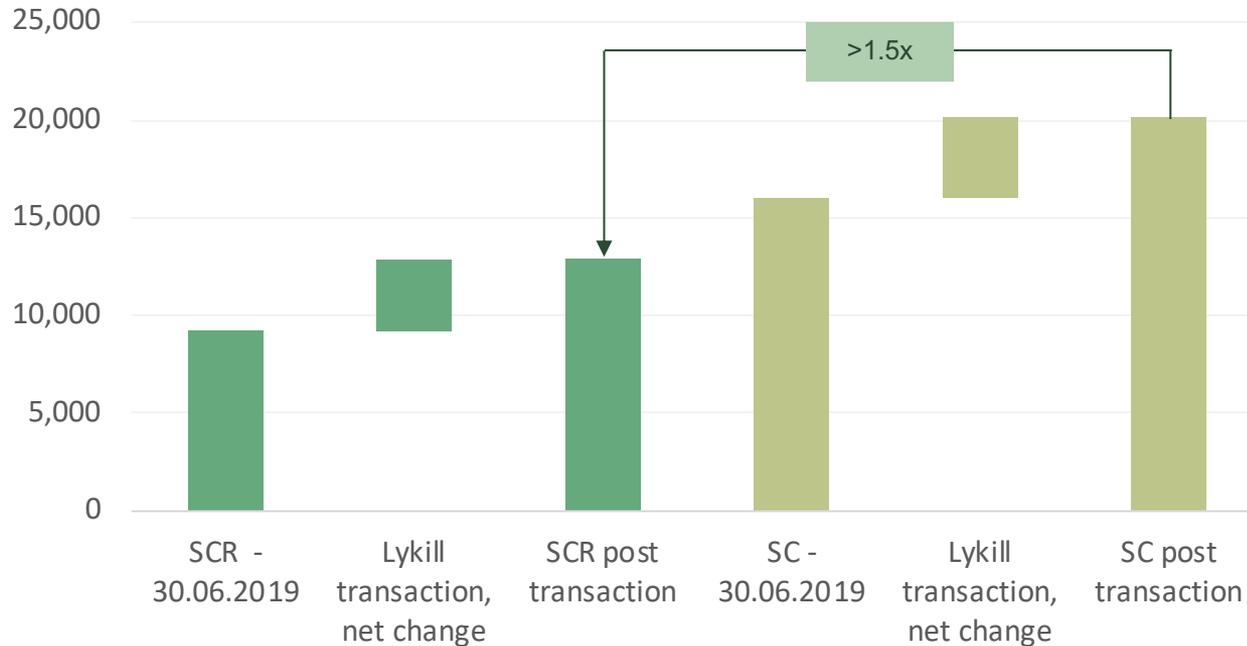


- Purchase price is ISK 9,250 million plus distributable after-tax profit of Lykill for full year 2019. As the distributable after-tax profit for 2019 is uncertain we exclude that figure here
- Shareholders will have pre-emptive rights
- TM has already made some changes this year to its investment portfolio to enable this acquisition
- The bridge loan gives TM adequate liquidity flexibility

# SCR ratio > 1.50x post transaction

ISK million

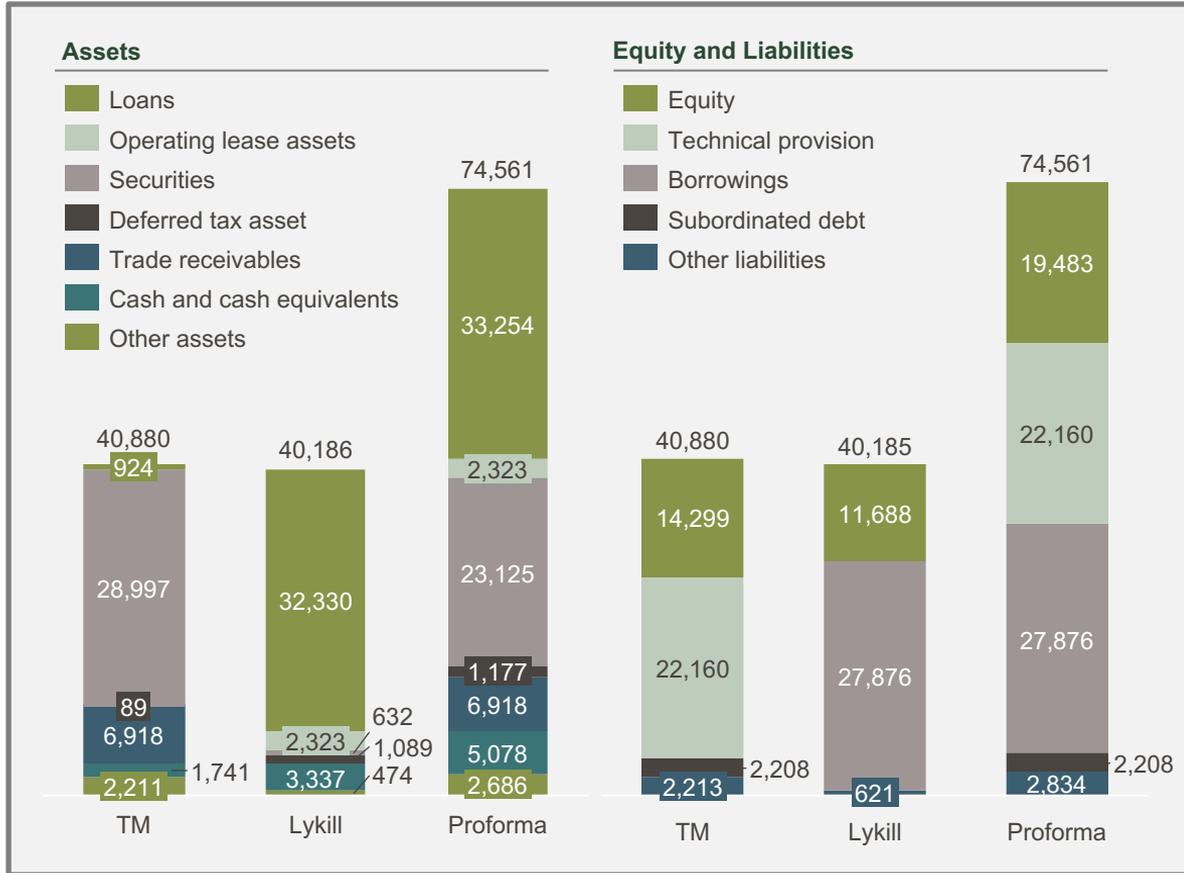
Solvency capital vs. Solvency capital requirement



**Solvency capital ratio above 1.50x post transaction based on preliminary findings**

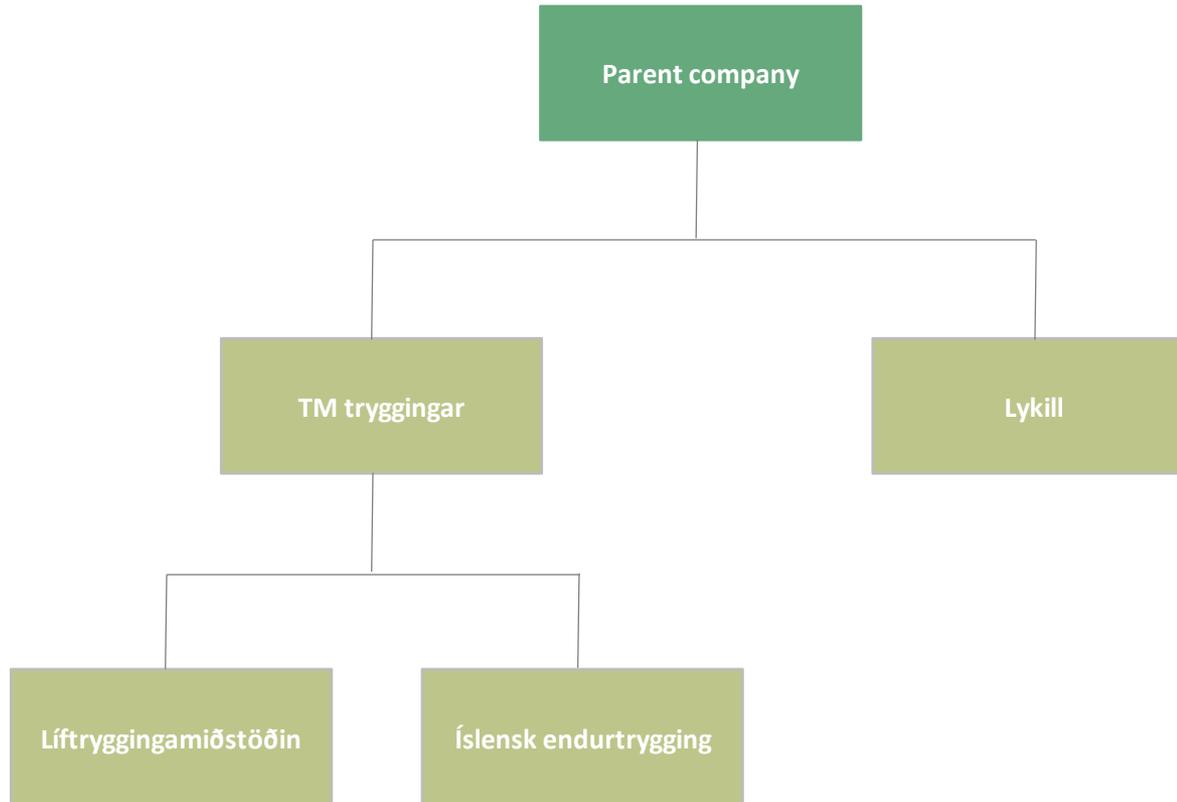
# TM proforma balance sheet

ISK million



- Total assets almost double which is mostly explained by increase in Loans, Cash and cash equivalents and Operating lease assets
- Equity increases by ISK 5.2 billion due to expected equity raise and recognition of purchase price being below book value of equity
- Total liabilities more than double which is mostly due to borrowings

# New corporate structure



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