

## **Rand Merchant Investment Holdings Limited**

(Incorporated in the Republic of South Africa)

(Registration number: 2010/005770/06)

ISIN: ZAE000210688

JSE ordinary share code: RMI

("RMI")

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### **OFFER BY RMI AND SAMPO TO ACQUIRE HASTINGS GROUP HOLDINGS PLC AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

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#### **1. Introduction**

RMI shareholders are referred to the announcement released on the Stock Exchange News Service ('SENS') on 29 July 2020 and are advised that the independent directors of Hastings Group Holdings plc ('Hastings'), the directors of Dorset Bidco Limited ('BidCo'), a newly formed company jointly owned by a consortium comprising Sampo plc ('Sampo'), RMI and OUTsurance Holdings Limited ('OUTsurance'), have reached agreement on the terms of a recommended cash offer to be made by BidCo to acquire the issued and to be issued share capital of Hastings not already owned or controlled by Sampo, RMI and OUTsurance (the 'Offer').

As at 4 August 2020 (being the last business day before the date of this announcement), RMI held 29.7 per cent of Hastings' issued share capital. RMI holds this interest through Main Street 1353 Proprietary Limited ('Main Street'), an entity jointly owned by RMI and OUTsurance. In connection with the Offer, Main Street will acquire an additional 0.3 per cent interest in Hastings ('Top-up Transaction') and, as such and following completion of the Offer, Main Street will hold a 30 per cent shareholding in Hastings (through BidCo) and Sampo will hold a 70 per cent shareholding in Hastings (through BidCo).

Per the terms of a shareholders agreement entered into between Main Street and Sampo, RMI and OUTsurance have an option to increase their ownership in Hastings from 30 per cent to up to 40 per cent within 18 months of the completion of the Offer at a price per Hastings share equal to the Offer Price (defined below).

RMI shareholders are referred to the detailed announcement released by BidCo pursuant to Rule 2.7 of the City Code on Takeovers and Mergers (the 'UK Takeover Code') on the London Stock Exchange's Regulatory News Service today, 5 August 2020, (the 'Announcement'). The full text of the Announcement is also available on the RMI website at: <https://rmih.co.za/financials/>.

#### **2. Terms and structure of the Offer**

Under the terms of the Offer, Hastings' shareholders will be entitled to receive 250 pence in cash for each Hastings share held ('Offer Price'). In addition to the consideration payable in connection with the Offer, Hastings' shareholders will also be entitled to an interim dividend for the six-month period ended 30 June 2020 of 4.5 pence per Hastings share (the 'Interim Dividend'). The terms of the Offer

(excluding the Interim Dividend) value Hastings' entire issued and to be issued share capital at approximately £1.66 billion and represent a premium of approximately:

- 47.1 per cent to the closing price per Hastings share of 170 pence on 28 July 2020 (being the last business day before Hastings announced it had received an approach that may or may not lead to an offer);
- 37.5 per cent to the volume-weighted average price of 182 pence per Hastings share for the three-month period ended 28 July 2020 (being the last business day before Hastings announced it had received an approach that may or may not lead to an offer); and
- 41.7 per cent to the volume-weighted average price of 176 pence per Hastings share for the six-month period ended 28 July 2020 (being the last business day before Hastings announced it had received an approach that may or may not lead to an offer).

It is intended that the Offer will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006 (the '**Scheme**'), further details of which are contained in the Announcement and will be set out in the Scheme document to be distributed to Hastings' shareholders in due course. However, BidCo reserves the right, where permitted, to implement the Offer by way of a takeover offer (as defined in Part 28 of the United Kingdom Companies Act 2006).

The Offer is subject to a number of conditions including regulatory approvals in the United Kingdom and Gibraltar and European Commission antitrust approval and it is expected that the Scheme will become effective in late 2020.

RMI and OUTsurance have obtained the requisite approvals for the Offer from the Financial Surveillance Department of the South African Reserve Bank.

### **3. RMI and OUTsurance reasons for the Offer**

RMI has a long-term investment horizon and focuses on building enduring value over many and differing market cycles. RMI's investment style is anchored in its ethos of being a strategic and value adding shareholder in its portfolio companies. RMI has indirectly held over 29 per cent of Hastings' issued share capital since 2017 and believes that the UK Property & Casualty ('**P&C**') insurance market in general and Hastings in particular continue to offer growth and value creation potential.

The institutional knowledge that RMI has gained from its active involvement in Hastings since its investment in 2017 and representation on the board of Hastings will underpin the strategic framework of the business going forward.

RMI and OUTsurance are aligned on all decisions in relation to their joint investment in Hastings through Main Street and consider the investment to be strategically important to the portfolio overall. OUTsurance and Hastings share best practice on various aspects of the operation of short-term insurance. For example, OUTsurance has shared its significant experience in management of local and offshore call centres with Hastings. In 2018, Hastings entered into an offshore call centre

arrangement with OUTsurance to supplement the after-hours capacity of Hastings and improve customer service outcomes.

#### **4. Information on Sampo and reasons for the Offer**

Sampo is a leading Nordic insurance group listed on Nasdaq Helsinki with a market capitalisation of €17.6 billion on 4 August 2020. The Sampo group is made up of the parent company Sampo plc and its subsidiaries If P&C, Mandatum Life and Topdanmark. Nordea, the Nordic banking group and Nordax, a leading Nordic niche bank, are Sampo plc's associated companies.

If P&C Insurance is the leading property and casualty insurer in the Nordic region. It provides insurance solutions and services in Finland, Sweden, Norway, Denmark and the Baltic countries. Topdanmark is the second largest non-life insurance company and a major life insurance company in Denmark. Mandatum Life is a Finnish financial services company that provides wealth management, remuneration services and personal risk insurance. In addition to Finland, Sampo operates in all the Baltic countries. Sampo plc administers its insurance subsidiaries and is a major shareholder in Nordea and Nordax. Sampo has offered car insurance policies since 1920.

Sampo continuously considers its strategic options to accelerate its growth and diversify its earnings profile. Sampo has a strategic ambition to expand further into non-life insurance, a segment where it has extensive experience and expertise. As part of this strategy, and considering its strong market positions in the Nordic markets, Sampo has been considering a geographic expansion beyond its current footprint. Sampo believes that the UK, as the second largest retail P&C market in Europe, offers an attractive scale opportunity.

The acquisition of Hastings provides an attractively positioned platform in one of the most digitally advanced markets globally. The UK is characterised by its high levels of digital distribution with 75 per cent of motor insurance policies sold through price comparison websites ('PCWs'). Hastings is one of the leading distributors of motor insurance policies through PCWs in the UK with differentiated digital capabilities in technical and retail pricing, anti-fraud and customer service.

#### **5. Future BidCo intentions with Hastings**

Given the significant P&C insurance experience and expertise of Sampo, through its subsidiaries If and Topdanmark, and RMI, through its ownership of OUTsurance, the intention is to combine this knowledge by forming a joint venture partnership that will drive the strategic direction of Hastings for the long term. Each party will bring to bear its experience as long-standing owners and operators of insurance and financial services businesses in different geographies and different sectors to create long-term value for the benefit of the Hastings business.

RMI and Sampo recognise that the UK motor insurance market is competitive and in recent years has been affected by challenging market dynamics including elevated claims inflation. RMI and Sampo believe that, under their ownership, Hastings will be able to further develop its agile and digital business model to create long-term value.

Sampo and RMI intend for Hastings to continue to be operated on a standalone but unlisted basis. Sampo and RMI believe that a private partnership provides an optimal structure for Hastings to fulfil its potential and build long-term value for its stakeholders. In an unlisted format, Sampo and RMI believe Hastings will benefit from a more long-term approach to decision making.

RMI and Sampo believe that Sampo is a high-quality business with an entrepreneurial management team and exciting growth opportunities. Following the Offer becoming effective, BidCo will work closely with Hastings' management team and will consider any plans that Hastings' management team may have with a view to further developing Hastings' business.

BidCo does not intend to make any material changes to the conditions of employment or in the balance of skills and functions of employees and management of Hastings. BidCo believes that Hastings' success to date should, in large part, be credited to its highly-skilled, committed and entrepreneurial executive team. Following the Offer becoming effective, BidCo intends to review the management, governance and incentive structure of Hastings. As described in more detail in the Announcement, BidCo has agreed to retention arrangements for participants in the Hastings' Long Term Incentive Plan, including members of Hastings' management.

#### **6. Terms of the Top-up Transaction**

Pursuant to the Offer, Main Street will increase its interest in Hastings from 29.7 per cent to 30 per cent. The consideration payable for the Top-up Transaction is expected to be an amount of £5,328,375 which will be funded from existing cash resources of RMI and OUTsurance.

Pursuant to an escrow agreement dated 3 August 2020, RMI has placed in escrow with J.P. Morgan Chase Bank, N.A., London Branch, an amount of cash equivalent to the portion of the expected cash consideration which is to be financed by its existing cash resources.

#### **7. RMI director responsibility statement**

Each director of RMI accepts responsibility for the information contained in this announcement and confirms that, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **8. Withdrawal of cautionary announcement**

Shareholders are advised that, as a result of the publication of this announcement, the cautionary announcement released on SENS on 29 July 2020 is withdrawn.

#### **9. Investor call**

All interested parties are invited to join a call hosted by the management of RMI and OUTsurance to discuss the Offer. It is important to note that this call will be conducted within the confines of the UK Takeover Code.

The details are as follows:

**Date and time of investor call: 5 August 2020 at 14:00 SAST**

Dial in details:

- South Africa Toll Free: 0800160983
- South Africa Local: 0214273109
- Passcode: 45227793 then #

Sandton

5 August 2020

**Sponsor**

RAND MERCHANT BANK (A division of FirstRand Bank Limited)