

## Global Re acquisition on track for H1 2019

17 December 2018

**We have adjusted forecasts to reflect the revised timing of the Global Re acquisition. As the expected completion of a major acquisition has shifted by a few weeks, from late December to early January, it will now benefit H1 2019 not FY18. In all other respects everything remains on track.**

We flagged this in our October note: one of two acquisitions announced with the interims in September could make a significant impact this year, subject to receipt of regulatory approval before 31 December, or in FY19 if not. It was included in our FY18 forecasts as R&Q's experience suggested it would tie it up this year. The process remains on track, but the pragmatic view is that approval will now be finalised in early 2019.

Closure does matter, as the acquisition of GLOBAL Reinsurance Corporation of America (Global Re) **is the largest transaction legacy/business combination R&Q has undertaken to date.** It will acquire Global Re, a New York domiciled reinsurance company in run-off, from AXA for c \$80.5m in cash funded from available cash and debt facilities. The price is a small discount to net assets and R&Q expects it to have material impact on its results, based upon its own reserve assessment and anticipated operational synergies.

Timing is the one issue. Management has not changed its view on the value of the deal and remains confident that it will achieve change of control approval from the New York Department of Financial Services. in early 2019.

R&Q forecasts will be subject to imprecise timing in the short-term as it scales up two core divisions. The exact timing of legacy deals is inherently difficult to predict, but the group's track record is strong, completing 34 deals in the last two financial years. It confirmed that the Global Re acquisition remains on track, backed by strong new business pipelines for both further legacy acquisitions and its programme management business in the USA and Europe. Re the latter, R&Q anticipates that by the year end it will have signed contracts with managing general agents expected to generate c \$500m pa of future gross written premiums.

**We have simply adjusted forecasts to reflect the shift of the contribution from Global Re into next year. The FY19e multiple is attractive, with the yield well covered and tax-free to UK private investors as a distribution of capital.**

### Company Data

EPIC	AIM: RQIH
Price	166p
52 week Hi/Lo	206p / 128p
Market cap	£210m

### Share Price, p



Source: ADVFN

### Description

Randall & Quilter Investment Holdings Limited (R&Q) is a long-established UK and US insurance business led by an experienced team.

It is focused on two core strategies: to drive commission income from writing niche books of business using its two licensed UK and US carriers and to grow an industry leading provider of exit solutions for legacy/ run-off insurance assets to vendors in the US, Bermuda and Europe.

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### Summary forecasts

Year end 31 Dec	2016A	2017A	2018E	2019E
Operating Profit (EBIT) (£m)	10.4	14.3	21.0	48.8
Adj. Pre-tax (£m)	8.5	23.5	13.0	40.8
EPS (p)	9.9	10.5	7.1	28.4
PER	16.8	15.9	23.4	5.8
Yield %	5.2	5.3	5.5	5.6
NAV/share (p)	107	121	125	130

Source: Group report & accounts and ED estimates (assumed completion of Global Re acquisition in FY19)



## Investor Access

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