

ACHP Trading note – Q&A – March 12, 2019

Questions	ACHP response
<i>1. Have you sold ACHP's stake in Asta Capital to an external buyer?</i>	As to Asta Capital (hereafter "Asta") the shares have not been sold. https://www.asta-uk.com/
<i>2. Have you received any bids for ACHP or ACHP's stake in Asta?</i>	<p>ACHP conducted a process, now closed, to auction its shareholding in Asta. We appointed reputable advisers to assist in this process but did not secure a price that we felt could be recommended to shareholders.</p> <p>A major consideration was the impact of the pressure brought to bear on Lloyd's businesses to improve underwriting profitability with the consequence of limiting Asta growth potential in the short to medium term given the unlikelihood of new syndicates securing Lloyd's approval.</p>
<i>3. Are you currently in exclusive negotiations or in the final stages of signing an SPA with a prospective buyer?</i>	No
<i>5. In the event of an agreed sale, can you give a timeline for the return of capital to ACHP shareholders?</i>	No sale has been agreed. The sale process has been terminated. The board believes that no sale at the value the board ascribes to the business will occur until the Lloyd's market normalizes, which it believes will take around 18 months, at which point another attempt to sell the Asta stake may well be made.

<p>6. <i>Who was appointed as the financial adviser for the sale?</i></p>	<p>Tiger Risk, A merchant banks specializing in Insurance market M&A transactions.</p>
<p>7. <i>Has the Asta shareholder consortium shoot-out agreement been activated? What is the outcome? .</i></p>	<p>No shoot out was triggered by ACHP nor by any of the two co-investors.</p>
<p>8. <i>In the scenario of an Asta 31% stake disposal (and not a disposal of ACHP plc itself), will ACHP generate capital gains for taxation on the asset disposal?</i></p>	<p>If the shares of Asta were sold to a third party ACHP believes it has enough capital losses to shelter any capital gains achieved.</p>
<p>9. <i>If no sale of the Asta shareholding is secured this 2019 year end, when can shareholder expect dividends or returns of capital to be made resulting from ACHP's share of upstreamed Asta dividends?</i></p>	<p>ACHP is now free of debt and plans to retain only such resources as are required to meeting ongoing operating expenses and maintain its “going concern” status.</p> <p>All surplus funds received from Asta will be returned to shareholders, most likely by way of dividend though all other options will be explored.</p>
<p>10- <i>What is the rationale for the ACHP board retaining the Asta shareholding in spite of current unstable Lloyd's market environment?</i></p>	<p>The ACHP board believes Asta is a valuable investment, which has delivered distributions in excess of its purchase costs over the last 7 years and, we believe, will continue to do so.</p> <p>The carrying value of ACL shares in ACHP books at the end of 2017 was £17.96 million. ACHP does not intend to increase the aggregate carrying value of the shares held from the current £17.96m for 2018 accounts. As of Dec 31st 2018, this equates to a book value of £578 for each of the 31.064 Asta shares held in ACHP. Based on this value for the Asta shares, the NAV of ACHP is expected to be approximately £16.4 million as of Dec 31st 2018 compared to £17 million as at the end of 2017.</p> <p>Asta has discussed an internal method of valuation with the external valuation company Saffery Champness (SC).</p>

	<p>The advice received from SC was that the previously used valuation methodology, which based ACHP book entry for Asta shares, remains appropriate and should be consistently applied (e.g. based on three-year average Ebitda with a 6.5 x multiplier). The 2018 Ebitda of ACL is £10.1m. Based on this valuation methodology, Asta was valued at £72.1m, equating to £726 per A share.</p> <p>The board are therefore confident that it remains in the best interest of all ACHP shareholders to retain the Asta stake and receive yearly, with minimal ACHP frictional costs to them, the distributions expected from this investment until a sale can be realized in more benign market conditions.</p>
<p><i>11-What is the ACHP board's plan for Asta shares</i></p>	<p>It remains the board's intention to dispose of its Asta stake in the near to medium term, but it will only do so at a price that it can, in good conscience, recommend to shareholders as being in their best interests. Until it believes such a price is achievable, the board intends to continue holding its Asta shares.</p>