

ACHP 2019 AGM

26 June 2019



Introduction

- ❑ Since June 2017, the Company's only trading activity has been its holding of one-third of the voting shares and 31% of the economic rights in Asta Capital Ltd (“Asta”), the parent of Asta Managing Agency Limited, the leading third-party managing agent at Lloyd's
- ❑ In 2018 the company appointed skilled advisers and launched an extensive auction process to dispose of this investment. Timing and Lloyd's market Q3 and Q4 turmoil prevented the sale at a price deemed acceptable by the Board
- ❑ 2018 Distributions from Asta pushed into 2019 – £3.3m received in share buy back early January. Loan facility with the majority shareholder, Financière Pinault, repaid in full and dividend of 1p per share declared and paid.

What is the global picture for ACHP

□ ACHP

- Oversight of Asta
- Current value of Asta in ACHP books is viewed by the Board as being appropriate, if on the conservative side
- Focus on minimizing the ordinary expenses of the Company in line with its limited activities.
 - Expected monthly burn rate for 2019 c. £30k.

□ Asta

- A strong performer, with stable Ebitda and a unique key player in Lloyd's
- Great management team dedicated and aspiring to further growth
- Two very solid and influential co-investors hold the remainder of the equity
- Strong Ebitda and stable cash flows – in spite of bumpy 2018 year
- Potential leverage to be re-built in Asta balance sheet

ACHP finances



Statement of Comprehensive Income for 2017

	Notes	31 Dec 2018 £000's	31 Dec 2017 £000's
Income from interest in associated undertaking	3	-	822
Other income		14	-
Total income		14	822
Administrative expenses		(553)	(1,167)
Results of operating activities		(539)	(345)
Loss on disposal of subsidiary undertakings		-	(525)
Interest payable and similar expenses	4	(67)	(299)
Loss on ordinary activities before taxation	5	(606)	(1,169)
Taxation	9	-	-
Total comprehensive losses for the year		(606)	(1,169)

- Distributions received from Asta in 2018: Nil (2017: £714k)
- £3.3m Asta share buyback received in January 2019 used for:
 - full debt repayment (£1.8m) and
 - dividend payment of 1p per share

Balance Sheet as at 31 December 2017

	Notes	31 Dec 2018 £000's	31 Dec 2017 £000's
Fixed assets			
Investment in associated undertaking	10	17,964	17,964
Current assets			
Debtors - amounts falling due within one year	11	90	467
Cash and cash equivalents		152	396
		242	863
Current liabilities			
Creditors - amounts falling due within one year	12	(1,798)	(148)
Net current (liabilities)/assets		(1,556)	715
Total assets less current liabilities		16,408	18,679
Creditors - amounts falling due after one year	12	-	(1,645)
Net assets		16,408	17,034
Capital and reserves			
Called-up share capital	13	2,362	2,362
Revaluation reserve		14,376	14,376
Other reserves		256	256
Profit and loss account		(586)	40
Total shareholders' funds		16,408	17,034

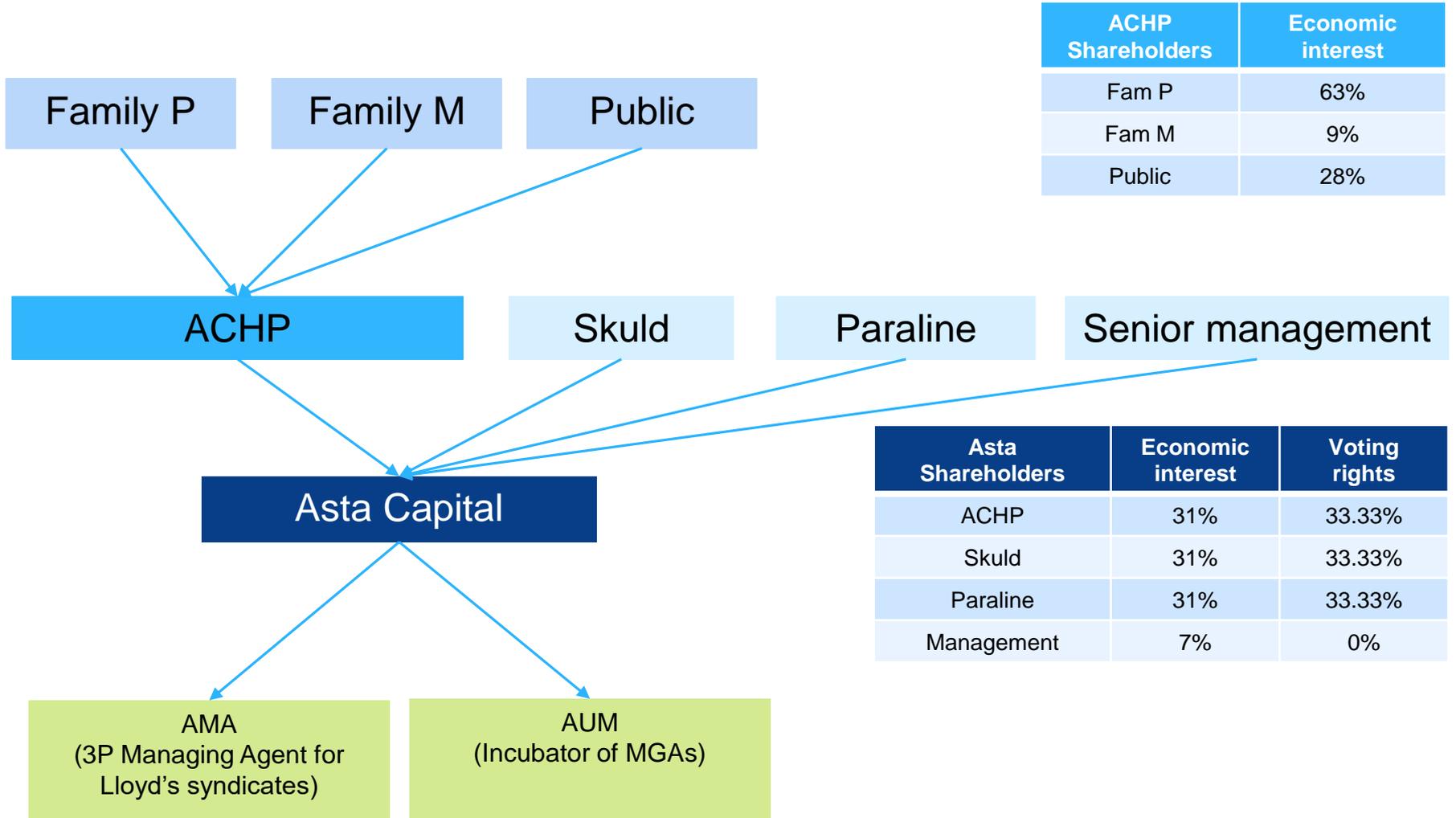
Balance Sheet as at 31 December 2018

- ❑ The carrying value of ACL shares in ACHP books at the end of 2018 was £17.96 million
 - As of Dec 31st 2018, this equates to a book value of £578 for each of the 31.064 Asta shares held in ACHP
- ❑ During 2018 valuation on the books remained unchanged
- ❑ Asta external valuation company Saffery Champness (SC) conclusions:
 - Valuation methodology is based on three-year average Ebitda with a 6.5 x multiplier
 - The 2018 year-end Ebitda of ACL was £10.1m
 - Based on this valuation methodology, Asta was valued at £72.1m, equating to £726 per A share
- ❑ Company net assets at the end of 2018 were £16.4m (vs. £17.0 million)
- ❑ Company is debt free since Jan 2019

Asta status



Equity Structure



ACHP Shareholders	Economic interest
Fam P	63%
Fam M	9%
Public	28%

Asta Shareholders	Economic interest	Voting rights
ACHP	31%	33.33%
Skuld	31%	33.33%
Paraline	31%	33.33%
Management	7%	0%

Asta – A trophy asset

The leading third party managing agent with a strong portfolio



Key Numbers

□ ACHP

- NAV: £ 16,4 m
- Value Asta stock in the BS: £ 17.9m
- Implied value of 100% Asta: £ 61m

□ Asta

- Turnover:
- Profit before tax:
- Ebitda:

	2019(B)	2018	2017	2016
Turnover:	£38.8m	£38.7m	£38.3m	£37.0m
Profit before tax:	£6.4m	£7.1m	£5.3m	£6.6m
Ebitda:	£9.5m	£10.3m	£7.9m	£9.2m

Exiting from ASTA



2018 sale process

- ❑ ACHP conducted a process, now closed, to auction its shareholding in Asta
 - Appointed reputable advisers to assist in this process
- ❑ Broad process conducted with significant interest received
- ❑ Contacted 71 parties including 16 Ins. Services, 30 Strategic Carriers and 25 Financial Investors
 - All parties contacted, including those who declined, expressed sincere compliments on the business
 - Most declines related to issues with acquiring a minority stake and limited interest Lloyd's market opportunities
- ❑ Asta received seven preliminary proposals

2018 sale process (2)

- ❑ Process did not secure a price that Board felt could be recommended to shareholders and was terminated Dec 2018
- ❑ Major considerations from buyers stand point to withdraw or reduce their offers during the process:
 - Lloyd's strong pressure brought to bear all syndicates to improve underwriting profitability restricting growth of capacity deployed by each syndicate
 - Statements by Lloyd's there would be no new entrants till 2020 with the consequence of limiting Asta growth expectations
 - This created tensions on the ASTA EBITDA expectations as the two departing syndicates (Blenheim and Nephila) will still be leaving in 2019, taking out nearly 40% of the capacity managed by Asta
 - Some fresh hope for partial replacement over 2019 and hope for a normal market in 2020
 - Misunderstanding or unwillingness to understand the shoot out provisions and route to 100% control

Current Exit options

❑ Multiple route lead to Exit

- Do nothing – benefit from the existing distribution capacity and wait for a 100pct liquidity event along with other shareholders
- Seek a buyer for the 30% stock in Asta (giving access to Asta + shoot-out)
- Trigger the shoot out – be bought or increase shareholding – and flip the shareholding into the market via auction

❑ Board view is :

- Hold tight for the moment
- Continue to receive Asta Dividends and pass through to shareholders at marginal frictional cost
- Relaunch sale process in a better Lloyd's environment (12/18 month ?)
- Alternatively join-in a liquidity event requested by another co-shareholder, and sale a controlling stake if and when such an event happens

Expected future of the Company

- ❑ Future may include a sale of the Company's investment in Asta, a share sale of ACHP as a whole, or a variety of other options (see above)
- ❑ The directors' goal is to enter into a transaction ASAP, only if a reasonable price is achievable
- ❑ (Except if sold as a whole), after divesting Asta, the Company would likely be placed (once any reps and warranties are ended or re-insured) into a members' voluntary liquidation after such a transaction.

Conclusion

- ❑ ACHP owns a minority holding of a very desirable asset : Asta, with good distribution capacity
- ❑ Directors are focused on extracting the maximum value for this asset and distribute it to shareholders ASAP
- ❑ Directors believe it would be foolish to sell at an undervalue for the sake of immediate liquidity and are therefore sitting tight
- ❑ Meanwhile Directors remain committed to keeping the burn rate of ACHP to the minimum realistic number