



R&Q Insurance Holdings Ltd
("R&Q", the "Company" or the "Group")

FY 2022 Program Management Update and Sale of Minority Stake in Tradesman

23 February 2023

R&Q Insurance Holdings Ltd, (AIM-RQIH), the leading non-life global specialty insurance company focusing on Program Management and Legacy Insurance businesses, announces its Program Management update for the twelve months ending 31 December 2022. R&Q also announces that it has reached an agreement to sell its 40% minority holding in the New York-based Managing General Agent TPM Holdings USA, LLC, ('Tradesman').

FY 2022 Program Management Update

- Record year for R&Q Accredited in 2022 with strong growth in Gross Written Premium and Fee Income
- FY 2022 Gross Written Premium ('GWP') of \$1.8 billion (FY 2021: \$1.0 billion), an 80% increase
- FY 2022 Program Fee Income of \$80.0 million (FY 2021: \$45.0 million), a 78% increase¹

Sale of 40% Stake in Tradesman

R&Q's 40% ownership of Tradesman is being acquired by Roosevelt Road Capital Partners, LLC, the controlling 60% shareholder of Tradesman, which is majority owned by Daniel Hickey, Jr., the CEO of Tradesman. The total consideration is \$47 million, subject to post-closing adjustments based on 2022 audited financials of Tradesman. Approximately \$41 million of the consideration will be paid in cash upon closing of the transaction and another \$6 million will be paid in the form of a 2-year promissory note. R&Q will use the proceeds from the transaction for general corporate purposes and to pay down debt.

R&Q's share of profits from Tradesman represented \$11.2 million and \$5.2 million for financial year 2021 and half year 2022, respectively. The investment in Tradesman was held at \$21.5m as of 30 June 2022. Tradesman is expected to earn \$26.5 million in EBITDA in 2022, which could be reduced by up to \$9 million if the maximum contingent commissions² became payable to reinsurers should the program underperform expectations. Tradesman had net debt at 31 December 2022 of \$67 million.

R&Q will have made 3.7x its initial investment of \$25 million from the acquisition of Sandell Re Ltd. in 2019, which was subsequently converted into a 40% stake in Tradesman, including \$46 million of dividends received to date. As a result of the transaction, R&Q will no longer be liable for nor benefit from any contingent commissions to or from reinsurers.

The transaction is expected to complete in Q1 2023, pending Tradesman's lender approvals.

William Spiegel, Executive Group Chairman, commented:

"2022 was an outstanding and record year for our Program Management business, and I am pleased that we have exceeded our target to deliver \$1.75 billion in Gross Written Premium, despite the exchange rate headwinds of a strong US dollar on our European business. We have now firmly established R&Q Accredited as a scale player and leading partner in both the US and Europe. As we outlined in our recent update, the team has maintained momentum into 2023 and we continue to see a strong pipeline of potential partnerships. At the same time, we will retain our highly disciplined approach to MGA selection and

reinsurance partnerships, seeking to work only with high quality MGAs and reinsurers while ensuring we maintain a well-balanced and diversified portfolio.

Tradesman is a high-quality MGA with whom we have had a long-term profitable partnership. Our decision to reduce our exposure to certain Tradesman programs as part of our ongoing active portfolio management meant our minority investment was no longer strategic and we believe its long-term ownership better fits with its existing management team. Given the compelling nature of the offer, we believe the transaction is an excellent outcome for all parties. R&Q still provides program management services to one of Tradesmen's programs and we look forward to supporting them as a partner on future endeavors."

¹ Program Fee Income is on a written basis and excludes our share of earnings from minority stakes in MGAs.

² Contingent commissions represent a variable percentage of premium payable to / receivable from reinsurers based upon the underwriting performance of the program.

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Enquiries to:

R&Q Insurance Holdings Ltd

William Spiegel
Tom Solomon

Tel: 0207 780 5850
Tel: 0207 780 5850

Numis Securities Limited (Nominated Advisor and Joint Broker)

Giles Rolls
Charles Farquhar

Tel: 020 7260 1000
Tel: 020 7260 1000

Barclays Bank PLC (Joint Broker)

Andrew Tusa
Richard Bassingthwaighte

Tel: 020 7632 2322
Tel: 020 7632 2322

FTI Consulting

Tom Blackwell / Shipra Khanna

Tel: 020 3727 1051

Notes to Editors:

About R&Q

R&Q is a global non-life specialty insurance company. We operate two core businesses: Program Management and Legacy Insurance. Both these businesses are leaders in their respective markets.

Our approach is to deploy our origination and underwriting capabilities, alongside our licensed and rated carriers in the US, EU, and the UK, to generate attractive fee returns in Program Management and Legacy Insurance.

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Website: www.rqih.com

The information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the UK Market Abuse Regulation. With the publication of this announcement, this information is now considered to be in the public domain.