

R&Q Insurance Holdings Ltd

Update on proposed sale of Accredited

24 April 2024

As announced on 20 October 2023, R&Q Insurance Holdings Ltd (AIM: RQIH) ("**R&Q**" or "**the Company**") has entered into a conditional agreement with funds advised by Onex Corporation to sell 100% of the equity interest in Randall & Quilter America Holding Inc., the holding company of the Company's program management business, Accredited. R&Q today provides an update on the proposed Sale. Capitalised terms used in this announcement have the meanings given to them in the circular sent to shareholders on 14 December 2023 (the "**Circular**").

Update on lender approval

R&Q is pleased to announce that it has today entered into a lock-up agreement (the "**Lock-Up Agreement**") with the syndicate members of the Main Banking Facility, the syndicate members of the FALLOC, the provider of the SAFER LC, the holders of the Senior Notes, the provider of the Cayman LC Facility and the Bermuda LC Facility and the majority of the holders of the Subordinated Notes (the "**Locked-Up Parties**").

Pursuant to the terms of the Lock-Up Agreement, the Company and the Locked-Up Parties have agreed:

- the indicative terms for a restructuring of certain of the financial indebtedness of the R&Q Group (the "**Restructuring**");
- the terms on which the Locked-Up Parties will, to the extent necessary, consent to the Sale;
- the use of the proceeds of the Sale; and
- pending completion of the Restructuring and Sale, not to take certain enforcement action under the terms of R&Q's existing financial instruments to which the Locked-Up Parties are party.

The Board of R&Q believes that the terms of the Lock-Up Agreement provide R&Q with a stable platform on which the Restructuring can be implemented. Following the signing of the Lock-Up Agreement, the parties will now move to the negotiation of the necessary implementation documentation. Completion of the Restructuring is subject to the successful finalisation and execution of such documentation. The Lock-up Agreement contains customary undertakings with respect to the Restructuring and termination events. One of the termination events is if the Available Net Cash Proceeds available to pay down the Main Banking Facility falls below a certain threshold. If the threshold is ever crossed, there is a ten business day period during which the Lock-Up Agreement will remain in place and the syndicate members of the Main Banking Facility can decide whether or not to extend such period.

There is no further update at this time in relation to the status of the Tier 2 US\$20 million floating rate subordinated notes issued by R&Q Re (Bermuda) Limited. Accordingly, as announced on 22 December 2023, the Bermuda Subordinated Notes remain outstanding on their terms and R&Q Re (Bermuda) will continue to pay interest on such notes as it becomes payable. The holders of the Bermuda Subordinated Notes are not a party to the Lock-Up Agreement.

R&Q will remain in close dialogue with its lending banks, providers of credit and other financing providers as it seeks to finalise the documentation necessary to implement the Restructuring and enable the Sale to take place.

Update on regulatory approvals

R&Q has been in detailed discussions with those regulators whose consent is required to enable the Sale and associated matters to proceed. The necessary approvals have been received from the Malta Financial Services Authority, the Arizona Department of Insurance and the Florida Office of Insurance Regulation and merger clearance from the EU Commission. R&Q hopes the remaining required approvals will be received shortly.

Update on use of proceeds

As noted above, since the Company's announcement of the Sale on 20 October 2023, the Company has engaged in an intensive period of discussion with its lenders and regulators with a view to the approval and implementation of the Sale. This period has resulted in the Company incurring significant additional unexpected costs and expenses (either on its own behalf or on behalf of or due to the requirements of other stakeholders). In addition, as announced on 22 December 2023, the Company has been constrained since that time in relation to its ability to consummate external legacy transactions.

As a result of these factors, as well as a degree of general stress to the Company's businesses during this period, Available Net Cash Proceeds on closing are now expected to be between approximately \$65 million and \$110 million (previously \$170 million and \$210 million). Following closing of the Sale, the Board still intends to use the Available Net Cash Proceeds to facilitate a de-leveraging of R&Q while retaining liquidity and working capital for R&Q's ongoing commitments.

Concluding remarks

The Board continues to work expeditiously towards completion of the Sale and reiterates its belief that a prompt and successful conclusion to the Sale represents the best outcome for all stakeholders. R&Q remains in communication with Onex regarding progress of the Sale and Onex continues to work with R&Q to support and advance towards completion of the Sale. R&Q currently expects closing of the Sale to occur in Q2 2024.

In the meantime, the Board believes the legacy plan outlined in the circular published on 14 December 2023 remains achievable, although acknowledges that it may now take longer to fully implement the plan than previously outlined, due in particular to some of the challenges outlined above. The Board of R&Q continues to evaluate any and all options to realise value from its legacy insurance business for the benefit of all its stakeholders, including its shareholders, whether that be through the ongoing trading of that business or through alternative strategic options.

As implementation of the Sale remains conditional on certain matters (including those explained in the Circular), Shareholders' are reminded of the contents of the Risk Factors set out in the Circular.

Further announcements will be made, as appropriate, in due course.

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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.