Bulletin:

Ageas' Potential Acquisition Of Direct Line Insurance Group Could Rebalance Its Credit Profile

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PARIS (S&P Global Ratings) Feb. 29, 2024--S&P Global Ratings said today that the potential acquisition of Direct Line Insurance Group (DLIG) by Ageas SA/NV (A+/Stable/A-1+) could improve Ageas' diversification while possibly weighing on the strength of its balance sheet depending on the price offered and the financing plan.

On Feb. 28, 2024, Ageas confirmed it had offered to buy 100% of DLIG's shares for a total consideration of nearly £3.1 billion on a non-binding basis. Accepting shareholders would receive a combination of new Ageas shares and cash. The cash component would be funded by using Ageas' available liquid resources and issuing new financial debt instruments. We understand the board of DLIG rejected the terms of this offer and it is uncertain if there will be an agreement in the coming weeks.

Although it is sizable, we do not see the potential acquisition as transformational since it would not involve integration between the two groups in several countries. Notably, Ageas' market-leading operations in Belgium and other activities in Europe and Asia would be unaffected. That said, material efforts would be required to integrate Ageas' U.K. operations with DLIG and create a leading market player in the U.K. personal lines non-life insurance segment, delivering robust profitability.

The announcement has no effect on our ratings on Ageas at this stage. Such a transaction would be in line with the group's strategy to expand in core markets. Still, if a binding offer is made, we would assess its potential consequences for the group's prospective financial strength.

This report does not constitute a rating action.