

Q4 2015 Earnings Call

Company Participants

- Christian Sagild
- Lars Thykier

Other Participants

- Christian Hede
- In-Yong Hwang
- Jakob Brink
- Per Grønborg

MANAGEMENT DISCUSSION SECTION

Operator

Thank you for standing by and welcome to the Topdanmark's Annual Results 2015 webcast.

I would now like to hand the webcast over to your presenter today, Christian Sagild. Please go ahead.

Christian Sagild {BIO 15093649 <GO>}

Good afternoon, everybody, and good morning to the USA, and thank you for joining us in this conference call.

With me are, as usual, our CFO, Lars Thykier; and Steffen Heegaard, who is Head of Investor Relations and Group Communications.

We are holding this conference because earlier today we published our results for 2015. And we are now ready to answer your questions. Please ask them one at a time.

And operator, can we have the first question, please?

Q&A

Operator

Of course. We do have a few questions. And your first question comes from the line of In-Yong Hwang. Please ask your question.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Hi, good afternoon. I've got two questions. Firstly on the buyback you announced of DKK 1.25 billion, on the slide 12, with the buyback potential, and you can assure the potential of 2016 as DKK 1.8 million and I think in previous year, you announced buyback was quite close to the capacity that you showed. So I was wondering why this year it has - seem to be quite a big buffer there and just your thinking around that.

And secondly on the premium guidance, I think at this time unlike the last communication you declined to give a specific number. So just in terms of the way to interpret this, is that - mean that the situation looks worse than they did last year and we should expect something bigger than minus 1% that you guided to last time, just a bit of clarification there, please? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

Concerning the share buybacks, we stated in Q1, 2015 that we would buy back DKK 400 million more than the result in 2016 and that is what we are going to do; there are no other decisions.

A - Christian Sagild {BIO 15093649 <GO>}

Regarding the growth we have - we have been struggling with sort of targeting the right level for growth, because growth in a very competitive environment as the one we're in is extremely difficult and surrounded by uncertainty basically because the growth does not depend on only what we do ourselves, but also what the market does. We have for several quarters been surprised and have to downgrade the growth somewhat, so instead of being a very accurate on growth as we have been in for many years, we would like to just say that growth is very difficult. Our growth - our profitability target is unchanged, but top line growth is probably bound to be somewhat negative. We have not stated any numbers, but since the competition is more or less unchanged, well, probably top-line growth will be more or less unchanged as well from last year.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Okay. All right, that's great. Thank you.

Operator

Your next question comes from the line of Per Grønberg. Please ask your question.

Q - Per Grønberg

Yes. Thank you. It's Per from Danske; couple of questions from my side. First a bit in the nitty gritty, the unwinding of your discounted reserves, the level of DKK 30 million in the last two quarters. Of course, I wonder bit right doesn't come further down, like we saw in the first half. What has been your assumption for 2016 that the cost of unwinding the

discounted reserves will be, can you give any number on that? Secondly on the buyback, the DKK 1.4 million – sorry, DKK 1.4 billion that you had said – the DKK 1.25 billion you intend to buyback. Is that the buyback from now and until the full year report next year and should we add on top of that what you have bought back year-to-date in the old program?

A - Christian Sagild {BIO 15093649 <GO>}

Let me take the last question, Per. The buyback relates to the profit in 2016 and will be bought back from today and up until 23 of February next year. So there is this slight time lag in the buyback period.

Q - Per Grønberg

But then we should also add our top what you have executed this year from last year's buyback?

A - Christian Sagild {BIO 15093649 <GO>}

Well, that was part of the DKK 1.95 billion that was executed up until 10 of February.

Q - Per Grønberg

Yes. Okay. Perfect. I just want to be sure that I understood it correctly.

A - Christian Sagild {BIO 15093649 <GO>}

Unwinding?

A - Lars Thykier {BIO 16427122 <GO>}

Yes. I'm afraid, we're going to have to postpone the unwinding question to some other time.

Q - Per Grønberg

Okay. Let's take it tomorrow morning with this.

A - Lars Thykier {BIO 16427122 <GO>}

Yes.

Q - Per Grønberg

Thank you.

Operator

Thank you. Your next question comes from the line of Christian Hede. Please ask your question.

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Q - Christian Hede {BIO 18642300 <GO>}

Yes. Good afternoon. It's Christian from Nordea in Copenhagen. I just have a question for your share buyback potential. I am sure you've told us all before. But could you go through again how you see the buffer between the surplus capital buyback potential, which is I think DKK 1.8 billion as you see it and then the buyback of DKK 1.25 billion? And how should we see this buffer going forward? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

We have not stated that this buffer should be of any specific size. As I said that this buffer will be larger and smaller according to what we see in the market. How concerned we are about the productivity in the market in both financial markets and insurance markets. We guide for the buybacks of the year and this year we have guided that we'll buyback DKK 400 million more than the bottom line.

Q - Christian Hede {BIO 18642300 <GO>}

But should we then see it as you being very concerned since you now have a DKK 600 million buffer to your potential?

A - Lars Thykier {BIO 16427122 <GO>}

I look at the (6:48) my screen, and I am concerned, yes.

Q - Christian Hede {BIO 18642300 <GO>}

That's only fair, I guess. I guess that was my only question. Thank you.

A - Christian Sagild {BIO 15093649 <GO>}

So was that all questions?

Operator

Thank you. We do have a few more questions, but our next question comes from the line of Jakob Brink. Please ask your question.

Q - Jakob Brink {BIO 7556154 <GO>}

Yes. Hi, it's Jakob from ABG. Sorry, just coming back to what you said before question on premium growth. I know you've just said negative, but what did you say? You said the market competitive situation was pretty much unchanged compared to last year, so did you say that we should expect a growth rate that was basically unchanged from 2015 or did you mean that the 1% you guided for in Q3 was unchanged?

A - Christian Sagild {BIO 15093649 <GO>}

Neither, what I said was that with the competitive situation as it is right now, we ended up with minus 1.8 last year. And since we had difficulties in hitting quarter-by-quarter, hitting the right level of growth with the accuracy that we sought, it doesn't make very much

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sense to try to be very accurate about top-line growth since we have had to change it. And therefore, what I'm saying is that if the competitive situation continues to be the same you should probably expect that our top-line growth in 2016 would be in line with the one in 2015.

A - Lars Thykier {BIO 16427122 <GO>}

The problem is that our forecast model - results from forecast model are quite erratic. They changes from month-to-month in the current environment. So it's very hard to make the forecast quality we used to do, we have not succeeded in 2015.

A - Christian Sagild {BIO 15093649 <GO>}

One of the reason why it was difficult in 2015 was that we saw some major clients in the commercial market leave us, but they left us at levels that would definitely be loss making. So I don't know if it is a good thing or a bad thing to increase the negative growth if the bottom-line is basically profiting from it. So, it's difficult and if we foresee during 2016 that any large client might leave us in that year as well. We would definitely not violate our mantra of profitable growth. And therefore, it is extremely difficult to make very exact guidance to the top line.

Q - Jakob Brink {BIO 7556154 <GO>}

You can maybe give some comments on the private segment as well. Is it only in the corporate segment that you sort of-

A - Christian Sagild {BIO 15093649 <GO>}

Competition is all over - is in all segments right now. And competition is also fierce in the private line segment. We have lost more customers in 2015 that we've been - we've gained from our competitors. And I think that this is something that you could also - you probably also have to realize in 2016.

Q - Jakob Brink {BIO 7556154 <GO>}

Okay. Thanks a lot.

Operator

Thank you. Your next question comes from the line of Per Grønberg. Please ask your question.

Q - Per Grønberg

Hello. It's Per on Danske again. I have a couple of additional questions. Can you - you are guiding on well updated claims to 2016, can you also put a number of what is - what are you assuming last claims to be in a normal year?

A - Lars Thykier {BIO 16427122 <GO>}

No. We don't do this.

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A - Christian Sagild {BIO 15093649 <GO>}

We don't have that guidance.

Q - Per Grønberg

You don't have that guidance?

A - Christian Sagild {BIO 15093649 <GO>}

No.

Q - Per Grønberg

So we take the average of the last five years and assume that's the best approach.

A - Lars Thykier {BIO 16427122 <GO>}

Please remember that the figures we show that is gross figures. That is before reinsurance. And it makes a lot of difference whether the - how the distribution of the claim balance.

Q - Per Grønberg

Okay. Regarding competition and premium volumes, it looks like it's primarily the commercial book that is a challenge in U.S. at the moment portray it (11:57) to us out in the beginning of the year talking about a fantastic renewal and a material growth also in Denmark. Is it the weather compensation book that is taking hits from 1st of January, or is that - that book that takes more gradual hits during the year when it comes to volumes?

A - Christian Sagild {BIO 15093649 <GO>}

Are you asking if the commercial line business is being hit throughout the year or January 1?

Q - Per Grønberg

The issue is - it sounded on (12:30) that they had written a lot of new business with effect on 1st of January. That business must have been taken from somewhere. Is that what you're seeing now and the reason why you somehow see to bid more (12:42) than you were a quarter ago?

A - Christian Sagild {BIO 15093649 <GO>}

Well. Yes, (12:46) definitely has been extremely aggressive, whether it is related to Topdanmark, the business that they have written in January 1, I can't tell you that exactly. But we have (12:57) throughout the year.

Q - Per Grønberg

Okay. Thank you.

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A - Lars Thykier {BIO 16427122 <GO>}

Maybe I could add that a lot of our commercial business is renewed on the 1st of January. And that means that we have this change in - from company to company, it's - the change is by far the biggest in - on the 1st of January. And that was the case last year and that's the case this year.

Q - Per Grønberg

Can you tell us what you've seen on the 1st of January renewal?

A - Lars Thykier {BIO 16427122 <GO>}

No, no, I cannot. We have made the guidance and we are talking about the account from 2015.

Q - Per Grønberg

Okay. Thank you.

Operator

Thank you. And your next question comes from the line of Christian Hede. Please ask your question.

Q - Christian Hede {BIO 18642300 <GO>}

Yes, it's Christian from Nordea again. You talked about last that you were quite concerned on the investment markets, which is understandable. Could you say anything about whether you've done anything that will mitigate the effects of what we're seeing now? We heard, for example, yesterday that Sampo are now taking the opportunities to buy additional Tier 1 capital at what they would seem to think is the distress level. So, can you give us any guidance on how you're coming through this and I know that this is a question on 2016, but still-

A - Christian Sagild {BIO 15093649 <GO>}

No. I don't think I will do that.

Q - Christian Hede {BIO 18642300 <GO>}

That's fair. Then I don't have any more questions. Thank you.

Operator

We don't have any further questions at the moment. There are no further questions at this time. Please continue.

A - Christian Sagild {BIO 15093649 <GO>}

Thank you for taking the time to attending our conference. As you know, you are always welcome to call one of us if you have any further questions. We'll be happy to answer them. Thank you and goodbye.

Operator

That does conclude our webcast for today. Thank you for participating. You may now all disconnect. Speakers, please standby.

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