

Direct Line suitor Ageas faces investor opposition to bid pursuit

The Belgian insurer pursuing a takeover of Direct Line Group, its London-listed rival, is facing opposition from one of its own leading shareholders to a potential deal.

Sky News has learnt that a top 10 investor in Ageas is canvassing the views of fellow shareholders in an attempt to halt its efforts to buy Direct Line.

City sources said that the investor, who declined to be named, believed the approach was “aggressive, unsolicited and opportunistic”.

The emergence of its position comes just a day after Direct Line said it had rejected a “highly conditional” cash-and-stock proposal worth 237p-a-share, or about £3.2bn.

It was the second indicative offer tabled by Ageas in less than a month, and would be dependent upon the Belgian company issuing a significant chunk of new equity to help finance it.

A source close to the shareholder said Ageas’s interest in a takeover of Direct Line, which also owns Churchill and Green Flag, represented a strategic U-turn following the recent disposal of its commercial lines business in the UK.

They warned that it would disrupt the focus on Ageas’s strategy “following a period of very weak performance” and said the pursuit ignored “significant headwinds” in the British personal lines business, including regulatory scrutiny and claims inflation.

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Although Ageas is not proposing to give its shareholders a vote on the deal itself, it does require approval from investors for the issuance of new stock to fund it.

An insider said the top 10 shareholder would be "influential" on the company's views.

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The likelihood of Ageas submitting an offer which secures the recommendation of the Direct Line board ahead of a deadline later this month is now seen as low by analysts.

“It is gambling with more than half of its own market cap investing in a single asset with significant execution risk,” said a source close to the restive Ageas shareholder.

“If it is seeking more UK exposure, there are smaller, less risky and less dilutive assets to acquire.”

Direct Line shares were trading at around 218.2p on Thursday morning.

Ageas declined to comment.