SOCIETE GENERALE ANNOUNCES ALD'S PROPOSED ACQUISITION OF LEASEPLAN TO CREATE A LEADING GLOBAL PLAYER IN MOBILITY

Press release

Paris, January 6th 2022, 6:45am

Societe Generale announces the signing by Societe Generale and ALD of two Memorandums of Understanding under which ALD would acquire 100% of LeasePlan from a consortium led by TDR Capital, to create a leading global player in mobility with a total combined fleet of around 3.5 million vehicles[1]:

- **The proposed acquisition of LeasePlan for a total consideration of EUR 4.9bn[2] would be made through a combination of shares and cash;**

- **Societe Generale would commit to remain the long-term majority shareholder of the combined entity ("NewALD") with a ~53% stake at closing, LeasePlan shareholders holding 30.75%.**

This transformative project would be a step-change towards creating a leading global player in mobility, benefiting from highly compelling complementary capabilities and synergies. Benefitting from materially increased investment firepower and differentiated know-how, the combined entity will be particularly well-positioned to take full advantage of the industry's underlying basic trends, including the shift from vehicle ownership to usership and to electric vehicle fleets, as well as the growth of digital technologies to enrich services provided. This project would be perfectly coherent with the corporate purpose of the Societe Generale group and its ambition notably to actively support economies as well as our customers in their energy transition.

This foreseen acquisition would be highly value-creating for shareholders, with net earnings per share accretion of ~+20%[3] for NewALD in 2023, as well as >+5%[4] for Societe Generale from 2024. Societe Generale would benefit from a ~80bps[5] ROTE uplift in 2024. At Group level, the capital impact at closing is expected to be around -40bps[6].

This intended transaction is perfectly aligned with the Group's strategy to preserve its disciplined and balanced capital allocation policy, combining the financing of growth of its businesses, in priority its most profitable businesses, with an attractive dividend policy based upon a 50% pay-out-ratio of the Group's underlying net income[7].

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(1) *Excluding Australia / New Zealand sold by LeasePlan.*

(2) *Based on €12.12 per share for ALD (1-month VWAP on Euronext as of 27 Oct 21, date of publication of press release after market close confirming discussions concerning a potential combination) and excluding warrants. Based on LeasePlan book value of ~EUR 3.5bn at closing, subject to minor adjustments.*

(3) *Computed based on 2023E net income group share post AT1 cost, including fully phased run rate synergies, excluding restructuring costs and at constant perimeter. ALD standalone 2023E EPS adjusted for capital increase, based on 2023 consensus as of 27 October 2021 (FactSet).*

(5) *Computed based on 2024E net income group share post AT1 cost, including fully phased run rate synergies and excluding restructuring costs, divided by average tangible shareholders' equity.*

(6) *Q3 2021 pro-forma.*

(7) *After deduction of interest on deeply subordinated notes and undated subordinated notes.*

Frédéric Oudéa, Chief Executive Officer of Societe Generale, comments:

"This proposed transaction is a major step for ALD and for the Societe Generale group. Over the past 10 years, thanks to long-term vision and rigorous execution, we have positioned ALD to take advantage of the tremendous growth potential in the sustainable mobility market. In line with Societe Generale group's corporate purpose and notably to actively support economies as well as our customers in their energy transition, the combined entity will aim to become, in the medium term, a third pillar alongside, on one hand, the retail banking and insurance, and on the other hand, corporate and investment banking businesses, reinforcing the balance of the Group's business model. More generally, this proposed acquisition is fully in line with the Group's strategy to deliver profitable and sustainable growth and strong value creation for its shareholders."

Two industry leaders join forces at the forefront of the industry transformation

ALD is a global leader in mobility solutions providing full-service leasing and fleet management services across 43 countries with a total fleet of 1.7 million vehicles. It has a proven track record in fleet growth (+4% fleet CAGR[(1)]), profitability (~16% of ROE[(1)]) and efficiency (48% cost-to-income in 9M 21).

LeasePlan is a leading fleet management and mobility company worldwide with a total fleet of 1.8 million vehicles[(2)] and an extensive offer making it the perfect fit for ALD to shape the industry's transformation.

The proposed combination of the two companies would create a leading global player in mobility with a total fleet of 3.5 million vehicles[(2)]. This transaction would provide key advantages: a global offer and coverage of all client categories, an increased breadth in terms of products and services, and a large and balanced geographic coverage. These would enable NewALD to anticipate future market needs and meet client expectations with industry-leading operating efficiency and optimised procurement.

Ideally positioned in a fast-growing market supported by strong underlying megatrends, NewALD would have a unique opportunity to:

- Lead the data-driven digital transformation of the sector
- Drive the shift towards usership on all fronts: B2B, B2C and even B2E[(3)]
- Accelerate the transition towards low-emissions and sustainable mobility

The enhanced firepower to invest and develop new mobility products and ancillary services would allow NewALD to build new digital business models based on core value chain competencies and state-of-the-art digital solutions across client categories, products, and services.

By establishing new global partnerships around new services for Electric Vehicles, NewALD would accelerate the deployment of multi-cycle, flexible and multi-modality solutions, ensure faster time-to-market for innovative sustainable mobility solutions and lead the fair transition towards Electric Vehicles for both corporates and individuals.

Powered by an enlarged offering, value-added complementarities, and with an ability to embrace megatrends, NewALD would be well-placed to capture new growth opportunities across all client categories and lift annual fleet growth to at least 6% post-integration.

Strong value creation for ALD

NewALD would target an improved cost-to-income ratio of ~45%[(4)] in 2025 (versus 46-48% cost-to-income target as described in Move 2025 on a stand-alone basis) thanks to a combination of scale effects

(1) *Since 2017.*

(2) *Excluding Australia / New Zealand sold by LeasePlan.*

(3) *Business to Employee.*

(4) *Computed as: Total overheads / Gross margin (excluding used car sales result and cost of risk).*

and cost synergies. Operational and procurement synergies are estimated to reach an annual pre-tax run rate level of about EUR 380m. These strong cost synergies are expected to be fully achieved in 2025. Restructuring costs, estimated at ~1.25 times the annual run-rate synergies before tax, are expected to be incurred in 2023 and 2024.

In 2023, with the benefit of these foreseen fully phased synergies and excluding restructuring charges, the accretion of NewALD normalised earnings per share should be around 20%[(1)].

NewALD aims to have a robust capital position. As a regulated institution in the future, NewALD would target a ~13% CET1 ratio and a Total Capital ratio of 15-16%.

Strong solvency and profitability at closing would secure funding for future growth while maintaining a 50%-60% pay-out ratio.

An accretive and transformative transaction for Societe Generale

This highly accretive proposed transaction for ALD would generate value for Societe Generale. It is perfectly in line with Societe Generale's strategy to selectively allocate more capital to the most profitable and growing businesses and position as a leader in sustainable mobility.

The expected impact on CET1 ratio at closing would be around -40 bps[(2)]. The Group remains committed to managing its CET1 ratio with a buffer above 200 bps over MDA at any point in time and confirms its distribution policy of 50% of underlying Group net income[(3)].

As a result, this proposed combination is expected to be highly accretive for Societe Generale with an improved earnings per share expected at >+5%[(4)] from 2024. The ROTE should increase by ~ +80bps[(5)] and the Return on Investment should reach >16% in 2024[(6)].

Key transaction terms

ALD would acquire 100% of LeasePlan through a combination of shares and cash for a total consideration of EUR 4.9bn[(7)]. LeasePlan's shareholders would receive shares representing a pro forma stake of 30.75%[(8)] in ALD's share capital at closing and EUR 2.0bn in cash (financed by ALD through a ~EUR 1.3bn rights issue and the use of around ~EUR 0.7bn of surplus capital). LeasePlan's shareholders would commit to a 12-month lock-up post closing, followed by a 24-month period with orderly sale provision.

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(1) *Computed based on 2023E net income group share post AT1 cost, including fully phased run rate synergies, excluding restructuring costs and at constant perimeter. ALD standalone 2023E EPS adjusted for capital increase, based on 2023 consensus as of 27 October 2021 (FactSet).*

(2) *Q3 21 pro forma.*

(3) *After deduction of interest on deeply subordinated notes and undated subordinated notes.*

(4) *Computed based on 2024E net income group share post AT1 cost, including fully phased run rate synergies and excluding restructuring costs, based on 2024 consensus as of 27 October 2021 (FactSet).*

(5) *Computed based on 2024E net income group share post AT1 cost, including fully phased run rate synergies and excluding restructuring costs, divided by average tangible shareholders' equity.*

(6) *Calculated as the incremental 2024E net income for Societe Generale, including fully phased run rate synergies, excluding restructuring costs, divided by allocated capital from Societe Generale standpoint defined as 11% of incremental consolidated RWA under Basel III plus created goodwill and intangibles at Societe Generale minus recognised minority interests & other effects. ROI equivalent to ~14% under Basel IV.*

(7) *Based on €12.12 per share for ALD (1-month VWAP on Euronext between as of 27 Oct 21, date of the press release confirming discussions concerning a potential combination, published by Societe Generale after market close) and excluding warrants.*

(8) *Ownership structure before exercise of warrants awarded to LeasePlan's shareholders (representing c.3% of the issued share capital of ALD at closing); fully diluted ownership post warrant exercise: c. 51% for Societe Generale, c. 33% for LeasePlan shareholders and c. 15% for the free float.*

Societe Generale intends to remain the long-term majority shareholder of ALD (it would commit to a 40-month lock-up post closing). Societe Generale would underwrite the ~EUR 1.3bn rights issue and retain a ~53%[(1)] stake in ALD's share capital at closing.

LeasePlan shareholders would also receive warrants that should increase their pro forma stake up to 32.9% in case of exercise (EUR 2.0 strike price per share, 1 ALD share for 1 warrant, exercisable 1 to 3 years after closing, if ALD's share price[(2)] increases by at least 30%).

As part of the proposed acquisition of LeasePlan, ALD would apply for regulated status (Financial Holding Company), which will allow Societe Generale to recognize minority interests in NewALD from a regulatory perspective.

Societe Generale and LeasePlan are foreseeing the execution of a shareholding agreement.

The proposed transaction has received the support of Societe Generale's, ALD's and LeasePlan's Boards of Directors, as well as LeasePlan's Supervisory Board, and is subject to information and consultation of relevant works councils. The closing of the transaction is subject to customary closing conditions. The main closing conditions are (i) the regulatory and antitrust approvals, (ii) the waiver by the AMF to the obligation to file a tender offer on ALD granted to LeasePlan's shareholders, (iii) the shareholders meeting of ALD, (iv) the distribution by LeasePlan of its excess capital and (v) the delivery by each of ALD and LeasePlan of a pre-agreed Net Asset Value at closing allowing the combined entity to reach a CET1 level of c. 13%. The proposed transaction is expected to close by the end of 2022.

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(2) *Based on ALD's fully undisturbed share price, adjusted for the proposed rights issue.*

About Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of society and the economy.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking**, which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Bloomberg Gender-Equality Index, Refinitiv Diversity and Inclusion Index, Euronext Vigeo (Europe and Eurozone), STOXX Global ESG Leaders indexes and MSCI Low Carbon Leaders Index (World and Europe).

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