

# Helios Underwriting PLC

## Investor Presentation

Interim Results to 30<sup>th</sup> June 2024



HELIOS UNDERWRITING

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# Executive Summary

## Helios at a glance

- Helios is an investment vehicle which builds shareholder value through participation in the Lloyd's market
- Helios has curated a diversified and volatility-managed portfolio, comprised of capacity in some of the best performing syndicates at Lloyd's
- A capital efficient business, providing investors with a return uncorrelated to equity markets.

## Financial Performance

- Total Capacity of £512mm (**£310m in FY23**) – 65% increase
- Helios retained capacity £397m (**£245m in FY23**) – 62% increase and this will contribute to the underwriting result in the future
- Proforma Combined Ratio of 88% (**88% in FY23**) having stripped out the impact of growth of the portfolio
- Net Asset Value as at 30/06/24 - £1.91p per share (**£154p as at 30th June 2023**)
- Aggregate return of capital to shareholders in 2024 of 12p per share
- Issued A- Rated debt to raise \$75m in Dec 23 to support the underwriting capital for the future growth of Helios retained capacity

## The Market Opportunity

- The top of the insurance cycle is driving the best market conditions seen in 20 years and Helios is extremely well positioned to benefit from it...
- ...while the current interest rate environment provides a further benefit for Helios to deliver a strong RoE for investors
- Helios retained capacity increases to £397m. 29% compound growth over three years
- Future earnings will be driven by the increase in retained capacity

(1) FY24 expected capacity as at 01/01/2024



# Helios Capacity Portfolio

# Helios Capacity Portfolio - Summary

## Our portfolio of Lloyd's syndicates

- With capital invested across a portfolio of forty Lloyd's syndicates, Helios is a true spread vehicle for its shareholders and investors.
- Our portfolio is a split of 60% short-tail and 40% long-tail business. 80% of Helios capacity portfolio is invested in insurance and 20% in reinsurance.

## Rigorous, data-driven research

- Our portfolio management and strategy is rooted in a rigorous interrogation process for syndicate selection.
- We review business plans in detail, evaluating every aspect including financial projections, strategic direction and management alignment.
- We use different data and analytical tools to perform stress and scenario tests to evaluate the impact of a syndicate on the overall portfolio.

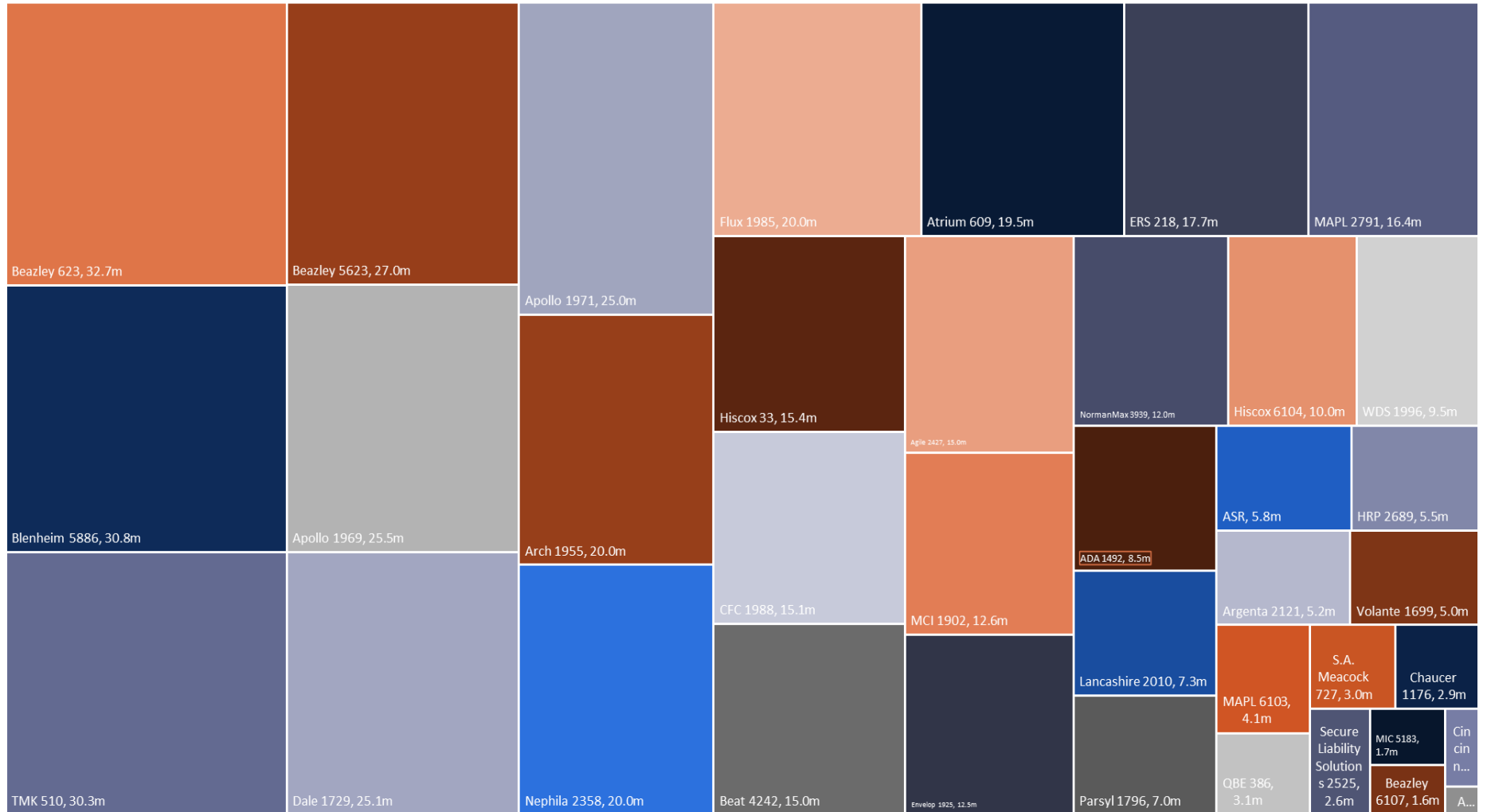
## Lloyd's of London

Lloyd's of London, commonly known as Lloyd's, is a unique insurance and reinsurance market rather than a conventional insurance company. It was founded in 1686 and is based in London, UK. Lloyd's operates as a marketplace where various financial backers (both individuals and corporations), called "members," come together to provide insurance through "syndicates."

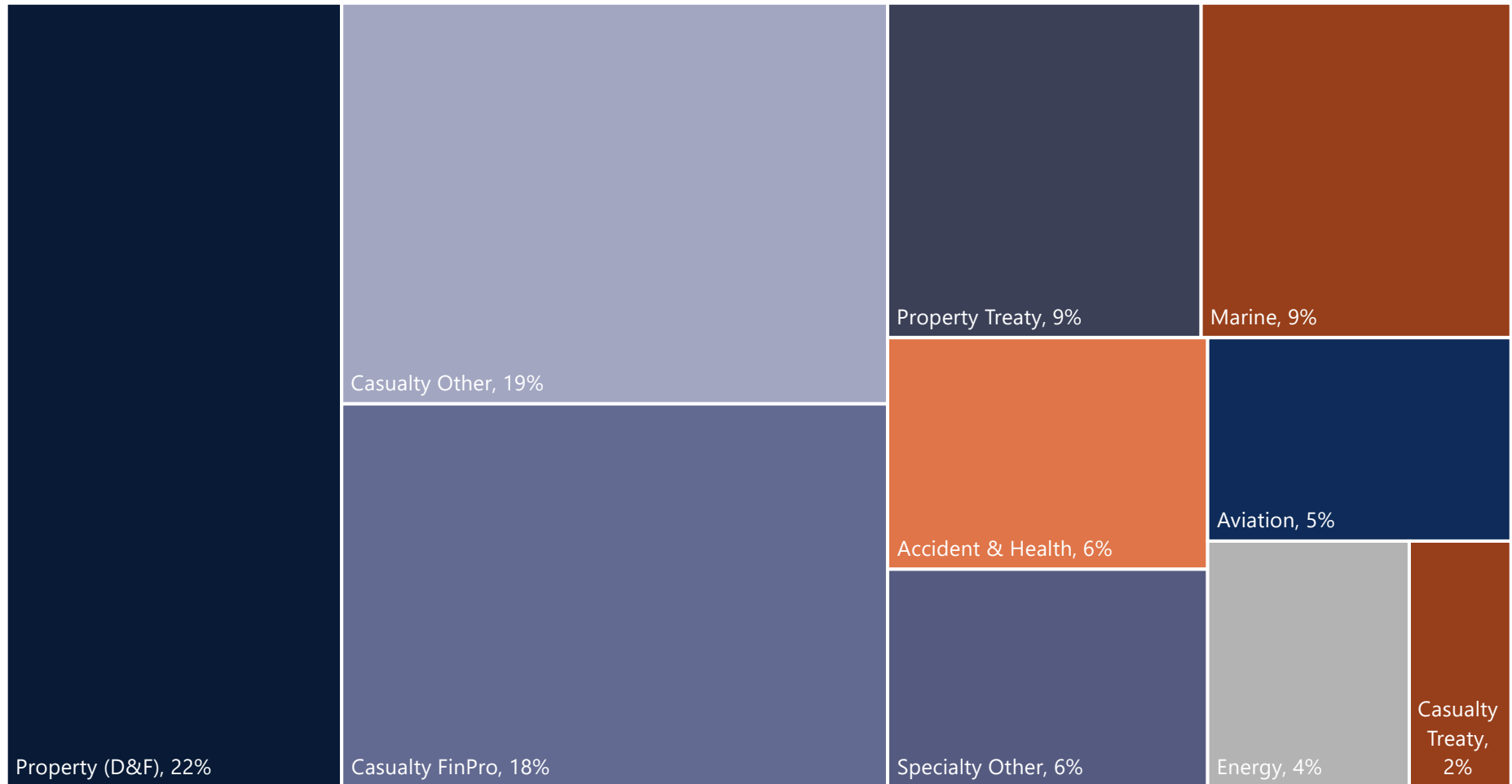
These syndicates pool resources to underwrite a wide variety of insurance policies, ranging from traditional ones like property and casualty insurance to more specialised risks, such as aviation, marine, and cyber insurance.

**Helios invests capital in a carefully curated portfolio of Lloyd's syndicates.**

# Helios Capacity Portfolio 2024 - £512m

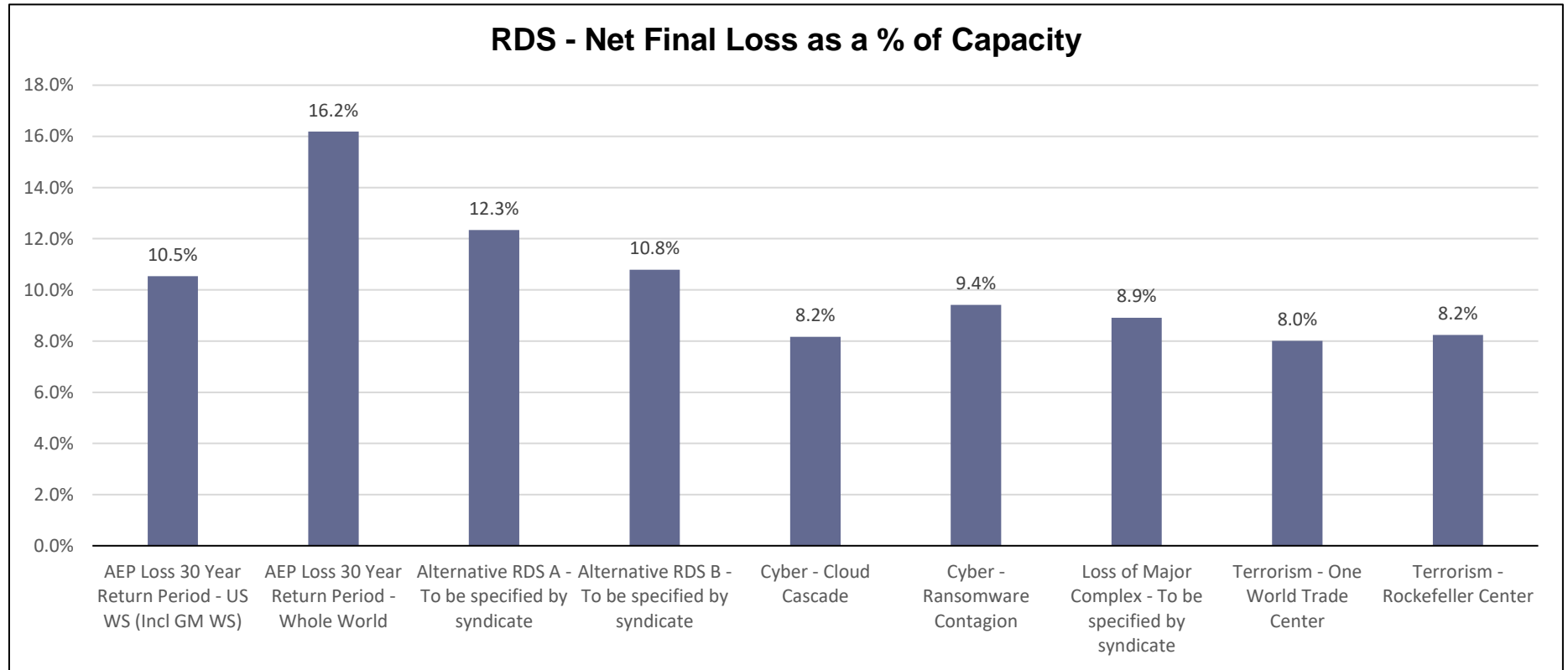


# Helios Capacity Portfolio 2024 - Class of Business



# Helios Capacity Portfolio 2024 - Significant Exposures

## Key RDS exposure for Helios portfolio



\*Information provided by syndicates in which Helios participates

### 2025 Expected Exposures

- Reduction in Cyber exposures
- Natural catastrophe risk to increase in line with market overall exposure



# Capacity Portfolio 2025 – New Syndicates

## New Syndicate Analysis

The table below shows the development of the new syndicate participations within the portfolio. Helios has supported syndicates that have been established recently but the proportion of New Syndicates within the overall portfolio is expected to reduce in 2025 to approximately 16% of the overall portfolio. The categories below are:

- **New syndicate** – being a new venture providing an opportunity to participate in portfolios that offer diversification to the existing established syndicates at Lloyd’s. We do not anticipate supporting any new syndicates that are expecting to commence trading in 2025
- **Syndicates trading for less than three years** – we would consider that syndicates that have been trading for less than 3 years to be “new syndicates”. Syndicates that commenced trading in 2024 and 2023 would be included in this category.
- **New syndicate out of an established MGA** – we have supported new syndicates that have transferred an underwriting portfolio with a profitable track record as an MGA. The proven profitability of the portfolio to be underwritten reduces the execution risk of setting up a new syndicate

	2023	2024	Pro-forma 2025
New Syndicate	7%	12%	0%
Syndicate trading for less than 3 years	8%	13%	9%
New Syndicate out of established MGA	0%	10%	7%
	16%	34%	16%



**Helios Financials**  
**30<sup>th</sup> June 2024**

# Summary Income Statement

	6 months to 30 June 2024	6 months to 30 June 2023
	£'000	£'000
<b>Underwriting profits</b>	12,618	10,441
<b>Other Income</b>		
Fees from reinsurers	1,151	720
Amortisation of goodwill	169	302
Other income	745	-
Investment income	2,748	19
<b>Total Other Income</b>	4,813	1,041
<b>Costs</b>		
Pre-acquisition	-	(184)
Portfolio stop loss costs	(1,750)	(1,083)
Portfolio financing costs	(1,166)	(1,778)
Unsecured loan note interest	(2,821)	-
Operating costs	(5,075)	(2,101)
<b>Total Costs</b>	(10,812)	(5,146)
<b>Operating profit before impairments of goodwill</b>		
and capacity	6,619	6,336
Tax	(938)	(1,985)
<b>Profit for the period</b>	5,681	4,351

## Commentary

- Continued increase in profitability
- Underwriting profitability reflecting market conditions and growth of the retained capacity
- Profit commission accrued has increase fees from reinsurers.
- Group funds invested in short dated bonds. US\$ exposure largely matched
- Fees from Third Party capital included in Other Income
- 2025 total costs are expected to reduce materially
- Dividend payable of 12p per share (2023 – 7p per share)

	30 June 2024	31 December 2023
	£'000	£'000
<b>Net assets</b>	58,309	57,984
<b>Fair value and capacity (WAV)</b>	82,436	82,436
<b>Total net assets</b>	140,553	140,101
<b>Shares in issue</b>	73,727	74,186
<b>Net asset value per share (£)</b>	1.91	1.89

# Underwriting Results to 30 June 2024

	2022 and prior	2023	2024	Total
	£000's	£000's	£000's	£000's
Portfolio capacity by underwriting year	245,249	310,798	512,112	
Gross Underwriting result	1,523	18,569	(9,211)	10,881
Investment Income	3,344	1,809	669	5,822
Portfolio result by underwriting year	4,867	20,378	(8,541)	16,704
Gross result as % of capacity	2.0%	6.6%	-1.7%	
Helios retained %	75%	79%	78%	
Helios share of the portfolio result	3,675	16,048	(7,104)	12,618

As a % of capacity	2022	2023	2024
Portfolio profits / (losses) bought forward	6.5%	2.7%	-
Profit profits earned in the 6 months to 30th June 2024	2.0%	6.6%	-1.7%
Cumulative profits earned to date	8.5%	9.3%	-1.7%
Mid-point estimates as at 30th June 2024	9.0%	13.0%	-

	2024	2023	% Chg
	£000's	£000's	
Portfolio capacity	512,084	310,798	65%
Gross premium written	230,495	160,493	44%
Net earned premium	129,965	97,316	34%
Net insurance claims & operating expenses	(119,084)	(85,658)	39%
Underwriting result	10,881	11,658	
Combined ratio	92%	88%	

## Commentary

- Gross U/ wing result – impacted by growth of the portfolio
- Improved investment returns in the period
- Helios retained capacity – close to 80% of portfolio

## Commentary

- 2022 YOA – profits earned of 2.0% in 2024 – some prior year reserve strengthening
- 2023 YOA - greater proportion of profits earned from a good underwriting year
- 2024 YOA - early loss due to expenses and RI being booked. Established syndicates booked 1.5% loss while new syndicates booked loss was higher.
- Baltimore bridge 2024 YOA net loss - 0.8% of capacity

## Commentary

- Proforma Net Combined Ratio of 88% have stripped out the impact of the growth of the portfolio

# Income and Expense Analysis - 30 June 2024

	£000's	£000's	Yield
<b>Syndicate investment assets</b>	281,949	5,822	2.06%
<b>Group investment assets</b>	75,511	2,748	3.64%
	357,460	8,570	2.41%

## Commentary

- Increased yields benefitted returns
- Currently invested in short duration government bonds
- Syndicate investment assets increased by 54%

	6 months to 30th June	
	2024	2023
	£000's	£000's
<b>Portfolio Stop loss</b>	1,750	1,083
<b>Portfolio financing costs</b>	1,166	1,778
<b>Unsecured Loan Note Interest</b>	2,821	-
<b>Operating costs</b>	5,076	2,285
<b>Total Costs</b>	10,813	5,146

## Commentary

- Stop loss premiums have increased in line with the growth of the retained capacity
- Non-recurring costs of aborting the project including the costs of re-organization are contained within these first half results and have increased the costs by £1m+
- Portfolio Financing costs have reduced as the bank loan of £15m was repaid in December 2023 although the excess of loss facility remains in place.
- \$75m of Unsecured Loan Notes were issued in December 2023 to re-finance existing debt and to provide additional working capital.

# Balance Sheet - as at 30 June 2024

	<u>30 June 2024</u>	<u>30 June 2023</u>
	<u>£'000</u>	<u>£'000</u>
<b>Intangible assets</b>	82,287	61,236
<b>Funds at Lloyd's</b>	75,511	77,297
<b>Other cash</b>	35,517	2,020
<b>Other assets</b>	10,710	6,958
<b>Total assets</b>	204,025	147,511
<b>Deferred tax</b>	22,889	13,921
<b>Borrowings</b>	59,524	15,000
<b>Other liabilities</b>	22,694	7,732
<b>Total liabilities</b>	105,107	36,653
<b>Syndicate equity</b>	41,635	6,292
<b>Total equity</b>	140,553	117,150

## Commentary

- Capacity Value unchanged from 31/12/23
- £60m raised from Loan Note issue, £15m debt repaid, - £35m remaining as at 30<sup>th</sup> June 24
- Syndicate equity represents recognised but undistributed profits

## Terms of Unsecured Loan Notes

- Principal of \$75m
- 9.5% Fixed Coupon
- 7-year term early repayment possible after year 4
- A- Rating by KBRA
- Debt to Asset Ratio to be below 40%

	<u>30 June 2024</u>	<u>31 December 2023</u>
	<u>£'000</u>	<u>£'000</u>
<b>Asset Value Calculation</b>		
<b>Net Assets</b>	140,553	140,101
<b>Add Total Debt</b>	59,524	59,055
<b>Add Deferred Tax on Intangible Asset</b>	20,136	20,136
<b>Asset Value</b>	220,213	219,293
<b>Debt Ratio</b>	27%	27%

# Capital Position and Return of Capital to Shareholders

Underwriting capital	30 June 2024	31 December 2023
	£m	£m
<b>Third Party Capital</b>	31.5	31.3
<b>Excess of loss funds at Lloyd's</b>	25.9	25.8
<b>Helios own funds</b>	67.2	69.9
<b>Solvency credits</b>	77.1	47.0
<b>Total</b>	201.7	173.7
<b>Total Portfolio</b>	512.1	310.8
<b>Capacity supported by Third Party members</b>	(51.7)	-
<b>Total Helios Capacity</b>	460.4	310.8
<b>Economic capital requirement</b>	167.3	128.6
<b>Capital Ratio</b>	36.2%	41%
<b>Surplus Capital</b>	34.3	1.6

## Commentary

- Solvency credits increase to £77m and Surplus Capital of £34m as at 30<sup>th</sup> June 2024
- Initial capacity supported by Third Party capital at £52m – all new support in 2024
- Capital ratio of 36% is low as a result of growth of the syndicate portfolio
- Helios retained capacity capital requirement expected to increase in 2025
- Helios share of the portfolio will decrease
- Third Party Capital funding expected to increase in 2025

## Return of capital to shareholders

	2024		2023	
	£m	Pence per share	£m	Pence per share
<b>Share buyback</b>	4.5	6	3.2	4
<b>Base Dividend</b>	4.5	6	2.3	3
<b>Per share (in pence)</b>	9	12	5.5	7

## Commentary

- Base dividend of 6p paid in July 2024
- Further buy back of shares of £3.7m completed in July 2024
- Hudson overhang now removed
- Material further buy back of shares not anticipated
- 2025 dividend predicated on 2022 YOA distribution

# Summary

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**Only Helios offers access to insurance and reinsurance exposures  
with a minimum of risk and complexity  
and maximum growth and income opportunities**

## Why invest in Helios?

- Helios is the only listed stock that exposes investors to Lloyd's best-performing syndicates.
- We offer high-yield returns that are uncorrelated to other asset classes.
- Lloyd's is a mature, robust market experiencing excellent market conditions.
- Helios is a recognised first-mover with a track record of market-beating decisions.



# Summary of Investment Highlights

