

# Helios Underwriting PLC

Unlocking Access to High Quality Insurance Risk

2023 Results Presentation | June 2024



HELIOS UNDERWRITING

# Executive Summary

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Positioned to benefit from excellent market conditions and a spread portfolio of quality Lloyd's syndicates

## 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.

## The Market Opportunity

- The hardening insurance cycle is driving the best market conditions seen in 20 years and Helios is extremely well positioned to benefit from it...
- ...while the rising interest rate environment provides a further benefit for Helios to deliver a strong RoE for investors

## Financial Performance

- Total Capacity of £507mm<sup>1</sup> (£310m in FY23), a Combined Ratio of 86% (96.4% in FY22) and Net Tangible Asset per share of £1.89 (£1.51 in FY21)
- Increase in the value of the "Freehold Capacity" portfolio – representing an 11.9% increase in the Net Asset Value per share
- Net Asset Value as at 31/12/23 £1.89p per share
- Base dividend doubled to 6p per share for 2024
- Aggregate return of capital to shareholders in 2023 and 2024 of 19p 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

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

# 2024 Helios Capacity Fund – Portfolio Metrics

## 2024 YOA Capacity Portfolio

NCOR  
**89%**

GGWP  
**£547m**

## Freehold Capacity

35% of portfolio

Value of £82m – 78p  
per share

## Increased Diversification

No. of Syndicates  
**40**

ECA/Capacity  
**40%**

## Risk Management

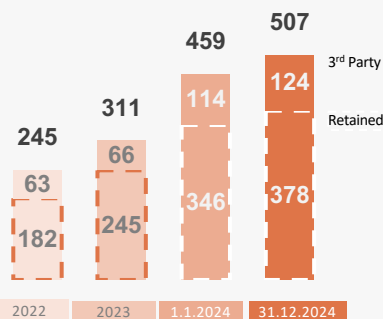
Nat Cat %  
**20%**

Largest RDS/Capacity  
**17%**

## 61% Growth in Gross Capacity is Expected in 2024

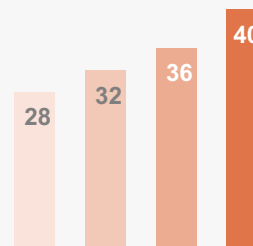
**£507m**

Gross Capacity



**40**

No. of Syndicates



- Helios' total gross capacity is expected to grow from £311m to £502m by the end of 2024, a 61% increase, achieved through growth beyond pre-emptions in several syndicates and the addition of 8 new syndicates.
- The projected NCOR stands at 89%, which is 6% lower than Lloyd's forecast.
- Diversification has been increased by the addition of more syndicates, an increase in risk types, and expansion into new geographical areas (e.g. Australia).
- 20% of capacity of the portfolio is exposed to Natural Catastrophe events – such as hurricanes, earthquakes and flooding
- The expected “large loss” from a series of events in a calendar year – the aggregate of the portfolio share of the output from modelling undertaken by each syndicate – is an expected impact on the profitability of the portfolio of 17% of capacity.

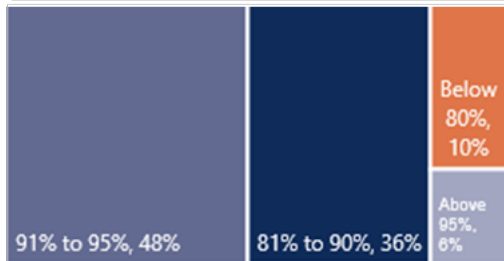
# The 2024 bedrock: Portfolio Characteristics

## Capacity

- Freehold Capacity 35%
- ECA per Capacity 40%

## Forecast Profitability – 2024 YOA

- Net Combined Ratio 89%
- Return on Capital 31%
- NCOR distribution is show below



## ESG

- Limited appetite for syndicates which insure coal-related assets or environmentally unfriendly activities

## Syndicates

- Largest capacity on any syndicate is £32.7m (7% of overall capacity)
- Largest capacity on any syndicate with less than 3 years trading is £25m (5% of overall capacity)
- Largest capacity on any new syndicate is £12.5m (2% of overall capacity)
- Split by maturity and quartile is are shown below:

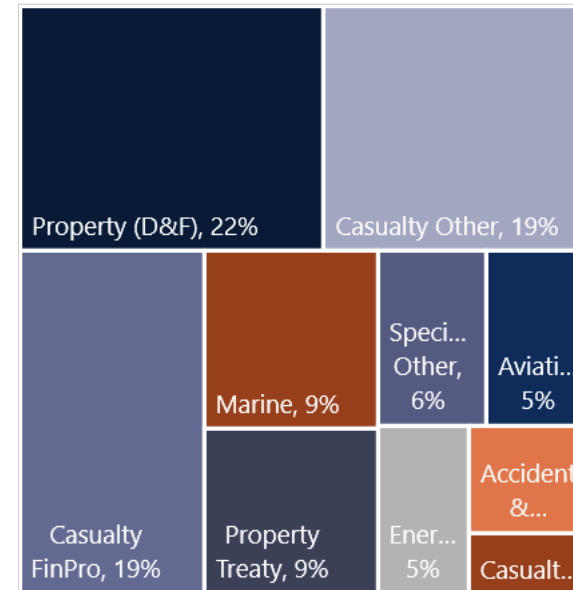


## Volatility

- 20% of claims are Nat Cat
- Largest RDS per Capacity is 17%

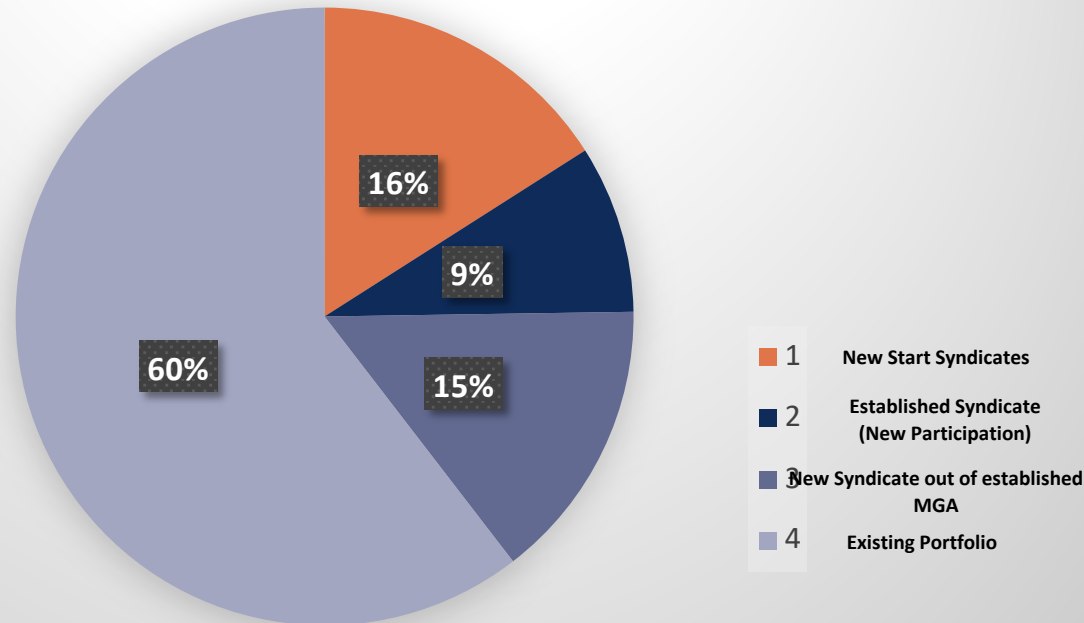
## Classes of Risk

- 60% short tail and 40% long tail
- 80% insurance and 20% reinsurance
- Cyber represents 10% of the portfolio
- Current COB mix is shown below, but the target percentage for each class of business will be set using the risk code analysis carried out in Q1



# Growth in Capacity Portfolio

## Growth in Capacity Portfolio - 2022 - 2024



### New syndicate participations have contributed £196m of capacity since 2022

The syndicates in the 2022 portfolio currently comprise 60% of £507m portfolio (established syndicates)

The other three categories are:

- New start syndicates – 16% of the portfolio
- Established syndicates writing a composite portfolio new to the capacity fund – 9%
- New syndicates where the portfolios underwritten have been transferred from an MGA and have a successful track record – 15%

# Summary Income Statement

	Year to 31st December		
	2023	2022	
	£000's	£000's	
<b>Underwriting profits</b>	<b>31,560</b>	<b>118</b>	
Other Income			
Fees from reinsurers	1,408	562	
Amortisation of Goodwill	619	1,249	
Investment income	2,103	647	
<b>Total Other Income</b>	<b>4,130</b>	<b>2,458</b>	
Costs			
Pre - acquisition	(494)	(46)	
Stop loss costs	(4,138)	(1,262)	
<b>Operating costs</b>	<b>(8,353)</b>	<b>(5,220)</b>	
Total Costs	<b>(12,986)</b>	<b>(6,528)</b>	
Profit for the year	22,704	(3,952)	
Tax	(6,334)	1,852	
Revaluation of Syndicate capacity	17,987	2,670	
Deferred corporation tax	(4,497)	(668)	
<b>Total Comprehensive Income</b>	<b>29,860</b>	<b>(98)</b>	
<b>Earnings per share for profit/(loss)</b>			
Basic	21.56p	-3.08p	
Diluted	20.85p	-3.03p	
<b>Return on Capital</b>	<b>Tangible Assets</b>	<b>Capacity</b>	<b>Total</b>
<b>Net Profit</b>	22,704	17,987	40,691
<b>Tax</b>	(6,334)	(4,497)	(10,831)
<b>After Tax Profit</b>	16,370	13,490	29,860
<b>Net Assets</b>	77,801	62,300	140,101
<b>Return on Capital</b>	21%	22%	21%

## Commentary

- Significant increase in profitability
- Underwriting profitability reflecting market conditions and growth of the retained capacity
- Dividend payable of 6p per share (2022 – 3p per share)

# Underwriting Results to 31<sup>st</sup> December 2023

Portfolio underwriting result - 2023					
	2021	2022	2023	Total	Increase
Portfolio capacity by underwriting year £m	157.3	245.2	310.8		98%
Gross Underwriting result £m	4.6	21.6	5.9	32.1	
Investment Income £m	5.2	3.6	1.8	10.6	
Portfolio result by underwriting year £m	9.8	25.3	7.7	<b>42.7</b>	
Gross Result as % of capacity	5.9%	10.3%	2.5%		
Retained capacity	105.8	184.5	244.5		131%
Helios retained %	67%	75%	79%		
Helios share of the portfolio result £m	6.8	19.0	6.0	31.6	

## Commentary

- Gross U/ wing result - £32.1m – 2022 - £
- Investment return of 4.7% - 2022 - \*\*%
- 2023 YOA a profit of 2.5% - 2022 YOA at 12 months – loss 4.0%

As a % of Capacity	2021	2022	2023
Portfolio Profits / (losses) Bought forward	0.9%	-4.0%	
Portfolio Profits earned in the year	5.9%	10.4%	2.7%
Final Result / Cumulative Profits earned to date	6.8%	6.5%	2.7%
Final result / Mid- point estimates as at 31/12/23	6.8%	8.1%	12.0%

## Commentary

- 2021 YOA improves by 5.9% in 2023
- 2022 YOA – profits earned of 10.4% in 2023
- 2022 YOA pipeline profits of 1.6% - £3m
- 2023 YOA pipeline profits of 9.3%- £23m

2023 Helios Calendar Year Net Combined Ratio Analysis					
	Total	New Syndicates	Established Syndicates	Freehold	Tenancy
Capacity %		11.2%	88.8%	62.3%	37.7%
Net claims	49.4%	55.1%	48.9%	48.1%	51.4%
Acq Ratio	25.8%	25.4%	25.9%	26.6%	24.6%
<b>NCOR</b>	<b>85.8%</b>	<b>97.1%</b>	<b>84.8%</b>	<b>85.9%</b>	<b>85.6%</b>
<b>Result £m*</b>	<b>42.7</b>	<b>1.1</b>	<b>41.6</b>	<b>28.2</b>	<b>14.5</b>

# Income and Expense Analysis - 31<sup>st</sup> December 2023

<b>Other Income</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Fees from reinsurers	1,408	562
Corporate reinsurance recoveries	0	33
Gain on bargain purchases	619	1,216
Investment income	2,103	647
<b>Total other income</b>	<b>4,130</b>	<b>2,458</b>

## Commentary

- Profit commission on quota share - £1m recognized

<b>Financial investments &amp; Investment Income</b>	<b>2023</b>	<b>2022</b>	<b>Investment</b>	<b>Yield</b>
	<b>£'000</b>	<b>£'000</b>	<b>return</b>	
			<b>£'000</b>	
Syndicate investment assets	217,444	152,242	10,373	4.77%
Group investment assets	70,754	73,771	2,103	2.97%
	<b>288,198</b>	<b>226,013</b>	<b>12,476</b>	<b>4.33%</b>

## Commentary

- Increased yields benefitted returns
- Currently invested in short duration government bonds
- Syndicate investment assets increased by 42%

<b>Total Costs</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Pre-acquisition	494	46
Portfolio Stop Loss	2,561	1,002
Portfolio Funds at Lloyd's Financing	3,112	1,446
Operating costs	6,818	4,033
<b>Total costs</b>	<b>12,985</b>	<b>6,527</b>

## Commentary

- 2023 cash cost of £3m for the stop loss are amortized over two years
- Portfolio Funds at Lloyds Financing comprises Excess of Loss reinsurance and a bank facility. Bank facility of £15m was repaid in December 2023.
- Operating costs have increased from bonus accrual of £1.25m, increased FX charge of £0.8m and investment in additional staff of £0.5m



# Capacity Revaluation

	Freehold Capacity	Value of Capacity	Value per £ of Capacity	
	£m	£m		
Capacity Value at 31 Dec 2022	147.3	60.0	0.41	
Capacity acquired with LLV's in 2023	7.4	3.5		
Value of pre-emption capacity	14.7	7.0		
Acquisition of capacity in the capacity auction	6.5	0.4		
Increase in portfolio value	-	11.5		
<b>Capacity Value as at 31 Dec 2023</b>	<b>175.9</b>	<b>82.4</b>	<b>0.47</b>	<b>15% Increase</b>
<b>Deferred Tax provision</b>		<b>20.1</b>		
<b>Capacity value net of deferred tax</b>		<b>62.3</b>		
<b>% of net assets</b>		<b>45%</b>		

Impact on Net Asset Value	£m
Value of pre-emption capacity	7.0
Increase in portfolio value	11.5
	18.5
Deferred Tax provision - 25%	-4.6
<b>Net Increase in Tangible Net Assets</b>	<b>13.9</b>
Number of shares in Issue	74.2
<b>Increase in Net Asset Value per share</b>	<b>18.7</b>

## Commentary

- Capacity value represents 45% of net assets
- Further pre-emptions capacity value increases are expected

# Balance Sheet –as at 31 December 2023

	Year to 31st December 2023	Year to 31st December 2022
Intangible Assets	82,117	59,376
Funds at Lloyds	70,754	73,771
Other cash	40,913	10,254
Other assets	4,876	6,909
<b>Total assets</b>	<b>198,660</b>	<b>150,310</b>
Deferred tax	22,277	11,228
Borrowings	59,055	15,000
Other liabilities	12,081	3,839
<b>Total liabilities</b>	<b>93,413</b>	<b>30,067</b>
Syndicate equity	34,854	(5,123)
<b>Total equity</b>	<b>140,101</b>	<b>115,120</b>
<b>Asset Value Calculation – Unsecured Loan Notes</b>		
Net Assets	140,101	115,120
Add Total Debt	59,055	15,000
Add Deferred Tax on Intangible	20,138	14,139
	219,294	144,259
Debt to Asset Ratio	27%	10%

## 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%

# Return of Capital to Shareholders

Return of Capital to Shareholders						
	2023		2024		Total	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Share buy back - Actual	3.2	4	0.8	1	4.0	5
Further share buy back - 5p per share			3.7	5	3.7	5
Dividend - base 3p	2.3	3			2.3	3
Dividend - base 6p Proposed			4.5	6	4.5	6
<b>TOTAL</b>	<b>5.5</b>	<b>7</b>	<b>9.0</b>	<b>12</b>	<b>14.5</b>	<b>19</b>

- Base dividend of 6p to approved at the AGM
- Further buy back of shares of up to £3.7m / 5p per share
- Buy back of shares in 2023 at an average price £1.42p per share enhancing shareholder value

# Capital Position – 2024 Year of Account

Underwriting capital by underwriting year	2023 £m	2022 £m
Quota Share reinsurers	31.3	27.8
Excess of loss funds at Lloyd's	25.8	41.2
Helios own funds	69.9	60.4
Solvency and other adjustments	47.0	0.7
<b>Total</b>	<b>173.7</b>	<b>129.1</b>
Current YOA Capacity	507.1	310.8
Economic capital requirement*	172.0	127.8
<b>Capital Ratio</b>	<b>35%</b>	<b>41%</b>

\* Includes the capital requirement for Third Party capital

## Commentary

- Capital ratio of 35% is reduced by the growth of the portfolio
- This is expected to increase in the future as the reserving risk is fully reflected
- Solvency credits have increased as syndicate profits have been recognised
- Helios retained capacity - £378m funded by £70m of Helios own FAL – 5x multiple

# Summary of Investment Highlights

