EDISON

Helios Underwriting

H124 results

Strategic shift from growth to consolidation

Insurance

Helios Underwriting (Helios) delivered EPS growth of 35% to 7.7p in H124 and reported a net asset value (NAV) of 191p/share. While its combined ratio of 91.6% deteriorated from 88% in H123 and 85% in FY23 due to seasonal impacts on the 2024 year of account (YOA) and stricter reserving for its 2022 YOA, we forecast an improvement to 88.8% for FY24. Helios experienced cost pressures during the period as a result of abandoning its 'follow-only' syndicate initiative and the departure of its CEO. We expect a meaningful reduction in costs in FY25, including a saving in stop-loss reinsurance costs as the company is expected to reduce cover in light of very healthy syndicate solvency levels. We have significantly reduced our forecast underwriting capacity growth for the company to reflect its new strategy, aimed at consolidating its book and focusing on shareholder distribution. We have lifted our FY24 EPS forecast by 10% on higher underwriting and group income expectations and by 4% in FY25 on lower costs, but cut our longer-term EPS forecasts on lower growth expectations. This leaves our valuation unchanged at 280p/share.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/23	214.9	22.1	21.6	6.0	8.4	3.3
12/24e	324.2	26.4	27.2	19.6	6.7	10.8
12/25e	410.9	36.4	38.3	29.3	4.7	16.1
12/26e	419.0	30.0	31.6	27.1	5.8	14.9

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Near-term cost pressure to reverse sharply

Helios's cost base doubled from £5.1m in H123 to £10.8m in H124 due to one-offs related to its syndicate 'follow-only' initiative, costs associated with the departure of its CEO and taking on $75m in unsecured debt. However, under its executive chairman, Michael Wade, Helios is targeting meaningful operating cost savings in FY25 and reviewing its stop-loss reinsurance cover (£1.8m of costs in H124). We have reduced our forecast combined cost base for FY25 from £21.3m to £19.6m as a result.

Shift from growth to shareholder distribution

Helios's board is reviewing its capacity portfolio and there is a clear indication that the strong capacity increases in recent years are unlikely to continue. In addition, there is early evidence that syndicate pre-emptions will be much lower going forward and may even start to reverse. As a result, we have meaningfully pulled back our forecast capacity growth for the company from 6.5% per year to 1.5% per year, which has affected our long-term forecasts and valuation.

Valuation: Unchanged at 280p/share

Despite a 10% increase in our FY24 EPS forecast to 27.2p and a 4% increase in our FY25 forecast to 38.3p, we maintain our valuation of 280p/share, driven by additional conservatism around capacity growth and longer-term return on NAV (RoNAV). Our valuation is at a 48% premium to H124 NAV/share and 54% ahead of the current share price.

3 October 2024

Price	**184p**
Market cap	**£126.5m**

Net cash (£m) at 30 June 2024	22.0
Shares in issue	73.7m
Free float	46.4%
Code	HUW
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(4.2)	16.3	(7.7)
Rel (local)	(6.0)	12.2	(7.1)
52-week high/low		175p	115p

Business description

Helios Underwriting was established in 2007 (as Hampden Underwriting) primarily to provide investors with a limited liability direct investment into the Lloyd's insurance market. It is an AIM-quoted holding company, providing underwriting exposure across a diversified portfolio of selected Lloyd's syndicates.

Next events

Q324 NAV update	December 2024

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Edison profile page

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Healthy H124 results support forecasts

Helios released its H124 results on 27 September, with EPS of 7.7p, up 35% on H123, and NAV of 191p/share (compared to 149p/share in H123 and 188p/share in FY23). The combined ratio deteriorated from 88% in H123 and 85.4% in FY23 to 91.6% in H124, caused by a number of factors, which we explain by YOA below and in Exhibit 1.

YOA performance and impact on FY24 forecasts

The 2024 YOA delivered a large £7.1m underwriting operating loss in H124 where the 2023 YOA in the comparative period experienced a smaller £2.6m loss and ended FY23 in a healthy profit position (£5.8m). This loss is largely seasonal due to the substantial growth in gross written premiums (on the back of 64.8% growth in capacity), which is reflected in a large uptick in H124 expenses, but not yet fully in net earned premiums. According to the company, if this seasonal impact is excluded, the combined ratio for H124 would have been 88%. We expect this impact to normalise for FY23 and forecast a break-even position for the 2024 YOA at year-end.

The 2022 YOA, which will close out at the end of FY24, recorded a weaker than expected underwriting operating profit of £3.7m, including meaningful reserve strengthening. The close-out year for a YOA typically results in reserve releases via negative claims to reflect the actual experience relative to typically conservative assumptions from syndicate actuaries. This strengthening was limited to five syndicates and was driven by unique and uncorrelated factors. The remaining syndicates, which make up the bulk of Helios's book, exhibited expected close-out year behaviour. We expect the 2022 YOA close-out for the book as a whole to be completed on more favourable terms at end-FY24 as per usual. We forecast that return on capacity (RoC) for this YOA will improve from the cumulative midpoint estimate of 9% as at H124 to 10.7% at year-end.

The 2023 YOA experienced a very strong H124, with midpoint RoC estimates rising to a cumulative 13%. We forecast this to improve even further to 14.6% at year-end.

Exhibit 1: Half-year on half-year comparison

£m	H123	FY23	H124	Growth
Capacity	310.9	507.0	512.2	64.8%
Retained capacity	244.5	390.7	397.0	62.4%
Underwriting operating result	10.4	31.6	12.6	20.9%
YOA 3 (2021/22)	2.3	6.8	3.7	
YOA 2 (2022/23)	10.7	18.9	16.0	
YOA 1 (2023/24)	(2.6)	5.8	(7.1)	
Combined ratio	88.0%	85.4%	91.6%	
Group income	1.0	4.1	4.8	362.3%
Fees from reinsurers	0.7	1.4	1.2	59.9%
Other income	0.3	0.6	0.9	202.6%
Investment income	0.0	2.1	2.7	363.2%
Group costs	(5.1)	(13.0)	(10.8)	110.1%
Portfolio stop loss	(1.1)	(2.6)	(1.8)	61.6%
Portfolio financing costs	(1.8)	(3.1)	(1.2)	-34.4%
Debt financing	0.0	0.0	(2.8)	N/a
Operating costs	(2.1)	(6.8)	(5.1)	141.6%
Pre-acquisition impact	(0.2)	(0.5)	0.0	-100.0%
Operating profit	6.3	22.7	6.6	4.5%
Profit	4.4	16.8	5.7	30.6%
EPS (p)	5.7	20.3	7.7	35.0%
NAV/share (p)	149	188	191	28.3%

Source: Helios Underwriting accounts, Edison Investment Research

As a result of the above forecasts, we estimate a meaningful improvement in the syndicate underwriting operating result run rate in H224 from the £12.6m delivered in H124, ending the year at £38.4m, up 21.5% on FY23.

Group results and change and reinsurance strategy

Helios's group results were a mixed bag, with a meaningful improvement in income offset by a more than doubling of group costs. The main driver of the 362% y-o-y increase in group income was investment income of £2.7m versus a zero result in H123. The company suffered from portfolio losses incurred by its previous investment manager in H123, which offset the impact of higher interest rates, while it fully benefited from the higher interest rates in H124. Fees from reinsurers grew by an impressive 60% as Helios benefited from healthy profit commissions on its 2022 and 2023 YOA account performances. Other income included goodwill amortisation in H123 and FY23, but for H124 it also includes income related to Helios's new initiative to 'rent out' capacity to third parties. This initiative generated £0.7m in new fees during H124.

The doubling of group costs from £5.1m to £10.8m was more extreme than we had expected and is the result of a number of factors. The largest driver of the increase is debt financing costs of £2.8m, paid on the $75m of unsecured debt issued by Helios in December 2023. This will be a continuing feature over our explicit forecast period with an annual run rate of £5.6m.

The second key driver was the 142% increase in operating costs to £5.1m. While part of this increase is the result of Helios's investment in its portfolio evaluation and monitoring (PEM) initiative, there were also a number of one-off costs during the period. The company incurred more than £1m on its 'follow-only' Lloyd's syndicate project, which has subsequently been abandoned. There were also one-off costs associated with the change in management at the company. As a result of the operating cost overrun in H124, we have increased our FY24 forecast from £7.2m to £8.5m, but allow for the cost base to revert to £7.2m in FY25.

Portfolio financing costs reduced by 34% to £1.2m due to the repayment of the £15m bank loan (in lieu of the new unsecured debt), with the excess of loss (XoL) reinsurance facility remaining in place. This provided an offset against the other drivers of the cost increase in the year.

The company experienced a 62% increase in stop-loss costs to £1.8m in H124 on the back of a meaningful increase in its syndicate underwriting capacity. We had previously forecast FY24 stop-loss costs of £5m and growing.

Stop-loss reinsurance is a risk mitigation reinsurance strategy that provides a 10% indemnity band for any YOA loss over 36 months exceeding 107.5% of capacity. It provides a first line of protection against adverse claims experience before Helios needs to call on XoL reinsurance (see Portfolio financing costs in Exhibit 1). However, unlike XoL or quota share reinsurance, stop-loss cover does not result in any solvency benefits for the company, simply providing additional comfort and moderating Helios's risk profile.

Stop loss is therefore a very expensive form of reinsurance that presents a drag on RoNAV and EPS. Helios is currently assessing the level of stop-loss cover that it will need in the medium term and may reduce its cover from FY25 as a temporary capital management tool to boost shareholder returns. This would be supported by a meaningful build-up in syndicate equity over recent years from a deficit position in FY22 to £41.6m at H124 with a commensurate increase in solvency credits at Lloyd's to £77.1m at 30 June 2024. These solvency credits now present a new first line of protection for Helios before it needs to call on XoL reinsurance, reducing the need for stop-loss reinsurance, at least in the medium term.

If implemented, this change in Helios's reinsurance strategy could have a meaningful impact on the cost outlook for the company. In anticipation, we have reduced our stop-loss cost forecast from £5.7m to £4.0m in FY25 and cut it further to £3.5m in FY26. There could be further cost savings if Helios were to opt for a temporary cessation of stop loss cover altogether. For FY24, we still forecast a large stop-loss payment of £4.0m, which is slightly ahead of the H124 run rate (£1.8m).

Meaningful shift in growth strategy

Helios has delivered a compound annual growth rate (CAGR) in total capacity of 65% from FY19 to FY23 and a 110% CAGR in retained capacity over the same period. This performance has resulted in total capacity of £512m and retained capacity of £390.7m at the end of FY23, thanks to limited liability vehicle (LLV) acquisitions of £59.6m over the four-year period, the addition of £258.9m in tenancy capacity and the participation in £94.6m of syndicate pre-emptions over the period. This meaningful capacity drive has been funded by c £86m in new share capital (resulting in a fourfold increase in issued shares) and debt funding (£15m of borrowing in FY22 replaced by $75m of unsecured debt in FY23).

This capacity drive was well timed as it corresponded with a meaningful hardening in the Lloyd's underwriting cycle, with Helios experiencing an improvement in combined ratio from 96% in FY19 and 103% in FY20 to 85% in FY23. This resulted in very strong EPS of 20.3p in FY23 and RoNAV of 26.1%, resulting in FY23 NAV of 187.9p versus 150.8p in FY20.

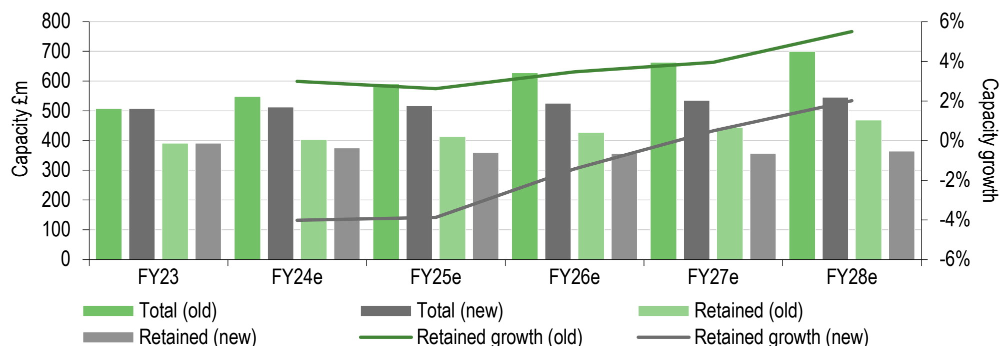
Under its previous CEO, Martin Reith, Helios embarked on various strategies to continue its capacity acquisition drive, including taking on large amounts of tenancy capacity and being a supporter and promoter of new syndicates, for example the Wildfire Defense Syndicate. This was combined with investment in the PEM initiative and its strategy to 'rent out' capacity to third parties. This capacity acquisition strategy was set to further benefit from its 'follow-only' Lloyd's syndicate project, which would have further increased its presence as supporter and promoter.

Following the departure of Mr Reith in June and under the leadership of executive chairman, Michael Wade, the board has embarked on a comprehensive review of the company's strategy. This has resulted in a shift from capacity acquisition towards an increased focus on cost control and shareholder distributions. The other initiatives introduced under Mr Reith's leadership, including the PEM and capacity 'rent-out' initiatives, will be maintained. The company's strategy will now be focused on de-gearing, cost cutting and enhanced shareholder distributions, both in the form of special dividends and share buybacks with further share issuance becoming much less likely.

We have incorporated the revised strategy for Helios in our forecasts (see Exhibits 2 and 3). Our old capacity growth forecasts were for a CAGR in total capacity of 6.6% from FY23 to FY28, driven by syndicate pre-emptions of between 4% and 6% in start capacity (relative to 5.5%, 15.7% and 14.1% over the past three years), the addition of tenancy capacity of 1–1.5% of start-capacity and LLV acquisitions of 0.5% of start-capacity per year.

Based on the updated strategy, we have moderated our forecast total capacity growth to a CAGR of 1.5%. with no tenancy capacity additions, no LLV acquisitions and a sharp drop-off in assumed syndicate pre-emptions. We have also reduced the CAGR of retained capacity from 3.7% to -1.4%, which is lower than for total capacity to allow for continued growth in 'rent-out' capacity, which reduces Helios's capacity exposure while bolstering fee income and resulting in higher returns.

Exhibit 2: Comparison of new and old capacity growth forecasts



Source: Helios Underwriting accounts, Edison Investment Research

In Exhibit 3 below, we highlight the impact of our new capacity growth forecasts on earnings, EPS and RoNAV. We illustrate this impact by comparing the capacity growth profile included in our update note published on 5 July with our new capacity growth profile.

Exhibit 3: Impact of change in growth profile on forecasts

£m	FY23	FY24e	FY25e	FY26e
Old growth profile				
Retained capacity	391.9	402.4	412.9	427.2
Underwriting operating result	31.6	37.4	48.6	43.3
Group income	3.5	7.2	9.3	11.0
Group expenses	(12.5)	(20.0)	(21.3)	(21.9)
EPS (p)	21.6	24.8	36.9	32.7
NAV/share	189.3	218.9	248.6	257.9
RoNAV	27.0%	18.9%	20.1%	15.1%
New growth profile				
Retained capacity	391.9	375.0	360.5	355.3
Underwriting operating result	31.6	38.4	46.0	38.4
Group income	3.5	7.5	9.0	9.6
Group expenses	(12.5)	(20.0)	(19.6)	(19.2)
EPS (p)	21.6	27.2	38.3	31.6
NAV	189.3	217.8	235.3	237.1
RONAV	27.0%	18.2%	17.1%	13.2%
Change in retained capacity		**-6.8%**	**-12.7%**	**-16.8%**
Change in underwriting operating result		**2.5%**	**-5.4%**	**-11.3%**
Change in EPS		**10.0%**	**3.9%**	**-3.4%**
Difference in RONAV		**-0.6%**	**-3.0%**	**-1.9%**

Source: Helios Underwriting accounts, Edison Investment Research

Our new capacity growth profile and forecasts allow for a 5.4% reduction in underwriting operating result in FY25 and 11.3% in FY26. After allowing for lower stop-loss costs in FY25 (lower H124 run rate and stop-loss strategy under review) and a meaningful reduction in operating costs, we have increased in our FY25 EPS forecast by 3.9% from 36.9p to 38.3p. However, our lower capacity growth assumptions have resulted in a 3.4% cut in FY26e EPS to 31.6p. The impact on RoNAV is for a 3% lower return in FY25 and a 1.9% lower return in FY26, with the gap reducing thereafter due to lower capital needs and the ability to distribute higher dividends.

The 10% upgrade to our FY24 EPS forecast to 27.2p is independent of our capacity growth forecasts and stop-loss cover forecasts and is due to a more conducive outlook for syndicate underwriting operating profit and higher forecasts for group income.

Buybacks and reduction in overhang

After a successful share buyback programme in FY23 where it purchased 2.2m shares in the market at an average price of 143p/share, Helios embarked on further buybacks during FY24. By 30 June, it had repurchased a further 0.5m shares at an average price of 144p/share. After the half-year, on 23 July 2024, it announced a large buyback transaction of 2.5m shares at an average price of 150p/share. Based on the 24 July 2024 company register, this buyback appears to relate to Hudson Structured Capital Management (HSCM), whose stake has decreased from 9.3m to 5.8m shares over the course of the year. A further announcement on 23 September points to new anchor investor, Michael Spencer, purchasing 5.7m shares, which appears to relate to the remaining HSCM stake at that time. This is a very positive development, which removes much of any residual share overhang risk for Helios.

Financials

Exhibit 4: Helios's segmental forecasts and key metrics

£m	H123	FY23	H124	FY24e	FY25e	FY26e
Capacity (for deployment in the next year)	310.9	507.0	512.2	512.1	517.2	525.0
Capacity added through acquisitions	8.2	8.1	0.0	0.0	0.0	0.0
Capacity added through pre-emptions	0.0	41.8	0.0	0.0	5.1	7.8
Tenancy capacity added	6.0	154.0	5.2	5.1	0.0	0.0
Retained capacity	244.5	390.7	397.0	375.0	360.5	355.3
Key parent company assets						
FAL (required capital)	77.3	70.8	75.5	93.8	96.2	92.6
WAV	57.3	82.4	82.3	82.8	82.0	81.8
Free working capital	2.0	41.2	35.5	32.5	45.9	52.1
Key syndicate assets						
Insurance assets (syndicate)	182.3	217.4	281.9	411.0	480.0	457.9
Equity (members' balances at Lloyd's)	6.3	34.9	41.6	40.6	47.5	53.3
NAV	**55.9**	58.0	**58.3**	**66.8**	**83.5**	**85.4**
Syndicate level results[1]						
GWP	160.5	312.1	230.5	454.4	540.8	548.6
Net earned premiums	97.3	219.4	130.0	319.5	405.9	411.8
Claims	(50.7)	(107.9)	(68.1)	(170.1)	(225.5)	(238.1)
Expenses	(34.9)	(79.4)	(51.0)	(113.6)	(136.4)	(138.2)
Underwriting result	11.7	32.1	10.9	35.9	44.0	35.5
Investment income on financial assets	3.2	10.6	5.8	13.4	15.3	15.8
Quota share reinsurance	(4.4)	(11.1)	(4.1)	(10.9)	(13.3)	(12.8)
Underwriting operating result	**10.4**	31.6	**12.6**	**38.4**	**46.0**	**38.4**
Reinsurance income	0.7	1.4	1.2	2.5	3.2	3.4
Other income	0.3	0.6	0.9	1.5	1.6	1.8
Investment income on FAL	0.0	2.1	2.7	5.1	5.8	6.2
Stop-loss costs	(1.1)	(2.6)	(1.8)	(4.0)	(4.0)	(3.5)
Portfolio FAL financing	(1.8)	(3.1)	(1.2)	(2.2)	(2.9)	(3.0)
Debt financing	0.0	0.0	(2.8)	(5.6)	(5.6)	(5.6)
Operating costs	(2.1)	(6.8)	(5.1)	(8.5)	(7.1)	(7.0)
Pre-acquisition impact	(0.2)	(0.5)	0.0	0.0	0.0	0.0
Combined pre-tax profit	6.3	22.7	6.6	27.1	37.0	30.7
Tax	(2.0)	(6.3)	(0.9)	(6.6)	(9.1)	(7.5)
Profit after tax	4.4	16.4	5.7	20.5	27.9	23.2
WAV revaluation after tax	0.0	13.5	0.0	0.0	(0.8)	(0.4)
Total comprehensive income	4.4	29.9	5.7	20.1	26.8	22.5
NAV/share (p)	148.6	189.3	190.6	217.8	235.3	237.1
WAV/share (p)	75.2	111.1	111.6	116.3	115.2	115.0
EPS (p)	5.7	21.6	7.7	27.2	38.3	31.6
DPS (p)	0.0	6.0	0.0	19.6	29.3	27.1
Capacity growth	22.2%	71.0%	64.8%	1.0%	1.0%	1.5%
EPS growth	N/A	(799.5%)	35.0%	26.4%	40.6%	(17.5%)
Return on NAV	15.0%	13.8%	14.7%	13.9%	16.8%	12.8%
Return on NAV plus WAV revaluations	15.0%	27.0%	14.7%	18.2%	17.1%	13.2%
Group insurance ratios[2]						
Claims ratio	55.8%	52.9%	55.4%	56.2%	58.5%	60.7%
Expense ratio	41.8%	46.5%	47.9%	44.2%	39.9%	39.7%
Combined ratio	97.6%	99.5%	103.3%	100.4%	98.4%	100.4%
Underwriting portfolio insurance ratios[3]						
Claims ratio	52.1%	49.2%	52.4%	53.2%	55.6%	57.8%
Expense ratio	35.9%	36.2%	39.2%	35.5%	33.6%	33.6%
Combined ratio	88.0%	85.4%	91.6%	88.8%	89.2%	91.4%
RoC (closed year of account)	**N/A**	6.8%	**N/A**	10.7%	19.0%	12.1%
Year 3 (accounting year)	N/A	6.2%	N/A	4.4%	4.4%	3.2%
Year 2 (previous year)	N/A	4.6%	N/A	10.3%	12.2%	8.8%
Year 1 (underwriting year)	N/A	(4.0%)	N/A	(4.0%)	2.5%	0.1%

Source: Helios Underwriting accounts, Edison Investment Research. Note: FAL = funds at Lloyd's. WAV = weighted-average value. [1]Syndicate results before group items & after quota share. [2]Using consolidated premiums (after pre-acquisition) & including group items. [3]Syndicate excluding pre-acquisitions & group. Syndicate revenue higher than consolidated, but so are claims and expenses.

Valuation: An over-the-cycle return approach

Our base case valuation of 280p/share uses a 14.0% over-the-cycle RoNAV, which has been decreased from the 14.2% used in our previous note. Our over-the-cycle RoNAV is based on the average RoNAV forecast over the next five years, which includes a turn in the cycle from FY26 and allows for capacity fund revaluations in its calculation (0.8% pa).

At the same time, we have slightly reduced our cost of equity from 10.6% to 10.5% based on a risk-free rate of 4.0% (down from 4.1%), a risk premium of 6.5% and a beta of 1x.

Our valuation uses a RoNAV versus price/NAV approach and has been determined with reference to the NAV/share disclosed as at 30 June 2024, which was 191p/share (compared to the 189p/share used in our previous valuation).

The latest valuation of 280p/share is unchanged from our previous valuation, with the key positive driver of near-term EPS upgrades on the back of higher underwriting and other income, as well as lower costs from FY25, offset by a much more conservative capacity growth profile.

The valuation offers potential upside from further share buybacks (the company has indicated that it may resume buybacks at a price discount of c 10% to NAV), a further reduction in stop-loss costs (following the review that is currently underway) and a longer-lasting hard underwriting cycle than allowed for in our soft landing forecast from FY26.

Exhibit 5: Current valuation

	FY23	FY24e	FY25e	FY26e
Over-the-cycle valuation (p)	**280**			
EPS (p)	21.6	27.2	38.3	31.6
DPS (p)	6.0	19.6	29.3	27.1
NAV/share (p)	189.3	217.8	235.3	237.1
Valuation-implied P/E (x)	13.0	10.3	7.3	8.9
Valuation-implied dividend yield (%)	2.1%	7.0%	10.4%	9.6%
NAV multiple (x)	1.48	1.29	1.19	1.18

Source: Helios, Edison Investment Research

Our fair value for Helios is at a 1.5x multiple of its FY23 NAV of 189p/share and at a 54% premium to the current share price. The valuation is well supported by expected FY24 EPS (P/E based on the 280p/share valuation of 10.3x) and by dividends (7.0% dividend yield based on the 280p/share valuation), becoming even more attractive with reference to FY25 forecasts (valuation P/E multiple falling to 7.3x and valuation dividend yield rising to 10.4%).

Exhibit 6: Financial summary

	2022	2023	2024e	2025e	2026e
Accounts: IFRS, year-end 31 December, £000s					
PROFIT & LOSS					
Revenue*	148,345	214,864	324,180	410,936	418,969
Net insurance claims and loss adjustment expenses	(149,667)	(185,641)	(291,807)	(369,614)	(384,021)
Gross Profit	(1,322)	29,224	32,373	41,322	34,949
EBITDA	(5,169)	22,086	26,403	36,365	30,019
Operating profit (before amort. and excepts.)	(5,169)	22,086	26,403	36,365	30,019
Intangible Amortisation	0	0	0	0	0
Exceptionals	1,216	619	0	0	0
Other	(3,847)	(7,138)	(5,970)	(4,957)	(4,930)
Operating Profit	(3,953)	22,705	26,403	36,365	30,019
Net Interest	0	0	0	0	0
Profit Before Tax (norm)	(5,169)	22,086	26,403	36,365	30,019
Profit Before Tax (FRS 3)	(5,169)	22,705	26,403	36,365	30,019
Tax	1,852	(6,334)	(6,601)	(9,091)	(7,505)
Profit After Tax (norm)	(3,317)	15,752	19,802	27,273	22,514
Profit After Tax (FRS 3)	(2,101)	16,371	19,802	27,273	22,514
Average Number of Shares Outstanding (m)	72.0	75.2	72.7	71.2	71.2
EPS - normalised (p)	(3.1)	21.6	27.2	38.3	31.6
EPS - normalised fully diluted (p)	(3.1)	20.8	26.2	36.6	30.1
EPS - (IFRS) (p)	(3.1)	20.8	26.2	36.6	30.1
Dividend per share (p)	3.0	6.0	19.6	29.3	27.1
Gross Margin (%)	(0.9%)	13.6%	10.0%	10.1%	8.3%
EBITDA Margin (%)	(3.5%)	10.3%	8.1%	8.8%	7.2%
Operating Margin (before GW and except.) (%)	(3.5%)	10.3%	8.1%	8.8%	7.2%
BALANCE SHEET					
Fixed Assets	567,249	689,789	1,100,464	1,315,263	1,337,470
Intangible Assets	61,434	82,117	82,436	81,704	81,518
Tangible Assets	279,803	319,473	513,261	657,325	705,399
Investments	226,012	288,199	504,767	576,233	550,553
Current Assets	25,300	66,812	64,892	75,320	79,367
Stocks	0	0	0	0	0
Debtors	0	0	0	0	0
Cash	25,300	66,812	64,892	75,320	79,367
Other	0	0	0	0	0
Current Liabilities	22,488	11,718	12,890	14,179	15,597
Creditors	7,488	11,718	12,890	14,179	15,597
Short term borrowings	15,000	0	0	0	0
Long Term Liabilities	452,883	604,782	997,792	1,209,225	1,232,770
Long term borrowings	0	59,055	59,055	59,055	59,055
Other long-term liabilities	452,883	545,727	938,737	1,150,170	1,173,715
Net Assets	117,178	140,101	154,674	167,178	168,470
CASH FLOW					
Operating Cash Flow	(24,798)	10,244	9,132	33,500	32,395
Net Interest	(2,870)	(6,440)	(10,496)	(12,885)	(13,772)
Tax	(166)	(602)	(6,601)	(9,091)	(7,505)
Capex	(696)	(500)	0	0	0
Acquisitions/disposals	3,459	(66)	10,496	12,885	13,772
Financing	27,781	41,195	0	0	0
Dividends	(2,034)	(2,319)	(4,451)	(13,981)	(20,844)
Net Cash Flow	676	41,512	(1,920)	10,428	4,047
Opening net debt/(cash)	24,624	10,300	7,757	5,837	16,265
HP finance leases initiated	0	0	0	0	0
Change in borrowings	(15,000)	(44,055)	0	0	0
Closing net debt/(cash)	10,300	7,757	5,837	16,265	20,312

Source: Helios Underwriting accounts, Edison Investment Research. Note: *Shown after pre-acquisition impact and parent reinsurance result, investment income, costs and other items (see Exhibit 5 for a segmental view of Syndicate result and Parent result).

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