

Helios Underwriting

Healthy increase in net asset value

Helios Underwriting released an update on net asset value (NAV) as at 31 December 2024 on 8 April 2025. The company disclosed an increase in unaudited NAV per share to 214p from 206p at 30 September 2024, versus our expectation of 217.8p. The NAV benefited from a capacity portfolio revaluation of £6.4m (or c 9p/share), including the syndicate pre-emption capacity taken on for the 2025 underwriting year. While management's best estimate for FY24 profits is healthy at £15.1m, it is somewhat below our expectations of £20m, likely due to the impact of the Los Angeles (LA) wildfires on the 2024 year of account (YOA) and a weaker-than-anticipated close-out of the 2022 YOA. The 2023 YOA performed well in our estimation and is forecast to close out strongly in FY25, but we expect a further residual impact from the wildfires. We reduce our FY24 EPS forecast to 22.4p and our FY25 forecast to 31.0p, while maintaining our longer-term forecasts. Our valuation is 3.7% lower at 270p per share.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/23	214.9	22.1	21.56	6.00	10.3	2.7
12/24e	328.1	21.7	22.35	6.00	9.9	2.7
12/25e	395.4	29.5	31.03	6.00	7.1	2.7
12/26e	395.4	29.7	31.31	6.00	7.1	2.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. DPS does not include special dividends expected, which were included in our previous research.

LA wildfires affect near-term results

While Helios's NAV update did not detail the drivers of management's best estimate profits for FY24, it disclosed an unaudited amount of £15.1m, which is below our £20m forecast. We believe that the results have been affected by the LA wildfires and a weaker-than-expected close-out for the 2022 YOA. We estimate a 190bp impact on the FY24 combined ratio and have adjusted our forecasts up from 88.8% to 90.7% (see Exhibit 1). We also forecast a further wildfire impact in FY25, raising the combined ratio by 160bp to 90.7%. We have reduced our FY24 EPS forecast by 18.0% and FY25 EPS forecast by 19.0%.

Global uncertainty could affect capacity growth

The Lloyd's of London insurance market is likely to be fairly insulated from the current near-term tariff-related uncertainty, due to limited loss exposure and minimal expected impact on premium rates (which have already started to soften and are reflected in our forecasts). Near-term effects could be limited to investment returns and currency movements (a weaker dollar). However, slower global economic growth could affect capacity growth due to reduced demand. Our forecasts for Helios are already for largely flat capacity (on the back of the company's stated strategy) and we broadly maintain our EPS forecasts from FY26 onwards.

Valuation: 270p per share

We have cut our valuation for Helios by 3.7% to 270p per share, reflecting the higher discount rate (up from 10.5% to 11.1% in the current uncertain environment) and weaker FY24 and FY25 EPS forecasts. Our valuation is at a 26% premium to the FY24 NAV per share of 214p and 23% ahead of the current share price.

FY24 net asset value update

Insurance

25 April 2025

Price 221.00p

Market cap £159m

Net cash/(debt) at 30 June 2024 £22.0m

Shares in issue 72.4m

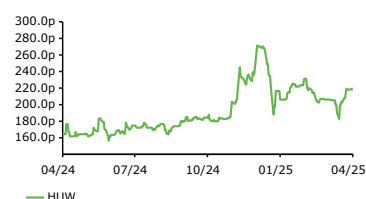
Free float 48.4%

Code HUW

Primary exchange AIM

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	5.8	5.8	46.7
52-week high/low		279.0p	150.0p

Business description

Helios Underwriting was originally established in 2007, 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 participation across a diversified portfolio of selected Lloyd's syndicates via its subsidiaries and now also acts for third-party capital generating risk-free fee earning.

Next events

FY24 results May 2025

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Financials

Exhibit 1: Helios's segmental forecasts and key metrics

£m	2022	2023	2024e	2025e	2026e
Capacity (for deployment in the next year)	296.6	512.0	484.0	484.0	491.2
Capacity added through acquisitions	5.7	8.1	0.0	0.0	0.0
Capacity added through pre-emptions	36.0	41.8	15.6	0.0	7.3
Tenancy capacity added	38.9	159.0	(18.4)	0.0	0.0
Retained Capacity	238.3	394.6	354.4	337.2	332.4
Key parent company assets					
FAL (required capital)	73.8	71.8	87.1	88.9	85.6
WAV	60.0	82.4	78.9	77.6	79.5
Free working capital	10.3	40.2	47.1	56.3	65.9
Key syndicate assets					
Insurance assets (syndicate)	152.2	216.4	421.2	467.4	439.0
Equity (members' balances at Lloyd's)	(5.1)	34.9	39.9	45.6	51.0
NAV	55.7	58.0	73.5	84.2	88.8
Syndicate level results¹					
GWP	250.9	312.1	458.4	516.0	514.8
Net earned premiums	156.6	219.4	322.3	387.3	386.4
Claims	(96.8)	(107.9)	(176.3)	(223.5)	(223.4)
Expenses	(54.2)	(79.4)	(116.2)	(130.1)	(129.7)
Underwriting result	5.6	32.1	29.8	33.7	33.3
Investment income on financial assets	(3.5)	10.6	13.5	14.6	14.8
Quota share reinsurance	(2.0)	(11.1)	(9.5)	(10.8)	(12.0)
Underwriting Operating result	0.1	31.6	33.9	37.5	36.1
Reinsurance income	0.6	1.4	2.2	3.1	2.8
Other income	1.2	0.6	1.5	1.6	1.7
Investment income on FAL	0.6	2.1	5.0	6.0	6.4
Stop loss costs	(1.0)	(2.6)	(4.0)	(3.0)	(1.3)
Portfolio FAL financing	(1.4)	(3.1)	(2.2)	(2.7)	(2.8)
Debt financing	0.0	0.0	(5.6)	(5.6)	(5.6)
Operating costs	(4.0)	(6.8)	(8.3)	(6.7)	(6.9)
Pre-acquisition impact	(0.0)	(0.5)	0.0	0.0	0.0
Combined pre-tax profit	-4.0	22.7	22.3	30.1	30.4
Tax	1.9	(6.3)	(5.4)	(7.4)	(7.4)
Profit after tax	(2.1)	16.4	16.9	22.8	23.0
WAV revaluation after tax	2.0	13.5	4.7	(1.2)	1.2
Total comprehensive income	-0.1	29.9	21.3	21.2	23.9
NAV/share (p)	151.8	189.3	214.1	227.2	236.6
WAV/share (p)	78.7	111.1	110.9	109.0	111.8
EPS (p)	-3.1	21.6	22.4	31.0	31.3
DPS (p)	3.0	6.0	6.0	6.0	6.0
Capacity growth	27.4%	72.6%	-5.5%	0.0%	1.5%
EPS growth	310.0%	-799.5%	3.7%	38.8%	0.9%
Return on NAV	-2.0%	13.8%	11.4%	13.9%	13.1%
Return on NAV plus WAV revaluations	-0.1%	27.0%	16.3%	13.7%	14.6%
Group insurance ratios²					
Claims ratio	63.7%	52.9%	57.5%	60.3%	60.3%
Expense ratio	40.6%	46.5%	44.3%	39.7%	39.7%
Combined ratio	104.3%	99.5%	101.8%	100.0%	100.1%
Underwriting portfolio insurance ratios³					
Claims ratio	61.8%	49.2%	54.7%	57.7%	57.8%
Expense ratio	34.6%	36.2%	36.0%	33.6%	33.6%
Combined ratio	96.4%	85.4%	90.7%	91.3%	91.4%
RoC (closed year of account)	3.6%	6.8%	9.3%	19.0%	9.3%
Year 3 (accounting year)	3.9%	6.2%	3.0%	4.2%	3.0%
Year 2 (previous year)	4.4%	4.6%	10.3%	12.3%	6.7%
Year 1 (underwriting year)	-4.6%	-4.0%	-4.0%	2.5%	-0.4%

Source: Helios Underwriting accounts, Edison Investment Research.

Note: FAL, funds at Lloyd's; WAV, weighted average value. ¹Syndicate results before group items and after quota share. ²Using consolidated premiums (after pre-acquisition) and including group items. ³Syndicate excluding pre-acquisitions and group. Syndicate revenue higher than consolidated but so are claims and expenses.

Valuation

Our base case valuation of 270p per share uses a 13.2% over-the-cycle return on NAV (RoNAV), down from the 14.0% used in our [previous note](#), reflecting the healthy increase in the 31 December 2024 NAV. 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 incorporates capacity fund revaluations in its calculation (0.8% pa).

At the same time, we have increased our cost of equity from 10.5% to 11.1%, based on a risk-free rate of 4.6% (up from 4.0%), a risk premium of 6.5% and a beta of 1x. The higher cost of equity allows for the increased global uncertainty seen over the past month.

Our valuation continues to use a RoNAV (versus price/NAV) approach and is determined with reference to the NAV per share disclosed as at 31 December 2024, which was 214p per share (compared to the 191p/share used in our previous valuation).

The latest valuation of 270p per share is 3.7% lower than our previous estimate, reflecting our higher cost of equity and lower near-term EPS forecasts, but benefiting from the healthy increase in the company's NAV per share.

Upside to our valuation could come from further share buybacks (Helios announced on 8 April 2025 that it has obtained board approval for a further £2m of repurchases), a further reduction in stop-loss costs (following the review currently underway) and a longer-lasting hard underwriting cycle than allowed for in our soft landing forecast from FY26.

Exhibit 2: Current valuation

	FY23	FY24e	FY25e	FY26e
Over the cycle valuation (p)	270			
EPS (p)	21.6	22.4	31.0	31.3
Total shareholder distribution/share (p)	6.0	16.1	23.7	26.8
NAV/share (p)	189	214	227	237
Valuation-implied PE	12.5	12.1	8.7	8.6
Valuation-implied distribution yield	2.2%	6.0%	8.8%	9.9%
NAV multiple	1.43	1.26	1.19	1.14

Source: Helios, Edison Investment Research. Note: Total shareholder distribution includes both basic dividend and forecast special dividends, as well as share buybacks (the latter two not included in our front page exhibit or in Exhibit 3 as per Edison policy).

Our fair value for Helios is at a 1.26x multiple of its FY24 NAV of 214p per share and at a 23% premium to the current share price. The valuation is well supported by expected FY24 EPS (P/E of 12.1x based on the 270p/share valuation) and by total shareholder distribution (6.0% distribution yield based on the 270p/share valuation and combined basic and forecast special dividends). It becomes even more attractive relative to FY25 forecasts, with the valuation P/E multiple falling to 8.7x and the valuation distribution yield (including forecast special dividends) rising to 8.8%.

Exhibit 3: Financial summary

Year ending 31 December (£000s)	2022	2023	2024e	2025e	2026e
PROFIT & LOSS					
Revenue*	148,078	214,864	328,071	395,394	395,386
Net insurance claims and loss adjustment expenses	(149,667)	(185,641)	(300,567)	(361,223)	(360,809)
Gross Profit	(1,589)	29,224	27,504	34,171	34,577
EBITDA	(5,169)	22,086	21,660	29,452	29,713
Operating profit (before amort. and excepts.)	(5,169)	22,086	21,660	29,452	29,713
Intangible Amortisation	0	0	0	0	0
Exceptionals	1,216	619	0	0	0
Other	(3,580)	(7,138)	(5,844)	(4,719)	(4,864)
Operating Profit	(3,953)	22,705	21,660	29,452	29,713
Net Interest	0	0	0	0	0
Profit Before Tax (norm)	(5,169)	22,086	21,660	29,452	29,713
Profit Before Tax (FRS 3)	(3,953)	22,705	21,660	29,452	29,713
Tax	1,852	(6,334)	(5,415)	(7,363)	(7,428)
Profit After Tax (norm)	(3,317)	15,752	16,245	22,089	22,285
Profit After Tax (FRS 3)	(2,101)	16,371	16,245	22,089	22,285
Average Number of Shares Outstanding (m)	72.0	75.2	72.7	71.2	71.2
EPS - normalised (p)	(3.1)	21.6	22.4	31.0	31.3
EPS - normalised fully diluted (p)	(3.1)	20.8	21.5	29.6	29.7
EPS - (IFRS) (p)	(3.1)	20.8	21.5	29.6	29.7
Dividend per share (p)	3.0	6.0	6.0	6.0	6.0
Gross Margin (%)	-1.1%	13.6%	8.4%	8.6%	8.7%
EBITDA Margin (%)	-3.5%	10.3%	6.6%	7.4%	7.5%
Operating Margin (before GW and except.) (%)	-3.5%	10.3%	6.6%	7.4%	7.5%
BALANCE SHEET					
Fixed Assets	565,190	690,972	1,091,076	1,244,246	1,250,109
Intangible Assets	59,375	82,117	78,597	77,252	79,229
Tangible Assets	279,802	320,656	504,192	610,672	646,355
Investments	226,013	288,199	508,287	556,322	524,525
Current Assets	25,300	65,629	79,943	88,151	95,760
Stocks	0	0	0	0	0
Debtors	0	0	0	0	0
Cash	25,300	65,629	79,943	88,151	95,760
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	1,006,069	1,156,788	1,162,195
Long term borrowings	0	59,055	59,055	59,055	59,055
Other long term liabilities	452,883	545,727	947,014	1,097,733	1,103,140
Net Assets	115,119	140,101	152,060	161,431	168,078
CASH FLOW					
Operating Cash Flow	(24,798)	9,061	14,112	27,041	31,918
Net Interest	(2,073)	(6,420)	(10,418)	(12,717)	(13,577)
Tax	(166)	(602)	(5,415)	(7,363)	(7,428)
Capex	(696)	(500)	10,068	0	0
Acquisitions/disposals	2,662	(86)	10,418	12,717	13,577
Financing	27,781	41,195	0	0	0
Dividends	(2,034)	(2,319)	(4,451)	(11,469)	(16,881)
Net Cash Flow	676	40,329	14,314	8,208	7,608
Opening net debt/(cash)	24,624	10,300	6,574	20,888	29,096
Change in borrowings	(15,000)	(44,055)	0	0	0
Closing net debt/(cash)	10,300	6,574	20,888	29,096	36,705

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 1 for a segmental view of Syndicate result and Parent result).

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