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Helios triples fundraise target as ‘pendulum swings’

Lloyd’s capacity vehicle Helios Underwriting is to more than double its market value via a £20mn ($25.4mn) equity raise – a figure that dwarfs earlier fundraising targets as the market hardens.

The company's stock had risen by 20.8% to £116 by around midday in London after news of the mammoth share issue.

Today’s announcement represents a surge in ambition for Helios, which just two months ago said it envisaged a fundraise to facilitate an increase in capacity from pre-emptions for the Helios portfolio of £5mn to £7mn.

CEO Nigel Hanbury told this publication: “The pendulum has swung and our ambitions have increased.

“There is a window here of three years where the follow-through momentum from rate increases typically rockets up and then comes down in steps.

“We need to grab it now. [In August], it wasn’t all that apparent.”

The company, which buys up limited liability vehicles (LLVs) from Lloyd’s Names and deploys capacity via them to syndicates, said today that it had indications of interest for a substantial part of the fundraise including sizeable orders from insurance specialist institutional investors.

The new shares for the company, which is listed on the Alternative Investment Market, are expected to be issued at 120 pence, a discount of 42% on adjusted net asset value (ANAV). However, the issue is priced at 25% premium to the 96 pence closing price on Tuesday, when Helios' market value was about £16.8mn.

The pricing is designed to limit the dilution of ANAV for existing shareholders, while providing the “necessary firepower” to finance additional capital required for growth.

As part of the fundraising, the company intends to enter into conditional agreements with Hanbury and CFO Arthur Manners to acquire a LLV from each of them for a combined consideration of £5.5mn, mainly in the form of new shares.

Hanbury noted that the company was encouraged by the progress it had made on the fundraise so far and the “significant interest” shown by investors.

“We remain convinced that this is a period of unprecedented opportunity for Helios, with a hardening market coupled with the opportunities we see to increase capacity from pre-emptions, make further LLV acquisitions and participate in capacity auctions, all of which would be value enhancing for our shareholders,” he said.

Taking a bullish stance, Hanbury declared the current conditions “a hard market”, adding that Helios had “survived the difficult times with huge outperformance”.

“Most of our syndicates, because they are in what Lloyd’s call the fast track, have been allowed to have bigger pre-emptions; they have been able to grow their syndicates by more than the average,” he added.

Helios provides capacity to syndicates such as Tokio Marine Kiln 510, Beazley Furlonge 623 and Hiscox 33.