Buchanan

PRESS CUTTINGS

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Lloyd's insurance investor Helios is set for big gains

A hardening of rates means potential for significant profit growth

Helios Underwriting (HUW:AIM) is unique as an acquirer and consolidator of Lloyd's insurance market underwriters. So far the firm has bought 43 limited liability vehicles or LLVs, including some of the best Lloyd's Names as they were formerly known, as their owners age or decide to exit the business.

Commercial insurance rates have soared in the last year as a result of coronavirus, meaning that those who are prepared to put up capital can earn significantly higher returns in the next few years.

For chief executive Nigel Hanbury, the current market represents a golden opportunity for Helios. 'I have seen three "hard markets" in my 40 years in the business', he says. 'The last was almost 20 years ago, after 9/11. This is the third.'

HELIOS UNDERWRITING
BUY
(HUW:AIM) 187p
Market cap: £63 million

Having raised £20 million of equity capital last November, and having protected itself from Covid claims, the firm is set to underwrite £110 million of risk this year, an increase of 60% on the size of the portfolio at the start of last year.

More significantly, it will only reinsure slightly more risk than it did last year which means the amount of retained business will jump from just over £20 million to almost £60 million.

Hanbury's enthusiasm is echoed by others in the market. Andrew Horton, chief executive of **Beazley (BEZ)**, described himself as 'very positive about the year ahead' thanks to the 'favourable rate environment', while **Lancashire (LRE)** boss Alex Maloney cited 'positive pricing trends across most of our business lines'.

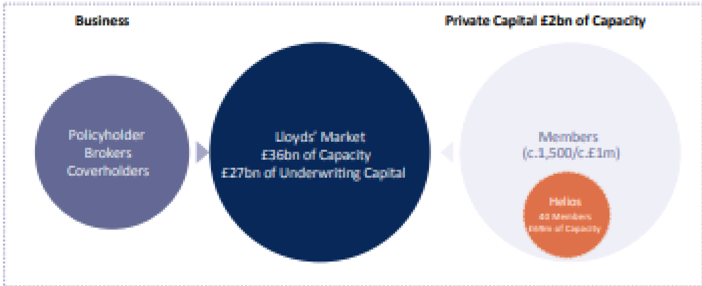
The last few years have been tough for the insurers as a wave of non-traditional investors piled the market, throwing money at the business in a desperate attempt to generate returns and depressing rates in the process.

Having been hit with losses, those investors are now withdrawing from the market. Meanwhile, by keeping its head down and steadily adding capacity, Helios was able to weather the storm and now finds itself with a strong following wind and the ability to deploy significantly more capital to capture higher rates.

As well as generating capital growth, Helios is aiming to pay out a rising proportion of earnings in dividends, with analysts estimating a 50% payout ratio within a couple of years, which would make it an attractive stock for income investors too.

Consolidation of Private Capital at Lloyds

Helios' model exploits a unique window as private capital evolves



Source: Lloyd's & Members' Agents Website