

Guardian Holdings Limited

Results for the Half Year Ended June 30, 2016

Earnings Per Share

Guardian Holdings Limited (GHL) recorded Earnings Per Share (EPS) of \$0.70 for the Half Year Ended June 30, 2016 (HY16). This represented an increase of 29.63 per cent or \$0.16 per share on the comparable period's EPS of \$0.54 in fiscal 2015.

Financial Highlights (HY16 on HY15)

| | HY16 \$'000 | HY15 \$'000 | \$ Change HY16 - HY15 \$'000 | % Change HY16 - HY15 | YE15 \$'000 |
|--|----------------|----------------|------------------------------------|-------------------------|------------------|
| Gross premiums written | 2,735,381 | 2,904,994 | (169,613) | -5.84% | 5,151,553 |
| Net premiums written | 1,882,209 | 1,899,571 | (17,362) | -0.91% | 3,551,716 |
| Net income from insurance underwriting activities | 259,278 | 297,262 | (37,984) | -12.78% | 662,220 |
| Net income from investing activities | 470,471 | 354,824 | 115,647 | 32.59% | 788,322 |
| Net income from brokerage activities | 9,872 | 2,630 | 7,242 | 275.36% | 7,839 |
| Net income from all activities | 739,621 | 654,716 | 84,905 | 12.97% | 1,458,381 |
| Operating expenses | (453,972) | (431,120) | (22,852) | 5.30% | (885,977) |
| Finance charges | (65,332) | (69,569) | 4,237 | -6.09% | (141,094) |
| Operating profit | 220,317 | 154,027 | 66,290 | 43.04% | 431,310 |
| Share of profit of associated companies | 5,694 | 7,137 | (1,443) | -20.22% | 17,381 |
| Profit before taxation | 226,011 | 161,164 | 64,847 | 40.24% | 448,691 |
| Taxation | (67,290) | (41,645) | (25,645) | 61.58% | (101,899) |
| Profit after taxation | 158,721 | 119,519 | 39,202 | 32.80% | 346,792 |
| Amount attributable to participating policyholders | 3,593 | (949) | 4,542 | -478.61% | (12,938) |
| Profit from continuing operations | 162,314 | 118,570 | 43,744 | 36.89% | 333,854 |
| Net (loss)/gain from discontinued operations | 58 | 7,788 | (7,730) | -99.26% | 2,468 |
| Profit for the period | 162,372 | 126,358 | 36,014 | 28.50% | 336,322 |
| Profit attributable to non-controlling interests | (377) | (366) | (11) | 3.01% | (1,559) |
| Profit attributable to equity holders of the parent | 161,995 | 125,992 | 36,003 | 28.58% | 334,763 |
| EPS | | | | | |
| Basic | \$0.70 | \$0.54 | \$0.16 | 29.63% | \$1.44 |
| Basic - for continuing operations | \$0.70 | \$0.51 | \$0.19 | 37.25% | \$1.43 |

Gross Premiums Written (GPW) declined 5.84 per cent or \$169.61MM from \$2.90B in HY15 to \$2.74B in HY16 while Net Premiums Written (NPW) fell marginally by 0.91 per cent or \$17.36MM from \$1.90B in HY15 to \$1.88B in HY16.

GHL's core business segments comprise of Life, Health and Pension (LHP), Property and Casualty (P&C) and its Asset Management (AM) division. The Group derives revenue from three sources: insurance underwriting activities, investing activities and brokerage activities. For HY16,

Net Income from Underwriting Activities dropped 12.78 per cent or \$37.98MM to \$259.28MM from \$297.26MM in the comparable half year period in 2015. As stated in the Chairman's report, this decline was primarily attributable to an unusually high incidence of fire and motor claims during the second quarter.

For the period under review, Net Income from Investing Activities rose a considerable 32.59 per cent or \$115.65MM to \$470.47MM from \$354.82MM in HY15. All of the Group's business segments; LHP, P&C and AM contributed to this growth. The increase includes a significant swing in income from securities as the Group redeployed its holdings of low yielding short-term instruments to higher-yielding long-term instruments.

GHL's investments in Boogaard and Thoma & Kruit continue to auger well for the Group with Net Income from Brokerage Activities up an outstanding 275.36 per cent or \$7.24MM to \$9.87MM in HY16 from \$2.63MM in HY15. Overall, the Group's Net Income from All Activities rose 12.97 per cent or \$84.91MM from \$654.72MM (HY15) to \$739.62MM (Q116).

The Group reported Profit Before Tax for HY16 of \$226.01MM, up 40.24 per cent or \$64.85MM to \$226.01MM from \$161.16MM in the corresponding period in the prior year. Net Profit Attributable to Shareholders for HY16 grew 28.58 per cent or \$36.00MM from \$125.99MM in HY15 to \$162.00MM IN HY16.

Life, Health and Pension (LHP)

For HY16, LHP GPW fell 2.82 per cent to \$1.57B from \$1.62B in HY15. This decline was due to lower GPW recorded by both FATUM and Guardian Life of the Caribbean Limited (GLOC). FATUM saw GPW drop 3.52 per cent from \$398MM in HY15 to \$384MM in HY16 while GLOC saw GPW fall 3.92 per cent from \$970MM in HY15 to \$932MM in HY16. HY16 on HY15, Guardian Life Limited (GLL) GPW registered growth of 2.78 per cent from \$252MM (HY15) to \$259MM (HY16).

Net Premiums Written (NPW) declined marginally, down 1.64 per cent to \$1.50B in HY16 from \$1.52B in the corresponding half year period in 2015. Despite the decline in premiums, Total Net Income for the six-month period increased 27.07 per cent from \$407.61MM in HY15 to \$517.96MM in HY16, on account of substantial growth in Net Income from Investing Activities which was up 41.71 per cent from \$317.82MM to \$450.37MM. Operating Profit closed HY16 at \$266.49MM, up an outstanding 74.91 per cent from \$152.36MM (HY15).

Property and Casualty (P&C)

P&C GPW decreased 9.65 per cent to \$1.16B in HY16 from \$1.29B in HY15. This decline was mainly due to:

- Premium reductions on multinational accounts obtained through GHL's global network partners
- Fall in regional and international premium rates

NPW showed minimal growth of 2.00 per cent from \$379.17MM in HY15 to \$386.76MM in HY16. Overall, Total Net Income improved a negligible 0.42 per cent from \$245.31MM (HY15) to \$246.35MM (HY16) driven by significant growth in both Net Income from Investing Activities, which rose 35.24 per cent from \$35.21MM to \$47.62MM and Net Income from Brokerage Activities, which increased an outstanding 275.36 per cent from \$2.63MM to \$9.87MM. Operating Profit totalled \$95.79MM, down 2.60 per cent from the \$98.35MM reported in the prior year's half year.



Asset Management (AM)

The AM segment, which acts as investment manager for the Group, showed an increase in Assets Under Management of 2.88 per cent to \$10.7B in HY16 from \$10.4B at YE15. This growth was fuelled mainly by the Captive and Private Wealth portfolios. Revenue rose by 33.80 per cent from \$28.4MM in HY15 to \$38.0MM in HY16 and Profit After Tax rose a noteworthy 95.12 per cent from \$8.2MM (HY15) to \$16.0MM (HY16) due to higher foreign exchange and trading gains.

| | Life, health and pension | | Property and casualty | | Asset Management | | Other including consolidation adjustments | | Group | |
|---|--------------------------|-----------|-----------------------|-----------|------------------|--------|---|-----------|-----------|-----------|
| | HY16 | HY15 | HY16 | HY15 | HY16 | HY15 | HY16 | HY15 | HY16 | HY15 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross Premiums Written | 1,574,209 | 1,619,814 | 1,161,172 | 1,285,180 | 0 | 0 | 0 | 0 | 2,735,381 | 2,904,994 |
| Net Premiums Written | 1,495,451 | 1,520,403 | 386,758 | 379,168 | 0 | 0 | 0 | 0 | 1,882,209 | 1,899,571 |
| Net Income from Underwriting Activities | 67,592 | 89,787 | 188,866 | 207,475 | 0 | 0 | 2,820 | 0 | 259,278 | 297,262 |
| Net Income/(Loss) from Investing Activities | 450,369 | 317,818 | 47,615 | 35,209 | 40,785 | 32,438 | (68,298) | (30,641) | 470,471 | 354,824 |
| Net Income from Brokerage Activities | 0 | 0 | 9,872 | 2,630 | 0 | 0 | 0 | 0 | 9,872 | 2,630 |
| Total Net Income | 517,961 | 407,605 | 246,353 | 245,314 | 40,785 | 32,438 | (65,478) | (30,641) | 739,621 | 654,716 |
| Operating Profit/(Loss) | 266,489 | 152,355 | 95,789 | 98,348 | 22,986 | 12,656 | (164,947) | (109,332) | 220,317 | 154,027 |

At the current price of \$13.01 the trailing P/E ratio is 8.1 times and the historic dividend yield is 3.84 per cent.

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|--|-------------------|
| Financial Year End | December 31 |
| Symbol on TTSE | GHL |
| Issued Share Capital | 231.90MM |
| Market Capitalization | \$2.97B |
| Current Price (as at September 7, 2016) | \$13.01 |
| 52 Week Price Range | \$12.58 - \$14.30 |
| Trailing EPS | \$1.60 |
| Trailing EPS (from Continuing Operations) | \$1.62 |
| Trailing Price to Earnings Multiple | 8.1 x |
| Trailing Price to Earnings Multiple (from Continuing Operations) | 8.0 x |
| Current Book Value/Share | \$12.32 |
| Price to Book | 1.1 x |
| Return on Equity | 11.6% |
| Return on Assets | 1.4% |
| Dividend Yield | 4.7% |



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Nancy Chen (Investment Analyst)
(868) 628-9473 Ext. 81006
nancy.chen@wisett.com

West Indies Stockbrokers Limited

Member of the Trinidad and Tobago Stock Exchange Limited

P.O. Box 259, St. Clair Place, 8 Sweet Briar Road, Port of Spain, Trinidad W.I.

TEL: (868) 628-WISE (9473) FAX: (868) 622-5002 EMAIL: wiseinfo@wisett.com

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