

Guardian Holdings Limited Results for the Half Year Ended June 30, 2017

Earnings Per Share

For the Half Year Ended June 30, 2017 (Q217), Guardian Holdings Limited (GHL) recorded Earnings Per Share (EPS) of \$0.83. This represented an increase of 18.57 per cent or \$0.13 per share over the corresponding period last year (2016) EPS of \$0.70.

Financial Highlights (HY-17 on HY-16)

	HY - 17 \$'000	HY - 16 \$'000	\$ Change Q217 - Q216 \$'000	% Change HY17 - HY16	YE16 \$'000
Gross written premiums	2,904,530	2,735,381	169,149	6.18%	5,475,136
Net written premiums	2,004,348	1,882,209	122,139	6.49%	4,011,462
Net income from insurance underwriting activities	210,495	259,278	(48,783)	-18.81%	612,654
Net income from investing activities	565,000	470,471	94,529	20.09%	1,027,706
Net income from brokerage activities	7,478	9,872	(2,394)	-24.25%	4,050
Net income from all activities	782,973	739,621	43,352	5.86%	1,644,410
Operating expenses	(464,241)	(453,972)	(10,269)	2.26%	(997,503)
Finance charges	(64,373)	(65,332)	959	-1.47%	(129,605)
Operating profit	254,359	220,317	34,042	15.45%	517,302
Share of profit of associated companies	9,776	5,694	4,082	71.69%	3,285
Profit before taxation	264,135	226,011	38,124	16.87%	520,587
Taxation	(63,570)	(67,290)	3,720	-5.53%	(130,149)
Profit after taxation	200,565	158,721	41,844	26.36%	390,438
Amount attributable to participating policyholders	(6,687)	3,593	(10,280)	286.11%	(15,552)
Profit from continuing operations	193,878	162,314	31,564	19.45%	374,886
Net gain from discontinued operations	0	58	(58)	100.00%	22,771
Profit for the period	193,878	162,372	31,506	19.40%	397,657
Profit attributable to non-controlling interests	(523)	(377)	(146)	38.73%	(1,857)
Profit attributable to equity holders of the parent	193,355	161,995	31,360	19.36%	395,800

HY17 on HY16, Gross Premiums Written (GPW) increased from \$2.74B to \$2.90B, up 6.18 per cent or \$169.15MM while Net Premiums Written rose 6.49 per cent or \$122.14MM from \$1.88B in HY16 to \$2.00B in HE17. The Group derives revenue from three sources: insurance underwriting activities, investing activities and brokerage activities. For the half year period under review Net Income from Insurance Underwriting Activities fell 18.81 per cent or \$48.78MM from \$259.28MM in HY16 to \$210.50MM in HY17. As stated in the Chairman's Report, this decline was mainly as a result of the Life, Health and Pension (LHP) segment including an actuarial adjustment arising from transitioning to the Caribbean Policy Premium Method (CPPM) of reserving. Net Income from Investing Activities grew 20.09 per cent or \$94.53MM from \$470.47MM in HY16 to \$565MM in HY17. Net Income from Brokerage Activities declined significantly by 24.25 per cent or

\$2.39MM from \$9.87MM (HY16) to \$7.48MM (HY17). On the whole, the Group's Net Income from All Activities improved 5.86 per cent or \$43.35MM from \$739.62MM (HY16) to \$782.97MM (HY17).

For the period HY 2017, Operating Expenses increased 2.26 per cent or \$10.27MM to \$464.24MM from \$453.97MM in HY16 while Finance Charges declined by 1.47 per cent or \$0.96MM to \$64.37MM (HY17) from \$65.33MM (HY16). Thus, GHIL's Operating Profit for HY17 stood at \$254.36MM, up 15.45 per cent or \$35.04MM from the \$220.31MM reported in the comparable period in 2016.

Share of Profit of Associated Companies rose by 71.96 per cent or \$4.08MM from \$5.64MM in HY16 to \$9.78MM in HY17. This resulted in the Group recording a Profit Before Tax of \$264.14MM in HY17, a 16.87 per cent increase or \$38.12MM from HY16's total of \$226.01MM. The Effective Tax Rate decreased from 29.78 per cent in HY16 to 24.07 per cent in HY17. As such, Taxes fell from \$67.29MM (HY16) to \$63.57MM (HY17). Profit After Tax for HY17 stood at \$200.57MM, up a noteworthy 26.36 per cent or \$41.84MM from \$158.72MM in HY16.

Overall the Group recorded a Profit Attributable to Equity Holders of the Parent of \$193.36MM in HY17, a 19.36 per cent increase or \$31.36MM from HY16's total of \$162.00MM.

Life, Health and Pension (LHP)

For HY17, LHP GPW grew by 8.17 per cent or \$128.57MM from \$1.16B in HY16 to \$1.70B in HY17. This increase was attributable to growth in Guardian Life of the Caribbean Limited (GLOC) annuity portfolio and Guardian Life Limited (GLL) health portfolio. HY17 on HY16, GLOC's GPW rose by 9.33 per cent or \$87MM from \$932MM to \$1,019MM while GLL saw GPW improve by 16.60 per cent or \$43MM from \$259MM in HY16 to \$302MM in HY17. In contrast, Fatum Life GPW declined marginally 0.52 per cent or \$2MM from \$384MM (HY16) to \$382MM (QHY17). Net Premiums Written (NPW) rose 6.82 per cent to \$1.60B in HY17 from \$1.50B in the corresponding half year period in 2016.

Net Income from Underwriting Activities amounted to \$7.16MM in HY17, up 90.47 per cent or \$3.40MM from HY16's total of \$3.76MM. Net Income from Investing Activities, grew by 14.92 per cent or \$67.18MM from \$450.37MM in HY16 to \$517.54MM in HY17. Total Net Income for the half year stood at \$524.70MM, up 1.30 per cent or \$6.74MM from \$517.96MM in HY16. Operating Profit decreased 5.96 per cent or \$15.89MM from \$266.49MM (HY16) to \$250.60MM (HY17).

Property and Casualty (P&C)

P&C GPW rose 3.49 per cent or \$40.58MM to \$1.20B from \$1.16B in HY16 despite the soft premium rates regionally and internationally. Fatum GPW increased 13.71 per cent or \$41MM from \$299MM in HY16 to \$340MM in HY17. Guardian General Insurance Jamaica Limited (GGIJL) GPW was up by 3.53 per cent or \$8MM from \$226MM (HY16) to \$234MM (HY17). This growth was mainly attributed to:

- Premium reductions on multinational accounts obtained through GHIL's global network partners
- Higher premiums in Fatum Property and Motor

Guardian General Insurance Limited (GGIL) GPW slipped 1.32 per cent or \$8MM to \$596MM in HY17 from \$604MM in HY16 and Guardian Re GPW remain unchanged at \$32MM from HY16. NPW increased by 5.20 per cent or \$20.13MM from \$386.76MM in HY16 to \$406.89MM in HY17.



Overall Total Net Income improved by 3.73 per cent from \$246.35MM in HY16 to \$255.55MM in HY17. For the six-month period under review, Operating Profit declined marginally by 0.90 per cent or \$0.86MM to \$94.92MM from \$95.79MM in HY16.

Asset Management (AM)

The AM segment saw Assets Under Management increase by 1.72 per cent from \$11.6B in YE16 to \$11.8B in HY17. This growth was fueled mainly by the Captive and Private Wealth portfolios. Revenue decreased by 5.76 per cent or \$2.2MM from \$38.2MM in HY16 to \$36.0MM in HY17 and Profit After Tax was 33.13 per cent lower from \$16.0MM in HY16 to \$10.7MM in HY17 due to foreign exchange gains that occurred in 2016 that have not repeated thus far in 2017 and a higher tax rate in 2017.

	Life, health and pension		Property and casualty		Asset Management		Other including consolidation adjustments		Group	
	HY-17	HY-16	HY-17	HY-16	HY-17	HY-16	HY-17	HY-16	HY-17	HY-16
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Premiums Written	1,702,778	1,574,209	1,201,752	1,161,172	0	0	0	0	2,904,530	2,735,381
Net Premiums Written	1,597,463	1,495,451	406,885	386,758	0	0	0	0	2,004,348	1,882,209
Net Income from Underwriting Activities	7,158	3,758	201,288	100,263	0	0	2,049	644	210,495	259,278
Net Income/(Loss) from Investing Activities	517,543	450,369	46,785	47,615	42,747	40,785	(42,075)	(68,298)	565,000	470,471
Net Income from Brokerage Activities	0	0	7,478	9,872	0	0	0	0	7,478	9,872
Total Net Income	524,701	517,961	255,551	246,353	42,747	40,785	(40,026)	(65,478)	782,973	739,621
Operating Profit/(Loss)	250,598	266,489	94,929	95,789	20,530	22,986	(111,698)	(164,947)	254,359	220,317



Equity Research
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At the current price of \$16.00 the trailing P/E ratio is 9.20 times which is below the non-banking/finance sector weighted average P/E of 10.22 times. GHJ's historic dividend yield is 4.00 per cent compared to the non-banking/finance sector weighted average dividend yield of 3.79 per cent.

Financial Year End	December 31
Symbol on TTSE	GHJ
Issued Share Capital	231.90MM
Market Capitalization	\$3.74B
Current Price (as at September 19, 2017)	\$16.00
52 Week Price Range	\$12.51 - \$16.60
Trailing EPS	\$1.74
Trailing Price to Earnings Multiple	9.2 x
Current Book Value/Share	\$13.76
Price to Book	1.2 x
Return on Average Equity	12.4%
Return on Average Assets	1.6%
Dividend Yield	4.1%

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