

Guardian Holdings Limited

Results for the Nine Months Ended September 30, 2017

Earnings Per Share

For the Nine Months Ended September 30, 2017 (Q317), Guardian Holdings Limited (GHL) recorded Earnings Per Share (EPS) of \$1.10. This represented a decrease of 1.82 per cent or \$0.02 per share over the corresponding period last year (2016) EPS of \$1.12.

Financial Highlights (NM-17 on NM-16)

| | NM - 17 \$'000 | NM - 16 \$'000 | \$ Change NM17 - NM16 \$'000 | % Change NM17 - NM16 | YE16 \$'000 |
|--|-------------------|-------------------|--|-------------------------------|------------------|
| Gross written premiums | 4,148,816 | 3,862,090 | 286,726 | 7.42% | 5,475,136 |
| Net written premiums | 2,989,912 | 2,709,861 | 280,051 | 10.33% | 4,011,462 |
| Net income from insurance underwriting activities | 196,743 | 375,204 | (178,461) | -47.56% | 612,654 |
| Net income from investing activities | 889,212 | 730,894 | 158,318 | 21.66% | 1,027,706 |
| Net income from brokerage activities | 11,590 | 1,314 | 10,276 | 782.04% | 4,050 |
| Net income from all activities | 1,097,545 | 1,107,412 | (9,867) | -0.89% | 1,644,410 |
| Operating expenses | (689,228) | (672,152) | (17,076) | -2.54% | (997,503) |
| Finance charges | (96,416) | (97,603) | 1,187 | -1.22% | (129,605) |
| Operating profit | 311,901 | 337,657 | (25,756) | -7.63% | 517,302 |
| Share of profit of associated companies | 17,046 | 9,676 | 7,370 | 76.17% | 3,285 |
| Profit before taxation | 328,947 | 347,333 | (18,386) | -5.29% | 520,587 |
| Taxation | (67,868) | (91,492) | 23,624 | -25.82% | (130,149) |
| Profit after taxation | 261,079 | 255,841 | 5,238 | 2.05% | 390,438 |
| Amount attributable to participating policyholders | (6,155) | (206) | (5,949) | 2887.86% | (15,552) |
| Profit from continuing operations | 254,924 | 255,635 | (711) | -0.28% | 374,886 |
| Net gain from discontinued operations | 0 | 4,933 | (4,933) | -100.00% | 22,771 |
| Profit for the period | 254,924 | 260,568 | (5,644) | -2.17% | 397,657 |
| Profit attributable to non-controlling interests | (1,183) | (828) | (355) | 42.87% | (1,857) |
| Profit attributable to equity holders of the parent | 253,741 | 259,740 | (5,999) | -2.31% | 395,800 |

NM17 on NM16, Gross Premiums Written (GPW) increased from \$3.86B to \$4.15B, up 7.42 per cent or \$286.73MM while Net Premiums Written grew by 10.33 per cent or \$280.05MM from \$2.71B in NM16 to \$2.99B in NM17. The Group derives revenue from three sources: insurance underwriting activities, investing activities and brokerage activities. For the nine months period under review Net Income from Insurance Underwriting Activities fell 47.56 per cent or \$178.46MM from \$375.20MM in NM16 to \$196.74MM in NM17. This decline was a result of a \$96MM net unfavorable swing in actuarial reserve adjustments and \$82MM due to hurricane losses. Net Income from Investing Activities rose 21.66 per cent or \$158.32MM from \$730.89MM in NM16 to \$889.21MM in NM17. Net Income from Brokerage Activities improved significantly by 782.04 per cent or \$10.28MM from \$1.31MM (NM16) to \$11.59MM (NM17). On the whole, the Group's Net

Income from All Activities decreased marginally by 0.89 per cent or \$9.87MM from \$1.11B (NM16) to \$1.10B (NM17).

For the period NM17, Operating Expenses slid 2.54 per cent or \$17.08MM to \$689.23MM from \$672.15MM in NM16 mainly due to the Group's strategic initiatives (re-engineering processes and tools), while Finance Charges declined by 1.22 per cent or \$1.19MM to \$96.42MM (NM17) from \$97.60MM (NM16). Thus, GHJ's Operating Profit for NM17 stood at \$311.90MM, down 7.63 per cent or \$25.76MM from the \$337.66MM reported in the comparable period in 2016.

Share of Profit of Associated Companies rose by 76.17 per cent or \$7.37MM from \$9.68MM in NM16 to \$17.05MM in NM17. This resulted in the Group recording a Profit Before Tax of \$328.95MM in NM17, a 5.29 per cent decrease or \$18.39MM from NM16's total of \$347.33MM. The Effective Tax Rate decreased from 26.34 per cent in NM16 to 20.63 per cent in NM17. As such, Taxes fell from \$91.49MM (NM16) to \$67.87MM (NM17). Profit After Tax for NM17 stood at \$261.08MM, up 2.05 per cent or \$5.24MM from \$255.84MM in NM16.

Overall the Group recorded a Profit Attributable to Equity Holders of the Parent of \$253.74MM in NM17, a 2.31 per cent decrease or \$6MM from NM16's total of \$259.74MM.

Life, Health and Pension (LHP)

For NM17, LHP GPW grew by 11.17 per cent or \$252.50MM from \$2.26B in NM16 to \$2.513B in NM17. This increase was attributable to growth in Guardian Life of the Caribbean Limited (GLOC) annuity portfolio and Guardian Life Limited (GLL) health portfolio. NM17 on NM16, GLOC's GPW rose by 9.42 per cent or \$132MM from \$1,402MM to \$1,534MM while GLL saw GPW improve by 13.64 per cent or \$54MM from \$396MM in NM16 to \$450MM in NM17. Also, Fatum Life GPW increased 12.67 per cent or \$67MM from \$462MM (NM16) to \$529MM (NM17). Net Premiums Written (NPW) rose 10.32 per cent to \$2.36B in NM17 from \$2.14B in the corresponding nine months period in 2016.

Net Income from Underwriting Activities amounted to a loss of \$16.53MM in NM17, down significantly 121.11 per cent or \$94.82MM from NM16's total of \$78.29MM. Net Income from Investing Activities, grew by 18.77 per cent or \$128.33MM from \$683.67MM in NM16 to \$812.00MM in NM17. Total Net Income for the nine months period stood at \$795.47MM, up 4.40 per cent or \$33.51MM from \$761.96MM in NM16. Operating Profit increased 1.19 per cent or \$4.56MM from \$381.23MM (NM16) to \$385.78MM (NM17).

Property and Casualty (P&C)

P&C GPW rose 2.14 per cent or \$34.23MM to \$1.64B from \$1.60B in NM16 despite the soft premium rates regionally and internationally. Fatum GPW increased 11.08 per cent or \$47MM from \$424MM in NM16 to \$471MM in NM17. Guardian General Insurance Jamaica Limited (GGIJL) GPW was up by 8.71 per cent or \$27MM from \$283MM (NM16) to \$310MM (NM17). This growth was mainly attributed to:

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

Guardian General Insurance Limited (GGIL) GPW slipped 4.87 per cent or \$41MM to \$801MM in NM17 from \$842MM in NM16 and Guardian Re GPW had a minimal increase of \$1MM from NM16 to close at \$53MM. NPW increased by 10.39 per cent or \$59.19MM from \$569.62MM in NM16 to \$628.80MM in NM17.

Overall Total Net Income fell by 19.16 per cent or \$70.69MM from \$369.00MM in NM16 to \$298.31MM in NM17. For the nine months period under review, Operating Profit declined by 58.52 per cent or \$83.73MM to \$59.36MM from \$143.09MM in NM16. The Group fully provided for potential claims for both Hurricane Irma and Maria of \$100.03MM before tax and \$71MM after tax and is fairly confident of having additional reserves in place in the event claims exceed the current provisions taken.

Asset Management (AM)

The AM segment saw Assets Under Management increase by 6.90 per cent from \$11.6B in YE16 to \$12.4B in NM17. This growth was fueled mainly by the Captive and Private Wealth portfolios. Revenue grew by 2.13 per cent or \$1.2MM from \$56.3MM in NM16 to \$57.5MM in NM17 and Profit After Tax was 14.29 per cent lower from \$21.7MM in NM16 to \$18.6MM in NM17 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 | |
|---|--------------------------|-----------|-----------------------|-----------|------------------|--------|---|-----------|-----------|-----------|
| | NM-17 | NM-16 | NM-17 | NM-16 | NM-17 | NM-16 | NM-17 | NM-16 | NM-17 | NM-16 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross Premiums Written | 2,513,204 | 2,260,706 | 1,635,612 | 1,601,384 | 0 | 0 | 0 | 0 | 4,148,816 | 3,862,090 |
| Net Premiums Written | 2,361,109 | 2,140,246 | 628,803 | 569,615 | 0 | 0 | 0 | 0 | 2,989,912 | 2,709,861 |
| Net Income from Underwriting Activities | (16,530) | 78,290 | 210,275 | 292,681 | 0 | 0 | 2,998 | 4,233 | 196,743 | 375,204 |
| Net Income/(Loss) from Investing Activities | 811,999 | 683,673 | 76,449 | 75,007 | 71,069 | 61,923 | (70,305) | (89,709) | 889,212 | 730,894 |
| Net Income from Brokerage Activities | 0 | 0 | 11,590 | 1,314 | 0 | 0 | 0 | 0 | 11,590 | 1,314 |
| Total Net Income | 795,469 | 761,963 | 298,314 | 369,002 | 71,069 | 61,923 | (67,307) | (85,476) | 1,097,545 | 1,107,412 |
| Operating Profit/(Loss) | 385,782 | 381,227 | 59,359 | 143,090 | 37,310 | 34,232 | (170,550) | (220,892) | 311,901 | 337,657 |



Key Developments

Natural Disaster

The result for the period was impacted by a net provision of \$100.3MM related to claims exposure from Hurricane Irma and Maria activity during the year.

Migration Initiative

Guardian Holdings Limited ("GHL") has relaunched an initiative whereby encouraging shareholders, to deposit their GHL shares into the Trinidad and Tobago Central Depository Limited ("TTCD").

At the current price of \$15.54 the trailing P/E ratio is 9.20 times which is below the non-banking/finance sector weighted average P/E of 13.34 times. GHL's historic dividend yield is 4.20 per cent compared to the non-banking/finance sector weighted average dividend yield of 3.22 per cent.

| | |
|---|-------------------|
| Financial Year End | December 31 |
| Symbol on TTSE | GHL |
| Issued Share Capital | 231.90MM |
| Market Capitalization | \$3.74B |
| Current Price (as at November 20, 2017) | \$15.54 |
| 52 Week Price Range | \$12.52 - \$16.60 |
| Trailing EPS | \$1.69 |
| Trailing Price to Earnings Multiple | 9.2 x |
| Current Book Value/Share | \$13.81 |
| Price to Book | 1.1 x |
| Return on Average Equity | 10.8% |
| Return on Average Assets | 1.3% |
| Dividend Yield | 4.2% |

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