

Guardian Holdings Limited Results for the First Quarter Ended March 31, 2016

Earnings Per Share

For the First Quarter Ended March 31, 2016 (Q116), Guardian Holdings Limited (GHL) reported Earnings Per Share (EPS) of \$0.27, up 17.39 per cent or \$0.04 per share on the corresponding quarter in fiscal 2015.

Financial Highlights (Q116 on Q115)

	Q116	Q115	\$ Change Q116 - Q115	% Change Q116 - Q115	YE15
	\$'000	\$'000	\$'000		\$'000
Gross premiums written	1,593,117	1,742,770	(149,653)	-8.59%	5,151,553
Net premiums written	1,073,828	1,072,514	1,314	0.12%	3,551,716
Net income from insurance underwriting activities	104,665	121,003	(16,338)	-13.50%	662,220
Net income from investing activities	232,167	182,965	49,202	26.89%	788,322
Net income from brokerage activities	4,207	247	3,960	1603.24%	7,839
Net income from all activities	341,039	304,215	36,824	12.10%	1,458,381
Operating expenses	(216,457)	(206,553)	(9,904)	4.79%	(885,977)
Finance charges	(32,774)	(34,853)	2,079	-5.97%	(141,094)
Operating profit	91,808	62,809	28,999	46.17%	431,310
Share of profit of associated companies	1,624	3,159	(1,535)	-48.59%	17,381
Profit before taxation	93,432	65,968	27,464	41.63%	448,691
Taxation	(31,459)	(20,620)	(10,839)	52.57%	(101,899)
Profit after taxation	61,973	45,348	16,625	36.66%	346,792
Amount attributable to participating policyholders	782	(506)	1,288	-254.55%	(12,938)
Profit from continuing operations	62,755	44,842	17,913	39.95%	333,854
Net (loss)/gain from discontinued operations	(132)	9,397	(9,529)	-101.40%	2,468
Profit for the period	62,623	54,239	8,384	15.46%	336,322
Profit attributable to non-controlling interests	(199)	(177)	(22)	12.43%	(1,559)
Profit attributable to equity holders of the parent	62,424	54,062	8,362	15.47%	334,763
EPS					
Basic	\$0.27	\$0.23	\$0.04	17.39%	\$1.44
Basic - for continuing operations	\$0.27	\$0.19	\$0.08	42.11%	\$1.43

GHL saw a decline of 8.59 per cent in Gross Premiums Written (GPS) from \$1.74B in Q115 to \$1.59B in Q116. As stated in the Chairman's Report, this decline was mainly as a result of a diminution of "fronting programmes" for large multinational companies due to a decline in economic activity in Trinidad and Tobago. Net Premiums Written (NPW) showed a negligible increase of 0.12 per cent from \$214.94MM to \$219.54MM.

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 the three-month period under review, Net Income from Underwriting Activities fell 13.50 per cent from \$121.00MM in Q115 to \$104.67MM in Q116. Net Income from Investing Activities benefitted from increasing interest rates coupled with currency gains on the Group's US denominated assets and recorded a significant increase of 26.89 per cent from \$182.97MM in Q115 to \$232.17MM in Q116. Net Income from Brokerage Activities increased substantially from \$247M in Q115 to \$4.21MM in Q116 helped by Boogaard, the Group's recent broker acquisition in the Dutch Antilles as well as Thoma & Kruit. On the whole, the Group's Net Income from All Activities improved 12.10 per cent from \$304.22MM (Q115) to \$341.04MM (Q116).

Overall for Q116, the Group posted Net Profit Attributable to Shareholders of \$62.42MM compared to \$54.06MM in the corresponding quarter of the previous year, which represents an increase of 15.47 per cent

Life, Health and Pension (LHP)

As at Q116, LHP Gross Premiums Written (GPW) totaled \$889.02MM, a minimal decline of 0.22 per cent on Q115's total of \$890.99MM. The decline was due to FATUM, which saw GPW fall 3.22 per cent from \$311MM in Q115 to \$301MM in Q116. Q116 on Q115, Guardian Life of the Caribbean Limited (GLOC) saw GPW grow by 1.10 per cent from \$455MM to \$460MM while Guardian Life Limited (GLL) saw GPW increase 2.40 per cent from \$125MM to \$128MM. Net Premiums Written (NPW) registered a slight decline of 0.38 per cent from \$857.57MM (Q115) to \$854.28MM (Q116). Overall, Total Net Income grew 19.76 per cent from \$185.75MM (Q115) to \$222.46MM (Q116), driven by significant growth in Net Income from Investing Activities. Operating Profit rose 57.53 per cent to \$100.53MM from \$63.81MM in the corresponding quarter last year.

Property and Casualty (P&C)

P&C GPW fell by 17.34 per cent to \$704.10MM in Q116 from \$851.78MM in Q115. 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 marginal growth of 2.14 per cent from \$241.94MM in Q115 to \$249.54MM in Q116. Q116 on Q115, Total Net Income registered a 12.74 per cent improvement from \$117.88MM to \$132.90MM driven by significant growth in both Net Income from Investing Activities and Net Income from Brokerage Activities. Operating Profit totaled \$58.71MM, up 26.15 per cent from the \$46.54MM reported in Q115.

Asset Management (AM)

The AM segment, which acts as investment manager for the Group, showed an increase in Assets Under Management of 1.92 per cent to \$10.6B in Q116 from \$10.4B at YE15. Revenue increased by 24.14 per cent from \$14.5MM in Q115 to \$18.0MM in Q116 and Profit After Tax rose an outstanding 53.19 per cent from \$4.7MM (Q115) to \$7.2MM (Q116).



Equity Research
July 2016

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

	Life, health and pension		Property and casualty		Asset Management		Other including consolidation adjustments		Group	
	Q116	Q115	Q116	Q115	Q116	Q115	Q116	Q115	Q116	Q115
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Premiums Written	889,015	890,988	704,102	851,782	0	0	0	0	1,593,117	1,742,770
Net Premiums Written	854,291	857,570	219,537	214,944	0	0	0	0	1,073,828	1,072,514
Net Income from Underwriting Activities	3,758	18,628	100,263	102,375	0	0	644	0	104,665	121,003
Net Income/(Loss) from Investing Activities	218,702	167,122	28,429	15,260	17,562	16,257	(32,526)	(15,674)	232,167	182,965
Net Income from Brokerage Activities	0	0	4,207	247	0	0	0	0	4,207	247
Total Net Income	222,460	185,750	132,899	117,882	17,562	16,257	(31,882)	(15,674)	341,039	304,215
Operating Profit/(Loss)	100,526	63,812	58,710	46,538	9,067	7,309	(76,495)	(54,850)	91,808	62,809

At the current price of \$12.64 the trailing P/E ratio is 8.5 times and the historic dividend yield is 3.84 per cent.

Financial Year End	December 31
Symbol on TTSE	GHL
Issued Share Capital	231.90MM
Market Capitalization	\$3.20B
Current Price (as at July 14, 2016)	\$12.64
52 Week Price Range	\$12.64 - \$14.30
Trailing EPS	\$1.48
Trailing EPS (from Continuing Operations)	\$1.51
Trailing Price to Earnings Multiple	8.5 x
Trailing Price to Earnings Multiple (from Continuing Operations)	8.4 x
Current Book Value/Share	\$11.97
Price to Book	1.1 x
Return on Equity	9.1%
Return on Assets	1.1%
Dividend Yield	4.8%

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

West Indies Stockbrokers Limited (WISE) is a subsidiary of RBC Financial (Caribbean) Limited. From time to time WISE and/or its staff may take positions in some or all of the shares mentioned in our report. WISE welcomes your comments. Please e-mail us at wiseinfo@wisett.com.