

## Guardian Holdings Limited Results for the Year Ended December 31, 2016

### Earnings Per Share

For the Year Ended December 31, 2016 (YE16), Guardian Holdings Limited (GHL) reported Earnings Per Share (EPS) of \$1.71, up 18.75 per cent or \$0.27 per share on the comparable EPS of \$1.44 in fiscal 2015.

### Financial Highlights (YE16 on YE15)

	YE16 \$'000	YE15 \$'000	\$ Change YE16 - YE15 \$'000	% Change YE16 - YE15
Gross written premiums	5,475,136	5,151,553	323,583	6.28%
Net written premiums	4,011,462	3,551,716	459,746	12.94%
Net income from insurance underwriting activities	612,654	662,220	(49,566)	-7.48%
Net income from investing activities	1,027,706	788,322	239,384	30.37%
Net income from brokerage activities	4,050	7,839	(3,789)	-48.34%
<b>Net income from all activities</b>	<b>1,644,410</b>	<b>1,458,381</b>	<b>186,029</b>	<b>12.76%</b>
Operating expenses	(997,503)	(885,977)	(111,526)	12.59%
Finance charges	(129,605)	(141,094)	11,489	-8.14%
<b>Operating profit</b>	<b>517,302</b>	<b>431,310</b>	<b>85,992</b>	<b>19.94%</b>
Share of profit of associated companies	3,285	17,381	(14,096)	-81.10%
<b>Profit before taxation</b>	<b>520,587</b>	<b>448,691</b>	<b>71,896</b>	<b>16.02%</b>
Taxation	(130,149)	(101,899)	(28,250)	27.72%
<b>Profit after taxation</b>	<b>390,438</b>	<b>346,792</b>	<b>43,646</b>	<b>12.59%</b>
Amount attributable to participating policyholders	(15,552)	(12,938)	(2,614)	20.20%
<b>Profit from continuing operations</b>	<b>374,886</b>	<b>333,854</b>	<b>41,032</b>	<b>12.29%</b>
Net gain from discontinued operations	22,771	2,468	20,303	822.65%
<b>Profit for the period</b>	<b>397,657</b>	<b>336,322</b>	<b>61,335</b>	<b>18.24%</b>
Profit attributable to non-controlling interests	(1,857)	(1,559)	(298)	19.11%
<b>Profit attributable to equity holders of the parent</b>	<b>395,800</b>	<b>334,763</b>	<b>61,037</b>	<b>18.23%</b>
<b>EPS</b>				
Basic	\$1.71	\$1.44	\$0.27	18.75%
Basic - for continuing operations	\$1.61	\$1.43	\$0.18	12.59%

In YE16, Gross Premiums Written (GPW) advanced 6.28 per cent or \$323.58MM to \$5.48B from \$5.15B in YE15 while Net Premiums Written (NPW) rose 12.94 per cent or \$459.75MM from \$3.55B in YE15 to \$4.01B in YE16.

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 period under review, Net Income from All Activities increased by 12.76 per cent or \$186.03MM from \$1.46B in YE15 to \$1.64B in YE16. This increase was driven by growth in Net Income from

Investing Activities which rose by 30.37 per cent or \$239.38MM to \$1.03B in YE16 from \$788.32MM in YE15. The Group saw improvements in all major investment categories. Investment Income grew by 6.32 per cent or \$48.79MM as a result of the Group's shift to higher-yielding instruments, Realized and Unrealized Gains increased by \$106.82MM from \$5.87MM in YE15 to \$112.69MM in YE16, Fee Income rose 10.88 per cent or \$5.27MM from \$48.45MM to \$53.72MM and Other Income improved by \$74.03MM from \$31.38MM in YE15 to \$105.41MM in YE16. The significant increase in Other Income was primarily due to increases in Foreign Exchange Gains from \$7.96MM in YE15 to \$56.06MM in YE16.

Net Income from Insurance Underwriting Activities fell 7.48 per cent or \$48.57MM to \$612.65MM in YE16 from \$662.22MM in the corresponding period in 2015. As stated in the Chairman's report, this decline was mainly due to a favourable non-recurring reserve release arising from a change in the taxation of insurance companies in Jamaica in 2015. Net Income from Insurance Underwriting Activities would have increased in the LHP segment if the Group excluded the impact of this exceptional item. In addition, the P&C segment recorded a decline of \$33.15MM as a result of the loss reserve of \$38MM which was established for claims from Hurricane Matthew which affected a number of territories in the North Caribbean during September and October 2016.

For YE16, Net Income from Brokerage Activities declined 48.34 per cent or \$3.79MM from \$7.84MM in YE15 to \$4.05MM in YE16.

Operating Expenses increased by 12.59 per cent or \$111.53MM from \$885.98MM in YE15 to \$997.50MM for the period under review. According to the Deputy Chairman, these costs were incurred in connection to strategic investments made during 2016 towards enhancing Group profitability. Finance Charges for YE16 amounted to \$129.61MM, down 8.14 per cent or \$11.49MM on YE15's total of \$141.09MM. Overall, the Group's Operating Profit rose 19.94 per cent or \$85.99MM to \$517.30MM (YE16) from \$431.31MM (YE15).

GHL reported Profit Before Tax for YE16 of \$520.59MM, up 16.02 per cent or \$71.90MM from \$448.69MM in YE15. The Effective Tax Rate increased from 22.71 per cent in YE15 to 25.00 per cent in YE16. Consequently, Taxes rose from \$101.90MM (YE15) to \$130.15MM (YE16). Profit After Tax closed YE16 at \$390.44MM, up 12.59 per cent or \$43.65MM from \$346.79MM in the corresponding period last fiscal year.

#### **Life, Health and Pension (LHP)**

For YE16, LHP GPW increased by 14.41 per cent or \$435.55MM to \$3.46B from \$3.02B in YE15. Guardian Life of the Caribbean Limited (GLOC) saw GPW increase by 18.81 per cent from \$1.98B to \$2.36B, Guardian Life Limited (GLL) GPW registered growth of 9.24 per cent from \$498MM (YE15) to \$544MM (YE16) while Fatum Life GPW rose 2.95 per cent from \$542MM in YE15 to \$558MM in YE16.

Net Premiums Written (NPW) increased by 16.57 per cent to \$3.29B in YE16 from \$2.82B in YE15. Total Net Income for the twelve-month period stood at \$1.19B, up 19.97 per cent from \$989.99MM in YE15, on account of significant growth in Net Income from Investing Activities which was up 29.28 per cent from \$724.11MM to \$936.15MM. Operating Profit closed YE16 at \$634.03MM, up a substantial 40.59 per cent from \$450.99MM (YE15).

#### **Property and Casualty (P&C)**

P&C GPW decreased 5.26 per cent to \$2.02B in YE16 from \$2.13B in YE15. This decline was mainly due to:

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

Guardian General Insurance Limited (GGIL) GPW fell 18.54 per cent from \$1.32B in YE15 to \$1.07B in YE16, Fatum GPW rose 16.85 per cent from \$457MM in YE15 to \$534MM in YE16, Guardian General Insurance Jamaica Limited (GGIJL) saw GPW increase by 20.07 per cent from \$294MM (YE15) to \$353MM (YE16) and Guardian Re GPW declined 6.45 per cent to \$58MM from \$62MM.

NPW declined marginally by 1.11 per cent from \$719.11MM in YE15 to \$721.05MM in YE16. Overall Total Net Income fell by 2.70 per cent from \$467.61MM (YE15) to \$455.00MM (YE16) driven by declines in both Net Income from Underwriting Activities, which fell 8.54 per cent from \$388.16MM to \$355.01MM and Net Income from Brokerage Activities, which decreased 48.34 per cent from \$7.84MM to \$4.05MM. Operating Profit totalled \$146.39MM, down 18.99 per cent from YE15's total of \$180.72MM

#### **Asset Management (AM)**

The AM segment, which acts as investment manager for the Group, showed an increase in Assets Under Management of 11.54 per cent to \$11.6B in YE16 from \$10.4B at YE15. This growth was fuelled mainly by the Captive and Private Wealth portfolios. Revenue rose by 24.87 per cent from \$59.5MM in YE15 to \$74.3MM in YE16 and Profit After Tax rose a considerable 34.21 per cent from \$19.0MM in YE15 to \$25.5MM in YE16 due to higher foreign exchange and trading gains.

	Life, health and pension		Property and casualty		Asset Management		Other including consolidation adjustments		Group	
	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Premiums Written	3,458,460	3,022,911	2,016,676	2,128,642	0	0	0	0	5,475,136	5,151,553
Net Premiums Written	3,290,416	2,822,605	721,046	729,111	0	0	0	0	4,011,462	3,551,716
Net Income from Underwriting Activities	251,578	265,878	355,009	388,155	0	0	6,067	8,187	612,654	662,220
Net Income/(Loss) from Investing Activities	936,149	724,111	95,940	71,613	79,970	59,006	(84,353)	(66,408)	1,027,706	788,322
Net Income from Brokerage Activities	0	0	4,050	7,839	0	0	0	0	4,050	7,839
Total Net Income	1,187,727	989,989	454,999	467,607	79,970	59,006	(78,286)	(58,221)	1,644,410	1,458,381
Operating Profit/(Loss)	634,034	450,987	146,392	180,718	37,910	20,583	(301,034)	(220,978)	517,302	431,310



## Dividends

The Board of Directors declared a final dividend of \$0.45 per share (2015: \$0.42) which when coupled with the interim dividend of \$0.21 brings the total dividend paid for fiscal 2016 to \$0.66 (2015: \$0.61). The final dividend will be paid on April 20, 2017 to shareholders on record as at March 28, 2017.

At the current price of \$15.50 the P/E ratio is 9.06 times which is below the non-banking/finance sector weighted average P/E of 10.82 times. GH L's historic dividend yield is 4.26 per cent compared to the non-banking/finance sector weighted average dividend yield of 3.82 per cent.

Financial Year End	December 31
Symbol on TTSE	GH L
Issued Share Capital	231.90MM
Market Capitalization	\$2.93B
Current Price (as at April 10, 2017)	\$15.50
52 Week Price Range	\$12.51 - \$16.57
EPS	\$1.71
Price to Earnings Multiple	9.1 x
Current Book Value/Share	\$13.11
Price to Book	1.2 x
Return on Equity	13.7%
Return on Assets	1.7%
Dividend Yield	4.3%

### **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](mailto:wiseinfo@wisett.com)

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