

## Guardian Holdings Limited Results for the Year Ended December 31, 2017

### Earnings Per Share

For the Year Ended December 31, 2017 (YE17), Guardian Holdings Limited (GHL) recorded Earnings Per Share (EPS) of \$1.75. This represented an increase of 8.70 per cent or \$0.14 per share over the corresponding period last year (2016) EPS of \$1.61.

### Financial Highlights (YE-17 on YE-16)

	YE17 \$'000	YE16 \$'000	\$ Change YE17 - YE16 \$'000	% Change YE17 - YE16
Gross written premiums	5,472,644	5,475,136	(2,492)	-0.05%
Net written premiums	3,926,948	4,011,462	(84,514)	-2.11%
Net income from insurance underwriting activities	403,099	612,654	(209,555)	-34.20%
Net income from investing activities	1,190,957	1,024,898	166,059	16.20%
Net income from brokerage activities	15,733	4,050	11,683	288.47%
<b>Net income from all activities</b>	<b>1,609,789</b>	<b>1,641,602</b>	<b>(31,813)</b>	<b>-1.94%</b>
Operating expenses	(979,327)	(994,695)	15,368	-1.54%
Finance charges	(128,893)	(129,605)	712	-0.55%
<b>Operating profit</b>	<b>501,569</b>	<b>517,302</b>	<b>(15,733)</b>	<b>-3.04%</b>
Share of profit of associated companies	18,646	3,285	15,361	467.61%
<b>Profit before taxation</b>	<b>520,215</b>	<b>520,587</b>	<b>(372)</b>	<b>-0.07%</b>
Taxation	(109,924)	(130,149)	20,225	-15.54%
<b>Profit after taxation</b>	<b>410,291</b>	<b>390,438</b>	<b>19,853</b>	<b>5.08%</b>
Amount attributable to participating policyholders	(1,142)	(15,552)	14,410	-92.66%
<b>Profit from continuing operations</b>	<b>409,149</b>	<b>374,886</b>	<b>34,263</b>	<b>9.14%</b>
Net gain from discontinued operations	0	22,771	(22,771)	-100.00%
<b>Profit for the period</b>	<b>409,149</b>	<b>397,657</b>	<b>11,492</b>	<b>2.89%</b>
Profit attributable to non-controlling interests	(2,540)	(1,857)	(683)	36.78%
<b>Profit attributable to equity holders of the parent</b>	<b>406,609</b>	<b>395,800</b>	<b>10,809</b>	<b>2.73%</b>

YE17 on YE16, Gross Premiums Written (GPW) decreased marginally from \$5.48B to \$5.47B, down 0.05 per cent or \$2.49MM while Net Premiums Written fell by 2.11 per cent or \$84.51MM from \$4.01B in YE16 to \$3.93B in YE17. The Group derives revenue from three sources: insurance underwriting activities, investing activities and brokerage activities. For the year under review Net Income from Insurance Underwriting Activities fell 34.20 per cent or \$209.56MM from \$612.65MM in YE16 to \$403.10MM in YE17. This decline was a result of lower actuarial reserve adjustments (\$171MM) and \$36MM due to hurricane losses. Net Income from Investing Activities rose 16.20 per cent or \$166.06MM from \$1.02B in YE16 to \$1.19B in YE17. Net Income from Brokerage Activities improved significantly by 288.47 per cent or \$11.68MM from \$4.05MM in YE16 to \$15.73MM in YE17. On the whole, the Group's Net Income from All Activities decreased by 1.94 per cent or \$31.81MM from \$1.64B (YE16) to \$1.61B (YE17).

For the year 2017, Operating Expenses slid 1.54 per cent or \$15.37MM to \$979.33MM from \$994.70MM in YE16 mainly due to the Group's strategic initiatives (re-engineering processes, tools, other investment initiatives and containment strategies), while Finance Charges declined by 0.55 per cent or \$0.71MM to \$128.89MM (YE17) from \$129.61MM (YE16). Thus, GHl's Operating Profit for YE17 stood at \$501.57MM, down 3.04 per cent or \$15.73MM from the \$517.30MM reported in the comparable period in 2016.

Share of Profit of Associated Companies rose significantly by 467.61 per cent or \$15.36MM from \$3.29MM in YE16 to \$18.65MM in YE17. This resulted in the Group recording a Profit Before Tax of \$520.22MM for the year 2017, a 0.07 per cent decrease or \$0.37MM from 2016's total of \$520.59MM. The Effective Tax Rate decreased from 25.00 per cent in YE16 to 21.13 per cent in YE17. As such, Taxes fell from \$130.15MM (YE16) to \$109.92MM (YE17). Profit After Tax in 2017 stood at \$410.29MM, up 5.08 per cent or \$19.85M from \$390.44MM in 2016.

Overall the Group recorded a Profit Attributable to Equity Holders of the Parent of \$406.61MM in 2017, a 2.73 per cent increase or \$10.81MM from 2016's total of \$395.80MM.

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

For the year 2017, LHP GPW fell by 3.40 per cent or \$117.65MM from \$3.46B in YE16 to \$3.34B in YE17. This decrease was attributable to the acquisition of a large pension plan. YE17 on YE16, Guardian Life of the Caribbean (GLOC) GPW slid by 14.26 per cent or \$294MM from \$2,356MM to \$2,062MM while Guardian Life Limited (GLL) GPW improve by 13.24 per cent or \$72MM from \$544MM in YE16 to \$616MM in YE17. Also, Fatum Life GPW increased 18.82 per cent or \$105MM from \$558MM (YE16) to \$663MM (YE17). Net Premiums Written (NPW) decreased by 4.46 per cent to \$3.14B in YE17 from \$3.29B in 2016.

Net Income from Underwriting Activities amounted to \$80.09MM in 2017, down by 68.17 per cent or \$171.49MM from YE16's total of \$251.58MM. Net Income from Investing Activities, grew by 13.57 per cent or \$126.76MM from \$933.98MM in YE16 to \$1.06B in 2017. Total Net Income for the year stood at \$1.14B, down 3.77 per cent or \$44.73MM from \$1.19B in 2016. Operating Profit slid by 10.17 per cent or \$64.51MM from \$634.03MM (YE16) to \$569.53MM (YE17).

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

P&C GPW rose 5.71 per cent or \$115.16MM to \$2.13B from \$2.02B in 2016 despite the soft premium rates regionally and internationally. Fatum GPW increased 13.30 per cent or \$71MM from \$534MM in 2016 to \$605MM in YE17. Guardian General Insurance Jamaica Limited (GGIJL) GPW was up by 9.92 per cent or \$35MM from \$353MM (YE16) to \$388MM (YE17). Guardian General Insurance Limited (GGIL) GPW rose marginally by 0.37 per cent or \$4MM to \$1,076MM in 2017 from \$1,072MM in 2016 and Guardian Re GPW had an increase of \$5MM from YE16 to close at \$63MM. NPW increased by 8.64 per cent or \$62.31MM from \$721.05MM in 2016 to \$783.35MM in 2017. This growth was mainly attributed to:

- Higher premiums in Fatum Property and Motor for both Fatum and GGIJL

Overall Total Net Income fell by 4.35 per cent or \$19.78MM from \$455.00MM in YE16 to \$435.22MM in YE17. For the year under review, Operating Profit declined by 26.63 per cent or \$38.99MM to \$107.40MM from \$146.39MM in YE16. 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 9.38 per cent from \$11.6B in YE16 to \$12.8B in YE17. This growth was fueled mainly by the Captive and Third Party portfolios. Revenue grew by 7.40 per cent or \$5.5MM from \$74.3MM in YE16 to \$79.8MM in 2017 and Profit After Tax remained unchanged from last year at \$25.5MM despite the higher tax rate in 2017.

	Life, health and pension		Property and casualty		Asset Management		Other including consolidation adjustments		Group	
	YE-17	YE-16	YE-17	YE-16	YE-17	YE-16	YE-17	YE-16	YE-17	YE-16
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Premiums Written	3,340,808	3,458,460	2,131,836	2,016,676	0	0	0	0	5,472,644	5,475,136
Net Premiums Written	3,143,597	3,290,416	783,351	721,046	0	0	0	0	3,926,948	4,011,462
Net Income from Underwriting Activities	80,085	251,578	319,198	355,009	0	0	3,816	6,067	403,099	612,654
Net Income/(Loss) from Investing Activities	1,060,740	933,979	100,284	95,937	101,482	79,335	(71,549)	(84,353)	1,190,957	1,024,898
Net Income from Brokerage Activities	0	0	15,733	4,050	0	0	0	0	15,733	4,050
Total Net Income	1,140,825	1,185,557	435,215	454,996	101,482	79,335	(67,733)	(78,286)	1,609,789	1,641,602
Operating Profit/(Loss)	569,526	634,034	107,403	146,392	51,094	37,910	(226,454)	(301,034)	501,569	517,302

## Key Developments

### Take-Over

On December 8, 2017 NCB Financial Group Limited ('NCBFG') announced the launch of take-over bid to acquire majority stake in Guardian Holdings Limited ('GHL').

On February 23, 2018 NCB Financial Group Limited ("the Offeror") advised holders of issued and outstanding ordinary shares of Guardian Holdings Limited that the terms and conditions of the Offer which remain outstanding. As such and in accordance with the provisions of the Securities Industry (Take-Over) By-Laws, 2005 (the 'By-Laws'), the Offeror is obliged to confirm as follows:

1. The Offer has unfortunately lapsed due to the failure of Condition 2.4.5 of the Offer;
2. As at the time of going to press, the latest tally reflected that 535 GHL shareholders tendered approximately 91,743,975 GHL shares (subject to verification of validity of all acceptances received by Republic Securities Limited) which, together with the Offeror's existing shareholding in GHL, represents approximately 70.24% of the outstanding GHL Shares. No shares deposited have been taken up by the Offeror.
3. All GHL shareholders who deposited their tenders pursuant to the Offer directly to Republic Securities Limited ('RSL') may collect their documents from RSL at 2nd Floor, Promenade Centre, 72 Independence Square, Port of Spain, Trinidad at any time during usual business hours following Wednesday 28 February, 2018. Alternatively, persons may collect their tender forms from a Republic Bank branch office by emailing RSL at [rsinfo@republictt.com](mailto:rsinfo@republictt.com) so that arrangements may be made for such tender forms to be forwarded to the relevant branch office.

### New Insurance Legislation

The launch of the new legislation in 2018 will allow more flexibility for the Group.

### Investments

The Asset Management segment issued a bond the first time in 2017.



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## Dividends

At the current price of \$17.18 the P/E ratio is 9.82 times which is below the non-banking/finance sector weighted average P/E of 13.34 times. GH L's dividend yield is 3.90 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	GH L
Issued Share Capital	231.90MM
Market Capitalization	\$3.95B
Current Price (as at May 25, 2018)	\$17.18
52 Week Price Range	\$15.00 - \$18.00
Trailing EPS	\$1.75
Trailing Price to Earnings Multiple	9.8 x
Current Book Value/Share	\$14.23
Price to Book	1.2 x
Return on Average Equity	12.8%
Return on Average Assets	1.6%
Dividend Yield	3.9%

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