EDISON

QuickView

Helios Underwriting

Insurance

25 August 2026

Surfing the wave

Helios Underwriting (HUW) continued to perform well in FY25. NAV per share increased c 21p to 263p, rising in each quarter, and including DPS paid of 10p per share, the total NAV return to shareholders was c 31p or 12.3%. Including dividends and share repurchases, a total of 20p per share was returned to shareholders. Pipeline profits strengthened and will be supportive in the next two years. The insurance market is cyclical, and while premium rates have started to soften, they remain adequate after several years of strong increases. HUW has successfully navigated past cycles, and its return on capital has significantly outperformed the Lloyd's of London (Lloyd's) market average over the past 10 years.

Underwriting driving NAV growth and distributions

FY25 earnings benefited from healthy underwriting results relating to the 2023 and 2024 years of account (YOA), with 2025 also starting positively. The 2024 and 2025 YOAs are set to continue delivering strongly in FY26, with the latter thus far avoiding any above-average catastrophe losses or large impacts from the Middle East conflict. In addition, FY25 NAV growth benefited from a weaker dollar and lower expenses, partly offset by a downward revaluation of its owned capacity value.

Further targeted distributions

Capital returned during 2025 of £14m comprised an ordinary DPS of 6p, a special dividend of 4p and share repurchases (including a tender offer) equivalent to 10p. HUW proposes a further return of 20p per share during 2026, including 10p of dividends. The level of distributions is driven by underwriting profits from HUW syndicates (paid to it as dividends when YOAs close out), but also reflects changes in Lloyd's capital requirements, the purchase and sale of syndicate capacity, and the level of gearing. In May 2025, HUW received £24m (net of reinsurance) from the 2022 YOA, and in 2026 it received c £40m from the closed 2023 YOA.

Outlook: Robust returns should continue

At the core of HUW's long-term outperformance of the Lloyd's market is its portfolio diversification across syndicates and classes of business, spreading risk and providing capital advantages as part of its balance sheet management. With a long track record of successfully navigating the underwriting cycle, as rates begin to soften, HUW has reduced its risk exposure (2026 YOA capacity of £467m vs £491m for 2025 with an increased proportion ceded to third parties). Moving beyond FY27, reduced underwriting exposure and softer rates will act as a drag on earnings, but active capital management should support return on equity.

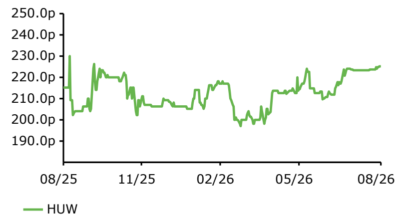
Historical financials

Year end	EPS (p)	NAV/share (£)	DPS (p)	ARR (£m)	ROE (%)	P/NAV (x)	P/E (x)	Yield (%)
12/23	50.57	2.19	12.00	512.1	30.0	1.02	4.4	5.4
12/24	25.56	2.43	20.00	491.0	12.0	0.92	8.7	8.9
12/25	29.00	2.63	20.00	467.4	12.0	0.85	7.7	8.9

Note: DPS is total capital returned to shareholders including special dividends and buybacks. ARR is underwriting capacity for next YOA.

Price	**223.50p**
Market cap	**£156m**

Share price performance



Share details

Code	HUW
Listing	AIM
Shares in issue	69.7m
Net cash/(debt) as at 31 December 2025	£25.3m

Business description

Helios Underwriting was originally established in 2007, primarily to provide investors with a limited liability direct investment into the Lloyd's insurance market. It is an AIM-quoted holding company, providing underwriting participation across a diversified portfolio of selected Lloyd's syndicates via its subsidiaries. It reports as an investment company.

Bull points

- Unique listed exposure to the Lloyd's market.
- Track record of outperforming Lloyd's.
- Strong cash generation and shareholder returns.

Bear points

- Weak top-line growth outlook.
- Risk of underwriting cycle downturn.
- Lack of liquidity in the stock.

Analysts

Martyn King +44 (0)20 3077 5700

Marius Strydom +44 (0)20 3077 5700

financials@edisongroup.com

Edison profile page

Helios Underwriting is a research client of Edison Investment Research Limited

What is HUW?

HUW is an AIM-quoted investment company that invests in the Lloyd's market, the largest reinsurance market in the world. It provides shareholders with simple efficient access to the Lloyd's market and has generated consistent outperformance of the market for more than a decade, principally by being able to select and access the better performing syndicates. As an asset class, reinsurance underwriting is largely uncorrelated with other more traditional markets, and despite its cyclicality, HUW estimates a 9.5% average annual return for the market over the past 20 years. Data-driven syndicate selection is the driving force of HUW returns, with a portfolio of 37 different syndicate participations operating across 60 different risk classes, supported by a favourable Lloyd's capital dispensation and active balance sheet management.

As a capital provider across multiple Lloyd's syndicates, HUW seeks to maintain a diversified portfolio capable of delivering superior risk-adjusted returns while remaining broadly aligned with the overall market mix at Lloyd's. It is effectively an active portfolio manager within the Lloyd's market, targeting high-quality syndicates with strong underwriting track records, while continuously optimising the portfolio as market conditions evolve. Since 2013, this approach has enabled HUW to consistently outperform the Lloyd's market. Syndicates are selected by an experienced, actuarially led team, with proprietary data and analytics capabilities. Together this provides differentiated insight into syndicate performance, portfolio construction and risk selection. As a long-standing market participant, HUW has strong relationships across the market that can provide preferential access to high-quality syndicates that may otherwise be closed to new capital.

More details on FY25

Under Lloyd's three-year accounting standard, an underwriting YOA realises its profits after three years and closes any unexpired liabilities into the next open YOA. As one YOA closes, most recently 2023, another opens, most recently 2026. HUW developed a methodology for quarterly profit recognition over this three-year cycle and for FY25 recognised a cumulative 100.0% profits for the 2023 YOA, 90.0% of the 2024 YOA and 25.0% of the 2025 YOA. The largest contributor to FY25 underwriting profit was the 2024 YOA, reflecting both the positive development of ultimate syndicate underwriting estimates and the increased share of profit recognition. Pipeline profits that were not yet recognised in FY25 relate to the ultimate underwriting profits for the 2024 and 2025 YOA, with these profits to be recognised in FY26 (both YOAs) and FY27 (2025 YOA only).

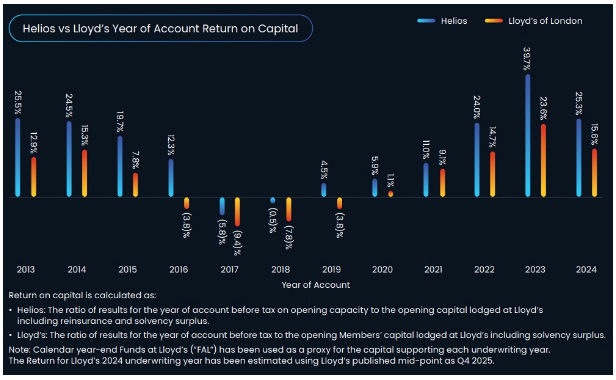
At Q126, the midpoint forecasts for the return on insurance capacity (across HUW's portfolio) for the 2024 and 2025 YOA were 9.8% and 10.9% respectively, and these can reasonably be expected to increase until they close out at the end of the three-year cycle.

It is standard practice for syndicates to set initial estimates using conservative assumptions and, as a result, they typically advance as the YOA matures and there is more certainty around the outcome. Our previous research has shown that for the past decade, syndicate midpoints have increased by an average of more than 50bp per quarter, with an average uplift of more than 200bp in the final year before close-out. The 2023 account closed out with a return of 17%, having started with an initial midpoint estimate of 12.1%. The first 2026 YOA midpoint will be available from Q127.

While underwriting profits are the main driver of earnings and NAV return, investment income (higher over recent years due to the interest rate cycle), reinsurer fees (driven by the amount of capacity ceded and the performance of the ceded portfolio), expenses (including group operating expenses and finance costs) and exchange rate effects all play a role. Additional drivers of NAV return are capacity revaluations (based on actual capacity held, valued with reference to observed Lloyd's auction prices) as well as balance sheet management (including leverage and shareholder distributions).

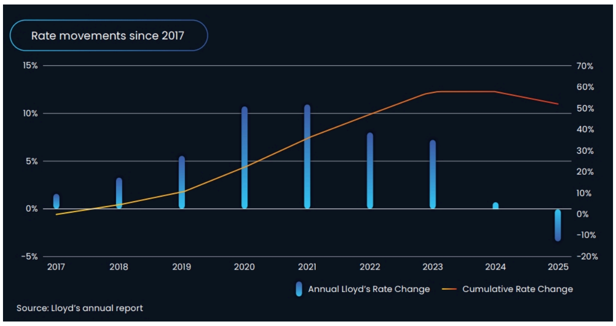
While underwriting profits are the primary driver of cash flow and distributions, the timing does not correspond to earnings and there are other factors involved. In May 2025, HUW received £24m (net of reinsurance) from the 2022 YOA, and in May 2026 received c £40m from the closed 2023 YOA. The capital returns in FY25 and the proposed FY26 capital returns amount to c £28m in aggregate. In addition to distributions, strong cash inflows have enabled the company to strengthen its balance sheet, reduce gearing and meet additional regulatory capital requirements driven by the roll-forward of three-year average capacity. As a measure of gearing, retained capacity, after reinsurance, for the youngest YOA as a percentage of tangible NAV has reduced from 3.2x for the 2025 YOA to 1.9x for the 2026 YOA. The closure of the 2024 YOA should generate further strong cash flow in FY27. Helios carries $75m of debt on its balance sheet and has indicated that it will start repayments in FY28.

Exhibit 1: Long-term market outperformance



Source: HUW

Exhibit 2: Rates have softened but remain attractive



Source: HUW

Rates have peaked but profitability remains strong

The pipeline profits will continue to support earnings and cash flow for the next two years, but beyond FY27, earnings will increasingly reflect the extent and duration of a softening premium rate cycle as well as HUW's appetite for underwriting exposure. As mentioned in previous research, after significant rate increases from 2018 to 2023 (cumulatively more than 50%) premiums remain attractive and reserving is much stronger than during the late-2010s, when the Lloyd's market suffered an extended period of underwriting losses and weak returns. In addition, the current higher interest rate environment is supportive of returns. The Lloyd's market will remain cyclical, but we expect the coming cycle to be flatter than in the past, driven by the elevated current rates.

While average rates across the Lloyd's market are down c 5% from the peak, we do not expect this to be fully reflected in HUW's portfolio. From an underwriting perspective, the 2025 YOA has developed strongly. The impact from the Californian wildfires was mainly allocated to the 2024 YOA, and, aside from this, there were no above-average catastrophe losses or large impacts from the Middle East conflict. Unlike 2025, the 2026 YOA has started free of wildfire claims, with the hurricane season still to develop.

As rates began to soften, HUW reduced its insurance underwriting capacity, from a peak of £512m for the 2024 YOA to £467m for 2026. At the same time, the proportion of freehold capacity (long-term syndicate capacity, providing ongoing participation in syndicate activities and attracting a value within HUW's NAV) has increased from 34% to 47%. Retained capacity, a better measure of its underwriting exposure, has reduced by more than total capacity as the company opted to cede an increasing proportion of risk to reinsurers and other third parties for the 2026 YOA. Retention has reduced to 46% of gross capacity for the 2026 YOA, from 68% for the 2025 YOA and 77% for the 2024 YOA. 2026 YOA retained capacity is therefore c £217m compared with £332 for the 2025 YOA and £404m for the 2024 YOA. Lower retained capacity for the 2026 YOA should release regulatory capital over time as the larger 2024 and 2025 underwriting exposures run off. However, the latest solvency exercise faced upward pressure as the lower-capacity 2023 YOA was replaced by the substantially larger 2024 YOA within the three open years used in assessing capital requirements.

Outlook: Robust returns should continue

While the main driver of HUW's NAV return is the development of pipeline profits, bolstered by investment and other income and offset by expenses, capital efficiencies and a lean capital structure are also important factors. HUW's stated strategy is to deliver sustainable NAV return through disciplined capital management and operational efficiency. We have seen clear evidence of moves towards improved capital efficiencies through the company's rebalancing of its risk portfolio, increased exposure to freehold capacity and reduction in retained capacity. We have also seen clear evidence of the company's willingness to drive a lean capital structure by distributing surplus capital to shareholders. Together with operational efficiencies, these strategies should stand the company in good stead in navigating a potential downturn in the Lloyd's underwriting cycle and to deliver acceptable returns to investors.

EDISON

General disclaimer and copyright

This report has been commissioned by Helios Underwriting and prepared and issued by Edison, in consideration of a fee payable by Helios Underwriting. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or sol icitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom