

Helios Underwriting

Strong distribution pipeline

Helios Underwriting (Helios) is set to benefit from strong cash generation as its syndicate investments start distributing dividends relating to very profitable business written since 2022. Under its new IFRS accounting standard, it is classified as an investment company, and we forecast strong dividend income of £19.9m in FY25, growing to £37.6m in FY26. The cash from syndicates could be used to pay down debt and fund shareholder distributions on top of the recent £7.3m tender offer. We forecast EPS of 33.4p in FY25, up 30.3% on a restated FY24 base, and healthy growth of 18.6% to 39.6p in FY26 before a softer underwriting cycle moderates the outlook. We increase our valuation to 277p per share, which is an 12% premium to net asset value (NAV) and 33% ahead of the current share price.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/24e	36.0	20.9	25.60	10.00	8.2	4.8
12/25e	30.2	23.1	33.35	6.00	6.3	2.9
12/26e	38.6	27.1	39.56	6.00	5.3	2.9
12/27e	35.8	24.2	35.20	6.00	5.9	2.9

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. DPS does not include special dividends expected, which were included in our previous research. Forecasts do not include any impact of the current geopolitical situation.

New disclosure standard and profit recognition

Helios has fundamentally changed the basis of its disclosure from an insurance holding company to an investment company and has altered the way it recognises and discloses syndicate underwriting profit. Investors will now be more dependent on Helios and its syndicates' view of ultimate underwriting profits, profit recognition and the value placed on underwriting capacity. In the context of this increased dependence, Helios aims to provide more regular disclosure, including quarterly syndicate mid-points, capacity, NAV and, by implication, earnings.

Strong syndicate dividend pipeline

Since the 2022 year of account (YOA; Lloyd's of London (Lloyd's) explanations below), Helios's syndicates have produced strong underwriting profits and as these results are finalised (closed out), they will be paid as dividends (from FY25). Lloyd's three-year accounting provides visibility on these flows into FY26. 2025 YOA is also set to be a strong underwriting year due to a benign hurricane season. We expect the underwriting cycle to start softening from 2026, although the Iran war could change this calculus. The record Lloyd's premium growth of 83% since FY20 leaves it and Helios in a much stronger position to weather adverse claims experience than was the case in FY16 before a sharp downturn in results, which lasted into FY20. Helios announced a 5% reduction in 2026 YOA capacity to £467m.

Valuation: 277p per share

Our 33.4p EPS forecast for FY25 is an acceleration on the H125 results (6.2p), with an updated profit recognition approach heavily weighted towards H2. The healthy 18.6% EPS growth forecast for FY26 is due to the impact of higher capacity deployment in 2024 and 2025, as well as cost control. From FY27 we see an EPS decline (-11% to 35.2p) on lower capacity and a softer cycle. Our through-the-cycle return on NAV of 12.2% drives our 277p per share valuation (up 2.6%).

Results and updates

Insurance

11 March 2026

Price 209.00p

Market cap £145m

Net cash/(debt) at 30 June 2025 £18.9m

Shares in issue 69.6m

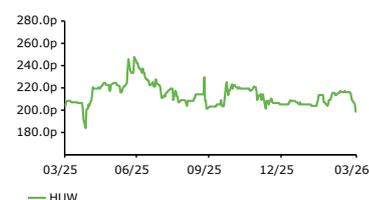
Free float 48.4%

Code HUW

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (0.5) 1.5 3.0

52-week high/low 242.0p 173.0p

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.

Next events

Q4 syndicate mid-points March 2026

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Helios Underwriting is a research client of Edison Investment Research Limited

Understanding Helios's new disclosure, strategy and outlook

An investment company with unique exposure to Lloyd's

Helios Underwriting is an AIM-listed investment company with a diversified portfolio of Lloyd's syndicate assets. It has a small but focused team led by Louis Tucker, who assumed the role of CEO in October 2025. He brings over 20 years of Lloyd's experience, including as managing director of Arch Managing Agency. Following a period of expansion, Helios has spent the past year consolidating its portfolio, driving expense efficiencies and distributing cash to shareholders via growing dividends and share buybacks.

The Helios portfolio is made up of direct and indirect interests in c 50 limited liability vehicles (LLVs), limited liability partnerships (LLPs), management agents and other corporate partners, representing Lloyd's underwriting capacity (capacity) of £467m.¹ This capacity is made up of £218m in freehold capacity,² where Helios has a permanent stake and participates in all currently open and future years of account,³ and £249m in tenancy capacity,⁴ which the company has temporary access to and participates in. Helios cedes c £163.5m of the capacity using quota share (QS) reinsurance and by leasing to third parties, resulting in c £303.5m of retained capacity.⁵

At H125, Helios had funds at Lloyd's (FAL)⁶ of £67.9m, down from £72.2m in FY24, which forms part of its balance sheet equity investments at fair value through profit and loss (FVTPL assets)⁷ of £156.6m. Capacity value,⁸ which also forms part of the FVTPL assets, had remained unchanged at £68.3m as no capacity was added or acquired during H125. The company's 30 September 2025 NAV update pointed to a modest increase in capacity value to £69.7m, which may be further revalued at year-end, allowing for the 2026 YOA capacity that was recently announced. The company's H125 earnings of £4.4m included net gains on financial assets at FVTPL (FVTPL gains) of £4.7m and benefited from foreign exchange movements of £5.0m due to the impact of the weaker dollar on Helios's \$75m of US debt.

There was no dividend income from subsidiaries in H125 (this is expected to become an important feature from FY25), but the company's cash balances increased to £49.6m owing to a reduction in the money due from related parties. EPS of 6.2p was modest, with underwriting profit recognition weighted to H2, resulting in an NAV of 238p per share versus 243p per share at FY24, representing a modest annualised return on NAV (RoNAV) of 5%, including an FY24 dividend of 10p per share. The company's NAV at 30 September 2025 of 248p per share grew from 30 June 2025, thanks to a £0.7m increase in its capacity value and £5.7m in profit during the quarter.

We forecast healthy profit recognition during H225 and into FY26 based on our expectation of syndicate mid-point development.⁹ Helios releases these mid-points every quarter from Q5 to Q12, depending on the YOA. Based on the

- 1. Capacity determines the level of gross written premiums (GWP) that a syndicate can write in a year.*
- 2. Freehold capacity has value and can be bought or sold in the annual Lloyd's auctions or can be acquired through the purchase of LLVs or LLPs.*
- 3. YOA refers to the individual year during which cover is provided, which remains open for a period of three years, allowing claims to be reported and settled, before the ultimate underwriting result is determined and the YOA is closed out.*
- 4. While tenancy capacity has no explicit value and is not carried on Helios's balance sheet as part of the FVTPL, it must be backed by FAL and does give Helios access to syndicate underwriting results.*
- 5. QS reinsurance is an arrangement where the insurer and the reinsurer share the risks, with a proportionate share of GWP and underwriting profits. The insurer (Helios) will also receive profit commission from the reinsurer, based on the QS level and actual underwriting performance.*
- 6. FAL is the regulatory solvency capital that is physically (or notionally) deposited at Lloyd's to back the insurance risks taken on. The level of required FAL can be lowered through diversification (Helios receives a diversification benefit from Lloyd's) or through the use of reinsurance (QS or excess of loss).*
- 7. FVTPL assets is a balance sheet asset that Helios carries as an investment company, representing its interests in underlying syndicates. It is made up of FAL, capacity value and retained earnings.*
- 8. Capacity value, which forms part of the FVTPL and hence NAV, is determined with reference to transaction values at Lloyd's auctions. Helios applies a 10% discount to capacity value for conservatism. Capacity is revalued annually and as such can add or subtract from RoNAV in a particular year.*
- 9. Mid-point estimates are the expected ultimate underwriting profit from syndicates as a percentage of the retained capacity.*

close-out of the 2022 YOA and the expected close-out of the 2023 YOA, we forecast strong syndicate dividend income, starting in FY25, supporting shareholder distributions, including our dividend forecasts. On 29 September 2025, Helios proposed a tender offer to return up to £7.3m to shareholders at 238p per share.

Change in accounting treatment and profit recognition

Helios changed its accounting framework for its financial statements from UK GAAP to IFRS as at FY24, which means that it is now accounted for as an investment company, where previously it was an insurance holding company. After some initial teething issues, the new standard started to settle with the company's H125 disclosure, and we expect it to fully mature when the company releases its FY25 results. The new disclosure is less detailed than that under UK GAAP, especially as the underlying syndicate investments are no longer consolidated. While this may leave insurance specialists unsatisfied, it may aid the understanding of generalist investors, especially those who are accustomed to other quoted investment companies. Readers of Helios's accounts and disclosures will become more dependent on the company and its syndicates' view of ultimate underwriting profits, profit recognition and the value placed on capacity. In the context of this increased dependence, Helios aims to provide more regular disclosure, including on quarterly syndicate mid-points, capacity, NAV and, by implication, earnings.

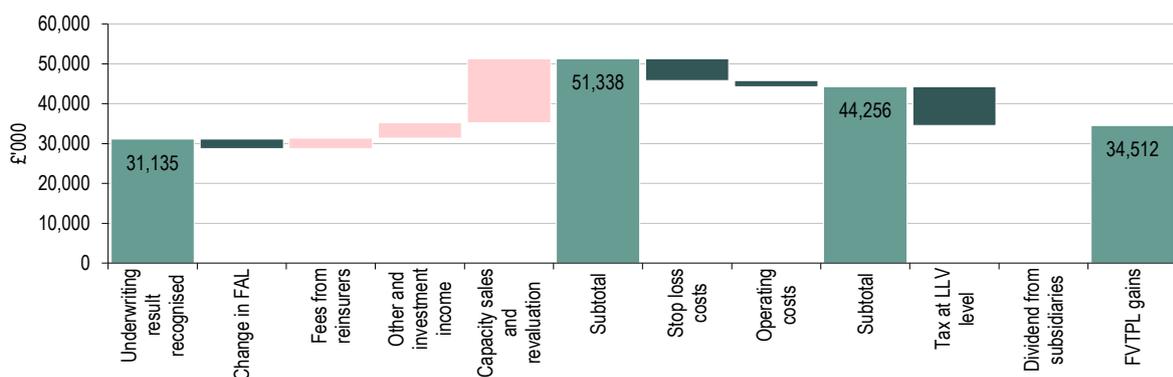
We have faced a number of challenges with historical reconciliations between the old UK GAAP basis and the new IFRS basis, especially as it relates to the determination of earnings and the building blocks for NAV. While the FY24 financial statements included restatements to reconcile UK GAAP parent company statements to the new investment company statements, the bridge to the old, consolidated statements (which formed the basis for our NAV and RoNAV forecasts, as well as our previous valuation) has proven to be challenging. This was particularly so as it relates to FY23 and prior years and has been exacerbated by further changes in underwriting profit recognition from H125. We have dealt with these challenges by considering FY24 as the new base for forecasting and by changing our forecasting methodology and approach to align with the new disclosure of the company.

There have been key changes to P&L and balance sheet disclosure, with the most prominent changes being:

- all syndicate-related balance sheet items (financial assets, technical provisions, reinsurance assets etc), including those related to FAL and capacity value (referred to in our previous research as the weighted average value, WAV), have been rolled into a single asset, namely 'equity investments at FVTPL' (FVTPL assets); and
- the detailed three-year accounts for the open YOAs, as well as consolidated P&L items such as GWP, reinsurance, changes in provisions, syndicate investment and other income, insurance claims, syndicate operating expenses and QS adjustment, have been included in a single P&L item, namely 'net gains on financial assets at FVTPL' (FVTPL gains).

The FVTPL gain during a particular period is the difference between the FVTPL assets at the end of the period and the FVTPL assets at the beginning of the period. As mentioned above, these two single disclosures encompass a number of moving parts, which we have estimated historically and forecast explicitly going forward.

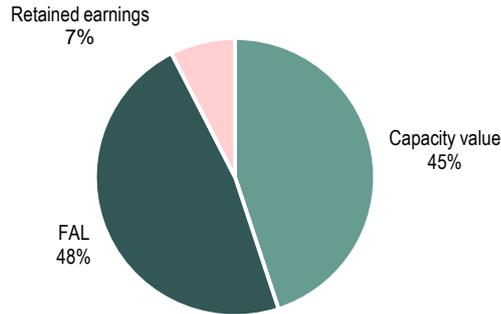
Exhibit 1: Build-up of FVTPL gains – FY24 estimated disaggregation



Source: Helios Underwriting accounts, Edison Investment Research

Helios disclosed FVTPL gains of £34.5m for FY24, and we were able to derive change in FAL and capacity sales and revaluation from supplemental asset disclosure, while a number of the other items were based on transitional and other supplemental disclosure. There were no syndicate dividends over FY24, but when they do occur, they will represent a negative value within the FVTPL change build-up with an equal and opposite positive item in the P&L.

Exhibit 2: Composition of FVTPL asset, based on FY24 estimated disaggregation



Source: Helios Underwriting accounts, Edison Investment Research

The FVTPL asset consists of three main parts: the FAL, the capacity value and retained earnings. These three items are directly correlated with items in the FVTPL change: a) change in FAL; b) capacity sales and revaluation; and c) all other items related to retained earnings.

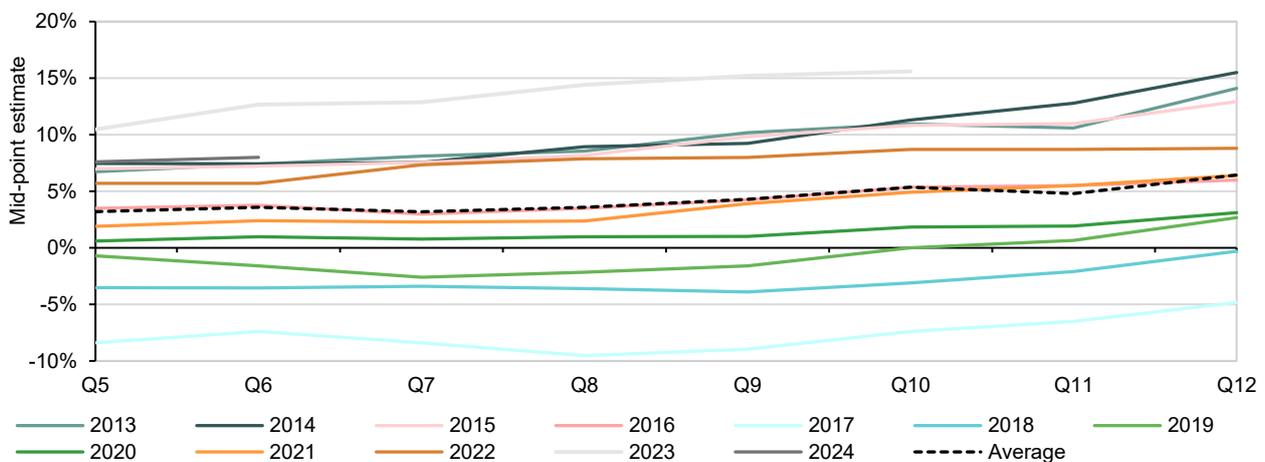
Key to forecasting EPS, NAV and dividends for Helios going forward is to forecast FVTPL change and the resultant FVTPL asset. Both the FAL and the capacity value forecasts are affected by our views on capacity growth, with the former affected by Lloyd’s solvency requirements, reinsurance strategies in place and the pound sterling/dollar exchange rate, while the latter is affected by the pricing observed in the Lloyd’s capacity auctions.

Items such as fees from reinsurers, as well as other and investment income, are affected by capacity growth as well as QS strategy, while the operating costs relate to certain investment company activities. Stop-loss costs were a feature of the past but will not continue. The main item driving the FVTPL gains is the underwriting results recognised, which we unpack further below. The below sections also illustrate the development of our forecasts from H125 based on the 30 September 2025 NAV update, which was released by the company on 2 December 2025.

Underwriting result recognition and forecasting

Underwriting results for Lloyd’s syndicates take time to fully develop and to emerge as earnings. A three-year accounting approach is followed for each YOA. Premiums are largely received in the first year but earned over the first two years.

Exhibit 3: Helios syndicate portfolio’s historical mid-point estimate development



Source: Helios Underwriting mid-point estimates, Edison Investment Research.

Note: Mid-point estimates are the expected ultimate underwriting profit from syndicates as a percentage of the retained capacity. Helios releases these midpoints every quarter from Q5 to Q12, depending on the YOA.

Claims are largely incurred in the first two years, but the trend is usually set by the hurricane season and any other large claims in year one. Syndicates err on the side of conservatism when estimating claims exposure and in raising technical provisions. Expenses are usually quite evenly spread over the first two years. Further claims development occurs in year three and by the end of the year, the YOA is closed out by reinsuring any residual claims risk and determining the

ultimate underwriting profit for the YOA. There is almost always a release of claims provisions at the close-out and this has consistently been the case for the Helios portfolio from the 2013 YOA to the 2022 YOA. Syndicates start taking a view on the ultimate underwriting results expected for a YOA from the fifth quarter (Q5) by producing best, worst and mid-point estimates. These estimates are then updated every quarter thereafter until the YOA closes out in Q12. The conservatism that syndicates employ in their accounting and reserving approach is borne out by mid-point estimate development over time.

Exhibit 3 shows the actual mid-point estimate development for Helios syndicates for all closed-out YOAs from 2013 to 2022 as well as the development for the open 2023 and 2024 YOAs. It is interesting to note the meaningful deterioration in ultimate underwriting result from the 2014 YOA (15.5% of capacity) to the 2017 YOA (-4.8% of capacity) and the subsequent recovery to 8.8% for 2022 as the underwriting cycle hardened, with 2023 heading for a record close-out (we are forecasting 16.4%). An important observation is that, except for 2017 and 2018, all mid-point estimates consistently increased every quarter from Q8 and all YOAs, without exception, increased every quarter from Q10 to Q12 (representing the close-out uplift discussed above). The average quarterly observed mid-point increase has been 63bp and the average final year increase has been 210bp. We have employed a 50bp per quarter mid-point increase in our forecasts.

Helios's new accounting approach uses the syndicate mid-point estimates and the implied ultimate underwriting result as a starting point for profit recognition. The cumulative profit recognised in a particular period is calculated as:

the ultimate underwriting profit estimate (for each YOA) × a discounting factor × a recognition factor.

The recognition factor is aimed at spreading earnings over the three-year period, while the discounting factor allows for the time value of money. We have made high-level assumptions around the recognition profile, with modest recognition at the end of year one of a YOA, gradually increasing over time until full recognition at the end of year three for that YOA.

We calculate the underwriting profit recognised during a particular period as the cumulative profit recognised at the end of the period minus the cumulative profit recognised at the start of the period. The table below shows our forecasts for cumulative underwriting profit recognised and in-period recognised underwriting profit for Helios during our explicit forecast period. Our forecasts have been informed by the actual H125 position, as well as our estimates for the nine months to September 2025 (9M25), which have been based on the 30 September NAV (and specifically the Q325 profit of £5.7m). This NAV disclosure contained unchanged retained capacity for the 2023 YOA of £251.7m and 2024 YOA of £403.5m but delivered mid-point improvements for the 2023 YOA from 15.6% as at H125 to 16.1% and for the 2024 YOA from 8.0% as at H125 to 8.3% (the latter being lower than our standard improvement assumption of 50bp per quarter).

Exhibit 4: Forecast underwriting result recognition

£000s	FY24	H125*	9M25**	FY25e	FY26e	FY27e
In-period recognised underwriting result		9,852	18,475	33,009	42,777	37,895
Year 3 (closed out)		2,200	4,819	6,821	14,392	12,558
Year 2		7,652	13,656	19,253	23,005	20,818
Year 1		0	0	6,935	5,380	4,519
Cumulative recognised underwriting result						
Year 3 (closed out)		37,161	39,780	41,782	43,573	42,499
Year 2	34,961	17,580	23,584	29,181	29,940	26,198
Year 1	9,928	0	0	6,935	5,380	4,519
Mid-point estimate						
Year 3 (closed out)	8.8%	15.6%	16.1%	16.6%	10.8%	14.0%
Year 2	14.4%	8.0%	8.3%	8.8%	12.0%	10.5%
Year 1 (initial estimates)	8.0%			10.0%	8.5%	7.0%
Capacity (£m)						
Year 3 (closed out)		251.7	251.7	251.7	403.5	303.6
Year 2		403.5	403.5	403.5	303.6	303.6
Year 1				332.6	303.6	309.6

Source: Helios Underwriting accounts, Edison Investment Research. Note: *New recognition approach from H125. **Estimate based on September 2025 NAV.

In our forecasts, we have allowed for £332.6m of retained capacity deployed for the 2025 YOA, which is in line with the company's disclosure. On 20 January 2026, Helios published an update for its 2026 YOA portfolio, which included a reduction in gross capacity from £491m to £467m. The company has indicated that the proportion of gross capacity ceded for the 2026 YOA has increased from the c 32% for the 2025 YOA. Based on an assumed 35% of capacity ceded

for the 2026 YOA, we estimate a level of retained capacity of £303.6m to be deployed in writing business. We allow for modest growth in the deployed capacity to £309.6m for the 2027 YOA.

The 2025 YOA has been affected by the California wildfires earlier in the year but, following a very benign hurricane season, indications are that experience will be better than the 2024 YOA and could approach the very strong levels of the 2023 YOA.

We forecast a Q4 mid-point estimate of 10.0% for the 2025 YOA, which is 70bp higher than for 2024 at the same time last year and 50bp lower than the 10.5% for the 2023 YOA two years ago. We then forecast a more modest starting mid-point forecasts for FY26 (2026 YOA) of 8.5%, assuming a more normalised wildfire and hurricane environment, before moderating to 7% in FY27 (2027 YOA), allowing for the impact of a softer premium environment.

While there is a risk that underwriting performance could deteriorate more sharply than our 2027 YOA forecast, especially if there are large unexpected claims and a severe hurricane experience, we believe that the record 83% increase in Lloyd's GWP since 2020 positions the market very well to weather such events. We are cautiously optimistic that the Lloyd's underwriting down-cycle will be much shallower than the 2016 to 2020 cycle, with combined ratios potentially remaining below 100%.

From our forecast mid-point starting levels, we allow for a 50bp per quarter improvement or 2% per year over a reporting year.

FVTPL asset, FVTPL change and subsidiary dividend

FVTPL change and dividends from subsidiaries are the main drivers of Helios's total P&L income, while total expenses mainly relate to the PLC cost structure. As mentioned earlier, FVTPL change is directly related to FVTPL assets, with the latter being the principal component of the company's NAV. We have estimated the building blocks for FVTPL asset and FVTPL change historically and have forecast these based on our understanding of the Helios business, and this is presented in Exhibit 5.

Our forecasts for FY25 have allowed for the 30 September 2025 NAV update, taking into account changes in freehold capacity and the capacity value included in the update, as well as the increase in NAV as a result of profits during the quarter. Our FY26 forecasts allow for the announced 5% reduction in the 2026 YOA capacity to £467m (and our estimate for retained capacity of £303.5m).

Over the remainder of our forecast period, we have not allowed for any meaningful growth in Helios's syndicate capacity as the company focuses on consolidating its portfolio and returning cash to its shareholders. We have allowed for modest growth in capacity from pre-emptions,¹⁰ amounting to 2.0% of starting capacity from FY26, following on from the 2.7% increase in FY25 (from the NAV update). We have also not forecast any meaningful changes in FAL, allowing for Lloyd's solvency requirements to remain largely unchanged in the medium term and for Helios to maintain its reinsurance strategy as far as both QS and excess of loss reinsurance goes. The largely flat forecast FAL in FY25 is the combination of a rise, due to the disclosed increase in freehold capacity, offset by the impact of the weaker dollar during H125 (with much of the FAL being dollar denominated).

We have taken a conservative view on capacity revaluation for FY25 and have largely limited it to the disclosed revaluations included in the 30 September 2025 NAV update (£1.2m). Thereafter, we have not allowed for any further capacity revaluations. While a downward turn in the underwriting cycle could negatively affect capacity pricing over time, the increased contribution to Lloyd's GWP growth in H125 from new syndicates could signal increased demand for capacity, at least in the medium term. Capacity pricing at auction is a key development to monitor going forward as it could affect NAV and RoNAV via the contribution from capacity value.

We have also not made any material assumptions around Helios's participation in the auctions or any further LLV acquisitions, assuming that it may be content to extract value from the capacity that it currently has access to. Helios still has a very high level of tenancy capacity and while this capacity carries a capital requirement (included in FAL), it is not accounted for in its capacity value. In the recent YOA capacity announcement, Helios reduced its tenancy capacity exposure from £320.4m to £254m (out of £467m of gross capacity), which has increased its relative exposure to freehold capacity from 35% for the 2025 YOA to 46% for the 2026 YOA. Helios may opt to further increase this exposure to freehold capacity over time, which could have a positive impact on capacity value. If such an increase in exposure to freehold capacity occurs via LLV acquisitions (its recent YOA capacity announcement included the purchase of two LLVs

10. Pre-emptions are increases in capacity offered by syndicates to their investors for no cash consideration. Helios must raise the FAL to back this capacity and includes such increases in capacity value.

at £4.85m), it could increase its participation in strong pipeline profits (eg from the 2024, 2025 and 2026 YOA). The potential increase in freehold capacity going forward offers optionality to our forecasts and valuation.

Exhibit 5: FVTPL asset and change forecast

£'000	FY24*	H125*	9M25**	FY25e	FY26e	FY27e
Underwriting result recognised	31,135	9,853	18,475	33,009	42,777	37,895
Change in FAL	(2,398)	(4,300)	(3,000)	(2,385)	1,396	1,424
Fees from reinsurers	2,637	900	1,935	1,935	2,032	2,184
Other and investment income	3,876	1,300	1,820	2,340	2,293	2,339
Capacity sales and revaluation	16,088	0	1,400	1,400	2,522	2,572
Stop loss costs	(5,520)	0	0	0	0	0
Operating costs	(1,562)	(1,449)	(1,739)	(2,029)	(2,069)	(2,090)
Tax at LLV level	(9,744)	(1,576)	(4,723)	(5,607)	(12,238)	(11,081)
Dividend from subsidiaries	0	0	0	(19,949)	(37,604)	(39,216)
FVTPL Change	34,512	4,728	14,168	8,715	(891)	(5,972)
Capacity value	68,300	68,300	69,700	69,700	72,222	74,794
FAL	72,200	67,900	69,200	69,815	71,211	72,636
Retained earnings	11,417	20,444	35,784	21,117	16,308	6,339
FVTPL Asset	151,917	156,644	174,684	160,632	159,741	153,769

Source: Helios Underwriting accounts, Edison Investment Research. Note: *Historical numbers estimated based on limited disclosure. **Estimated based on 30 September 2025 NAV disclosure.

The main driver of the FVTPL change is the underwriting result recognised, which is not disclosed by the company, but we have estimated it based on our mid-point assumptions above. The largest contributor to this result on an annual basis is typically from the YOA in its second year, due to the large assumed acceleration in recognition, but the close-out year of account is also forecast to become increasingly important. During FY25, we forecast a proportionally lower contribution from the very strong 2023 YOA due to: a) a large proportion already recognised in FY24 (based on a more aggressive previous recognition profile); b) conservatism around the mid-point development (this YOA could surprise on the upside); and c) the lower level of retained capacity of £251.7m, versus £403.5m committed to the 2023 YOA and £332.6m to 2025. The net effect is for a 6% increase in FY25, which accelerates sharply (+29.5%) in FY26 due to higher capacity commitments, especially for the 2024 YOA, which is forecast to close out strongly in the year, combined with a healthy outlook for the 2025 YOA. Thereafter, we allow for the recently announced reduction in capacity and a softer underwriting cycle manifesting in lower initial mid-point estimates and ultimate close-outs.

The other P&L items have not been disclosed in H125 and while not directly comparable to FY24 due to a different recognition profile, have been calibrated after discussion with management and we have made forecasts using our assumptions and understanding of the business. Specifically, we have forecast a cessation of stop-loss reinsurance as flagged by management, we allow for modest improvements in reinsurance fee income on the back of modest capacity growth and slight decreases in other and investment income as interest rates moderate in sub-inflationary growth in syndicate operating costs (all from FY26 onwards). The 30 September 2025 NAV update did not include any details on FVTPL asset or FVTPL change, but it did disclose profit for the quarter of £5.7m, which (together with the updated capacity value) has been used to produce the 9M25 column in the exhibit above. We have assumed no dividends from subsidiaries during the quarter.

Tax has been forecast at the UK corporate tax rate of 25%, but from FY25 onwards, we have offset total PLC expenses as Helios and the syndicates are expected to form a tax group and there will be no tax paid or tax relief obtained at PLC level (both FVTPL change and dividend from subsidiaries are tax-exempt at PLC level).

Helios has not reported any dividend income from syndicates since adopting the new accounting standard but has seen a reduction in money due from related parties drive an increase in cash and cash equivalents. This mechanism will change from FY25 with syndicate profits (from closed YOAs) resulting in dividends from subsidiaries being declared and explicitly disclosed in the P&L. These positive dividends in the P&L will have an equal and opposite impact on the FVTPL change and the FVTPL asset. The level of dividends will be driven by the close-out of YOAs as it is only once a close-out occurs and the final underwriting result is fixed that cash will flow from the syndicates to the holding company (Helios). We have therefore based our syndicate profit and subsidiary dividend forecasts on our forecasts of the close-outs and have set the amount to 90% of the ultimate close-out result. Based on our estimate of the 2022 YOA close-out in FY24, we forecast dividends of £19.9m in FY25, rising to £37.6m in FY26 based on a strong forecast close-out for 2023 and then further to £39.2m in FY27.

As a result of these dividend flows, we expect the 'retained earnings' within the FVTPL asset to reduce over our forecast period, resulting in a declining asset after a peak in FY25, but with a commensurate build-up in holding company cash

and cash equivalents available for shareholder dividends and distributions.

Large cash deployment in the coming years

As a result of the large forecast syndicate dividends from FY25, supported by YOA close-outs and underwriting result recognition from open years during our forecast period, we project a very healthy build-up in Helios's cash balances over the coming years. In the light of the company's updated strategy, which has been implemented over the past year and is expected to be continued by the new CEO, we do not expect this surplus cash to be deployed in the accumulation of capacity, as it was over the period from FY19 to FY23 when gross capacity rose from £69.1m to £512.0m. As discussed above, we see only modest growth from the current gross level of £467.0m (retained capacity of c £303.5m). Instead of investing for growth, we expect that Helios will deploy its surplus cash in debt repayment and shareholder distributions.

However, as flagged, it is possible that Helios could increase its exposure to freehold capacity over time (either via LLV acquisitions or auctions) and this would require the deployment of cash. As can be seen below, our cash and cash equivalents forecasts are sufficiently high (especially for FY25) to allow Helios the freedom to do this, without limiting its ability to repay debt, carry out buybacks or pay special dividends. Below is an extract from our cash flow statement forecast, highlighting our expectations for cash deployment.

Exhibit 6: Forecast cash deployment

£'000	FY24	FY25e	FY26e	FY27e
Net operating cash flow		47,344	35,433	36,110
Share buybacks		(7,300)	0	0
Repayment of borrowings*		(4,914)	0	0
Dividends		(7,138)	(12,917)	(15,327)
Net increase in cash and cash equivalents		27,992	22,516	20,783
Cash and cash equivalents	28,935	56,927	79,443	100,225
Borrowings	58,457	53,543	53,543	53,543
Ordinary DPS (p)	6.0	6.0	6.0	6.0
Special DPS (p)	4.0	6.7	12.8	16.3
Distribution yield (as a percentage of current market cap)		10.0%	8.9%	10.6%

Source: Helios Underwriting accounts, Edison Investment Research. Note: *Foreign exchange impacts on debt included here.

The share buybacks forecast for FY25 relate to the 25 September 2025 tender offer to purchase shares at 238p per share. Based on our forecast cash build-up profile, we see the potential for a meaningful ramp-up in distributions from FY26 and into FY27 in the form of special dividends or buybacks. We have not forecast any further buybacks (which are a likely distribution mechanism, in our opinion) and instead have allowed for shareholder distributions via our special dividend projection in Exhibit 6. If and when the company opts for buybacks or a further tender offer (instead of special dividends as modelled), we will update our forecasts, with the impact depending on the price at which these buybacks are executed.

We forecast the repayment of 25% of Helios's outstanding debt by the end of FY28, with a further repayment of 25% by the end of FY29 and the remaining outstanding balance to be settled in FY30. Finally, we allow for special dividends over the coming years, following a 4p per share special dividend in FY24. Based on the current market capitalisation of Helios, this implies a distribution yield of 10.0% in FY25, falling to 8.9% in FY26 and rising to 10.6% in FY27, which is very attractive from a shareholder point of view.

As mentioned above, FVTPL gains and dividend income are the main drivers of earnings in our forecasts for Helios, but there are other key items such as total expenses, which are all PLC related, interest income, which is earned on PLC cash balances, and forex movements. During H125, the sharp depreciation in the dollar (from 1.26 to 1.37 vs sterling) had a positive impact on earnings as a result of the mark-to-market impact on the company's dollar-based debt. In our FY25 forecast, we have allowed for the current spot exchange rate of 1.37 but have not taken any views on exchange rate movements going forward. Because both FVTPL gains and dividend income are exempt from tax, we forecast no tax payable at holding company level.

Exhibit 7: Condensed statement of income and NAV forecast

£'000	FY24	H125	9M25*	FY25e	FY26e	FY27e	H125 growth	FY25 growth	FY26 growth	FY27 growth
Income										
Interest income	1,273	491	931	1,370	1,708	2,383	-31.4%	7.6%	24.7%	39.6%
Dividend income	0	0	0	19,949	37,604	39,216	N/A	N/A	88.5%	4.3%
Net gains on financial assets at FVTPL	34,512	4,728	14,168	8,715	(891)	(5,972)	-39.4%	-74.7%	-110.2%	570.5%
Other income	212	100	156	212	212	212	-86.6%	0.0%	0.0%	0.0%
Total income	35,997	5,319	15,255	30,246	38,633	35,839	-42.6%	-16.0%	27.7%	-7.2%
Expenses										
Operating expenses	(7,756)	(2,148)	(3,222)	(4,296)	(4,382)	(4,470)	-58.7%	-44.6%	2.0%	2.0%
Interest expense	(6,063)	(2,783)	(4,175)	(5,566)	(5,098)	(5,098)	-10.4%	-8.2%	-8.4%	0.0%
Other expenses	(1,249)	(991)	(1,487)	(1,982)	(2,022)	(2,062)	356.7%	58.7%	2.0%	2.0%
Total expenses	(15,068)	(5,922)	(8,883)	(11,844)	(11,502)	(11,630)	-30.5%	-21.4%	-2.9%	1.1%
Net profit before tax and forex	20,929	(603)	6,372	18,402	27,131	24,209	-181.3%	-12.1%	47.4%	-10.8%
Forex movements	0	5,017	3,742	4,674	0	0	N/A	N/A	N/A	N/A
Income tax (charge)/credit	(2,354)	0	0	0	0	0	N/A	N/A	N/A	N/A
Net profit for the year after tax	18,575	4,414	10,113	23,077	27,131	24,209	-556.9%	24.2%	17.6%	-10.8%
Basic EPS (p)	25.6	6.2		33.4	39.6	35.2	-572.5%	30.3%	18.6%	-11.0%
Diluted EPS (p)	24.5	5.9		31.8	37.6	33.4	-551.9%	29.8%	18.3%	-11.3%
Total DPS (p)**	10.0			12.7	18.8	22.3		27.2%	47.8%	18.3%
NAV/share (p)	242.7	238.7	248.0	265.4	285.4	297.4				
RoNAV	11.7%	5.1%	7.1%	13.7%	14.9%	12.3%				

Source: Helios Underwriting accounts, Edison Investment Research. Note: *Estimated based on 30 September 2025 NAV update.
 **Total DPS includes expected shareholder distributions, which could take the form of share buybacks, tender offers or special dividends.

We have forecast interest income based on our projected cash balances for Helios (see Exhibit 7 above) as well as falling interest rates. Our interest expense forecasts are largely driven by our projected debt repayment profile. Other expenses are forecast to grow at a modest 2% per year. This results in a basic EPS forecast of 33.4p for FY25, up 30.3% on FY24, followed by healthy 18.6% growth in FY26 to 37.6p, thanks to the impact of higher capacity deployment in 2024 and 2025, combined with modest growth in FAL and capacity value, as well as cost control. Forecast EPS growth then slows in FY27 as the impact of lower-capacity deployment and lower mid-point forecasts start to be felt. We forecast a RoNAV of 13.7% for FY25, after which this improves to 14.9% in FY26 due to healthy earnings growth and cash deployment, before it slows to 12.2% in FY27. While we expect that RoNAV is likely to peak at 14.9% in FY26, likely coming under pressure thereafter into a softer underwriting cycle, it could rise from the 12.2% in FY27 as the company reduces its debt gearing and distributes excess cash to shareholders. A softer landing for the underwriting cycle, which looks increasingly possible, could also result in a higher trend in RoNAV being generated after FY27.

Valuation

Our base case valuation of 277p per share uses a 12.2% over-the-cycle RoNAV, which has been determined with reference to our average forecast RoNAV over the next four years and applying a further 100bp reduction to allow for a softer underwriting cycle. This compares to the 13.2% applied in our 25 April 2025 note.

At the same time, we have increased our cost of equity for Helios of 11.25%, based on a risk-free rate of 4.8% (up from 4.6%), a risk premium of 6.5% and a beta of 1.0x. The reduction in our over-the-cycle RoNAV is a combination of: lower capacity deployment from the 2026 YOA; a forecast softening in the underwriting cycle from the 2026 YOA; and healthy cash balance build-up from syndicate dividends. Our forecast RoNAV would increase if Helios were to accelerate its shareholder distributions or if the Lloyd's underwriting cycle landing were to be softer than forecast. Considering the uncertainty around the underwriting cycle, we expect Helios to take a conservative approach.

Our valuation uses a RoNAV versus a price/NAV approach and has been determined with reference to the NAV per share disclosed as at 30 September 2025, which was 248.0p per share (compared to the 214p per share as at 31 December 2024 used in our previous valuation¹¹ and the 238.7p per share as at 30 June 2025). Our latest valuation is 2.6% higher than the valuation published in April 2025. Please note that our valuation is particularly sensitive to RoNAV and cost of equity assumptions. For every 100bp reduction in our through-the-cycle forecast NAV, our valuation declines by 10%. Further, for every 100bp reduction in our cost of equity assumption, the valuation increases by 11.9%.

The valuation offers potential upside from a more aggressive shareholder distribution and accelerated debt repayment profile, as well as a longer-lasting hard underwriting cycle. Distributing 100% of earnings from FY26 would add 4.6% to our valuation. However, it offers downside to a much softer underwriting cycle and unexpected natural catastrophe and other large claims. We do note that the extended period of premium re-rating that the Lloyd's market has experienced (83% premium growth from FY20 to H125) leaves it and Helios in a much stronger position to weather unexpected claims than was the case in FY16, when we saw a sharp downturn in Lloyd's results, which lasted into FY20.

Exhibit 8: Current valuation

	FY24	FY25e	FY26e	FY27e
Over the cycle valuation (p)	277			
EPS (p)	25.6	33.4	39.6	35.2
Total shareholder distribution/share (p)	10.0	12.7	18.8	22.3
NAV/share (p)	243	265	285	297
Valuation-implied P/E (x)	10.8	8.3	7.0	7.9
Valuation-implied distribution yield	3.6%	4.6%	6.8%	8.0%
NAV multiple (x)	1.14	1.04	0.97	0.93

Source: Helios, Edison Investment Research

Our fair value for Helios is at a 1.14x multiple of its FY24 NAV of 243p per share and at a 33% premium to the current share price. The valuation is well-supported by expected FY25 EPS (P/E based on the 277p per share valuation of 8.3x) and by dividends (4.6% distribution yield based on the 277p per share valuation and combined basic and forecast special dividends). It becomes even more attractive with reference to FY26 forecasts (valuation P/E multiple falling to 7.0x and valuation distribution yield (including special dividends and potential buybacks) rising to 6.8%).

¹¹ The 214p/share used in our previous valuation was based on Helios's previous accounting standard and the FY24 NAV has subsequently been restated to 242.7p/share.

Exhibit 9: Financial summary

Year ending 31 December (£000s)	2023	2024	2025e	2026e	2027e
PROFIT & LOSS					
Revenue	44,352	35,997	30,246	38,633	35,839
Expenses	(8,096)	(15,068)	(11,844)	(11,502)	(11,630)
Gross Profit	36,256	20,929	18,402	27,131	24,209
EBITDA	37,976	26,992	23,968	32,230	29,307
Net Interest	(1,720)	(6,063)	(5,566)	(5,098)	(5,098)
Operating Profit	36,256	20,929	18,402	27,131	24,209
Other	0	0	4,674	0	0
Profit Before Tax (norm)	36,256	20,929	23,077	27,131	24,209
Profit Before Tax (FRS 3)	36,256	20,929	23,077	27,131	24,209
Tax	2,287	(2,354)	0	0	0
Profit After Tax (norm)	38,543	18,575	23,077	27,131	24,209
Profit After Tax (FRS 3)	38,543	18,575	23,077	27,131	24,209
Average Number of Shares Outstanding (m)	75.9	72.7	69.2	68.6	68.8
EPS - normalised (p)	50.8	25.6	33.4	39.6	35.2
EPS - normalised fully diluted (p)	49.1	24.5	31.8	37.6	33.4
EPS - (IFRS) (p)	49.1	24.5	31.8	37.6	33.4
Dividend per share (p)	6.0	10.0	6.0	6.0	6.0
Gross Margin (%)	81.7%	58.1%	60.8%	70.2%	67.6%
EBITDA Margin (%)	85.6%	75.0%	79.2%	83.4%	81.8%
Operating Margin (before GW and except.) (%)	81.7%	58.1%	60.8%	70.2%	67.6%
BALANCE SHEET					
Investments	115,885	151,917	160,632	159,741	153,769
Current Assets	72,242	62,048	37,053	29,642	23,714
Debtors	287	110	110	110	110
Cash	40,596	28,935	56,927	79,443	100,225
Current Liabilities	8,754	11,331	19,044	19,044	19,044
Creditors	94	106	380	380	380
Short-term borrowings	57,461	58,457	53,543	53,543	53,543
Net Assets	162,701	173,116	181,755	195,969	204,851
CASH FLOW					
Operating Cash Flow	(7,628)	(3,677)	47,344	35,433	36,110
Acquisitions/disposals	(2,860)	(4,529)	(7,300)	0	0
Financing	44,055	964	(4,914)	0	0
Dividends	(2,319)	(4,419)	(7,138)	(12,917)	(15,327)
Net Cash Flow	31,248	(11,661)	27,992	22,516	20,783
Opening net debt/(cash)	16,865	29,522	(3,384)	(25,900)	(46,682)
Change in borrowings	44,055	964	(4,914)	0	0
Closing net debt/(cash)	16,865	29,522	(3,384)	(25,900)	(46,682)

Source: Helios Underwriting accounts, Edison Investment Research

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