Helios Underwriting

Growth & Returns from Exposure to the Lloyd's market

HELIOS UNDERWRITING

Disclaimer

This document has been prepared by Helios Underwriting plc, solely for use at a confidential presentation in connection with the proposed placing of ordinary shares (the "Shares") in the capital of the Company (the "Placing").

This presentation is only directed at persons who are deemed sufficiently expert or sufficiently sophisticated to understand the risks involved. Accordingly, this presentation is made to and directed only at persons in member states of the European Economic Area who are "qualified investors" within the meaning of article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto and who fall within the definition of investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), high net worth companies or incorporated associations as defined in Article 49(2)(a) to (d) of the Order or overseas recipients as defined in Article 12 of that Order and to others to whom it can lawfully be communicated and distributed, whether inside or outside the United Kingdom, without approval by an authorised person (together, the "Relevant Persons"). Any investment activity to which this presentation relates is available only to, and will be engaged in only with, Relevant Persons. This document should not be acted on by persons who are not Relevant Persons.

This document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published in whole or in part for any purpose. Neither this document nor any copy of it may be distributed in or into Australia, Canada, Japan, the Republic of South Africa or the United States or in any other country outside of the United Kingdom where such distribution may lead to a breach of any law of regulatory requirement. The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or under any securities laws of any state or other jurisdiction in the United States and may not be offered, sold, re-sold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any US Persons as defined in Regulation S under the Securities Act. There will be no public offering of Shares in the United States. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. By accepting this presentation you agree to be bound by the foregoing instructions and limitations and the other terms of this disclaimer.

This presentation does not constitute or form part of and should not be relied on in connection with any offer or invitation to sell, or a solicitation of any offer to purchase or subscribe for shares or any other securities, nor may it or any part of it, nor the fact of its distribution, form the basis of, or be relied upon in connection with, any contract, commitment or investment decision. No representation or warranty express or implied is made as to the fairness, accuracy or completeness of the information contained herein and no reliance should be placed upon it. In particular it should be noted that information about the past performance of Helios Underwriting plc is not a guide as to its future performance.

The information and opinions contained in this presentation do not purport to be comprehensive, are provided as of the date of this document and are subject to change without notice. These materials do not cover all matters that may be relevant for prospective investment. Prospective investors should not treat these materials as advice in relation to legal, taxation or investment matters and are recommended to consult their own advisors in relation to any such issues.

This presentation includes information that has yet to be announced or otherwise made public and as such constitutes inside information for the purpose of the Market Abuse Regulation (EU 596/2014) and non-public price sensitive information for the purpose of the Criminal Justice Act 1993. No recipient of the information in this presentation should therefore deal in or arrange any dealing in or otherwise base any behaviour (including any action or inaction) in relation to the Shares and any derivatives or other financial instruments linked to them until after the formal release of an announcement by the Company of the Placing, as to do so may result in civil and/or criminal liability.

Shore Capital and Corporate Limited, which is authorised and regulated by the Financial Conduct Authority, is acting for Helios Underwriting plc only and will not be responsible to any other person for providing the protection afforded to clients of Shore Capital and Corporate Limited or for advising such persons in relation to the Placing or any of the matters referred to in this presentation. Shore Capital and Corporate Limited has not approved the contents of, or any part of, this presentation.

Some of the statements in this presentation may be forward-looking statements or statements of future expectations based on currently available information. These forward-looking statements can be identified by the fact they do not relate only to historical or current facts. Such statements naturally are subject to significant risks and uncertainties and undue reliance should not be placed on them. Factors such as changes in general economic conditions or currency exchange rates, insurance market conditions, regulations or legislation and other circumstances such as war, acts of terrorism and natural disasters may cause the actual events or results to be materially different from those anticipated from such statements.

Introduction to Helios:

‘The’ Consolidator at Lloyd’s for Private Capital

Who you are meeting today

Nigel Hanbury
Chief Executive Officer

Nigel was appointed CEO in October 2012. He joined Lloyd's in 1979 as an external member and became a Lloyd's broker in 1982. He later moved to the Members' Agency side, latterly becoming Chief Executive and then Chairman of Hampden Agencies Limited. He serves on the board of the Association of Lloyd's Members and was elected to the Council of Lloyd's for the "Working Names" constituency, serving on that body between 1999 and 2001 and then 2005 to 2008, as well as participating on the Market Board and other Lloyd's committees. In December 2009 he ceased being Chairman of Hampden and in 2011 acquired a majority stake in HIPCC, a Guernsey cell Company, formerly wholly owned by Hampden plc. Nigel and/or his direct family underwrite at Lloyd’s through three LLV’s .

Arthur Manners
Finance Director

Arthur has over 20 years’ experience in the insurance industry. He has been a consultant to Helios since June 2015 and joined the Board in April 2016. His role as Finance Director at Helios is part time. He previously worked for Beazley Group plc from 1993 to 2009 as Finance Director and latterly as Company Secretary. He remains Chairman of the Trustees of the Beazley Furlonge Pension Scheme. Arthur and his family underwrite at Lloyd’s through an LLV.

An experienced Board

Deeply networked in Lloyd's

Harold Michael Clunie Cunningham
Non-executive Chairman

Michael Cunningham has worked in the Investment Management business for over 25 years, within Rathbones he was an Investment Director with responsibility for the AIM focused Venture Capital Trusts. Michael is a member of the nomination and remuneration committee and the audit committee.

Jeremy Richard Holt Evans
Non-executive Director

Jeremy Evans joined Minories Underwriting Agencies in 1993, which was subsequently transferred to Aberdeen Underwriting Advisers Limited, with specific responsibility for its corporate capital plans, including the development of a conversion scheme for existing members. He is the CEO of Nomina Plc as well as being a director of Hampden Capital Plc.

Andrew Christie
Non-executive Director

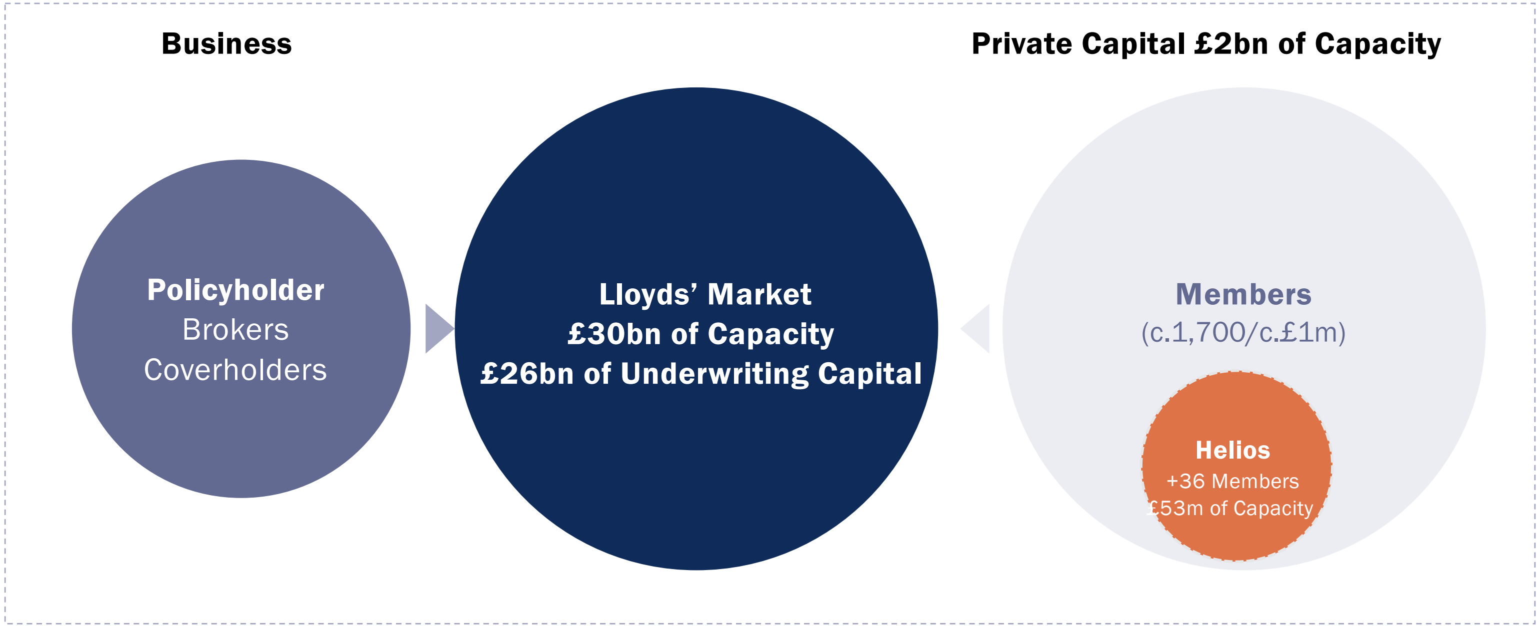
Andrew is a founding partner of corporate finance advisory firm Smith Square Partners and has nearly 30 years' experience in corporate finance. Prior to Smith Square Partners, he was a Managing Director in the Investment Banking Division of Credit Suisse Europe and prior to that he was head of investment banking in Asia Pacific for Credit Suisse First Boston and Barclays de Zoete Wedd. Andrew was a director of FTSE 250 company, Elementis plc for a period of nine years. Andrew is chairman of the nomination and remuneration committee and the audit committee. Andrew underwrites at Lloyd's through Nomina No 174 LLP.

Edward Fitzalan Howard, Duke of Norfolk
Non-executive Director

Edward Fitzalan-Howard was educated at Oxford and in 1979 he set up an energy company, Sigas, which he sold in 1988 before starting Parkwood, a waste management business, which he sold to Viridor in 2002. Since then his main focus has been the building up of his family estates. He has previously been a Member of Lloyd's. Edward is a member of the nomination and remuneration committee and the audit committee.

Consolidation of Private Capital at Lloyds

Our model exploits a unique window as private capital evolves



- Addressable market of approx. £2bn – the capacity held by the remaining members
- Change of sentiment for owners of smaller LLV's. Rising costs, regulatory pressure, pressure on profit margins and a requirement to fund recent losses all causing concern for an aged investor base.
- The solvency funding requirement from 2017 and 2018 losses has magnified the pain
- Good flow of vehicles for sale – 17 for sale as at 8 May 2019 with an aggregate valuation of approximately £7.8m more expected shortly
- Lloyds prospectus published 1 May – inviting proposals for major changes – we believe is a positive step
- *Source: Lloyd's & Members' Agents Website*

Business Model Summary

To build a fund of capacity of leading syndicates at Lloyd's

Consolidation

- Combine the capacity owned by smaller Limited Liability Vehicles (LLV's) to build a capacity fund and to achieve cost efficiencies. Reinsurance capital utilised to enhance pace of growth and reduce risk.

Value Drivers

- Ownership of 100% of the capacity fund
- By retaining 30% of the underwriting risk
- Ability to buy assets at below fair value

Pivot to Income Fund

- Significant future dividend income stream through double use of assets and low correlation of risk inherent in a fund of Lloyd's underwriting capacity

Consolidation

- Building a high quality underwriting portfolio of capacity managed by the leading underwriting businesses at Lloyd's
- Cost saving already achieved in a number of areas such as negotiated fees to advisers reduced cost of Lloyd's administration from the reduction of trading companies
- Low staffing and office costs – cost efficiencies magnified as we grow towards target size
- Products available to manage the downside risk and solvency funding requirements at competitive prices to vehicles of scale
- Opportunities to support other syndicates using tenancy/ side car structures will become available if sufficient scale – managing agents prefer one deal rather than many
- Deep senior management knowledge and contacts at Lloyd's smooths vendor sale agreements

Consolidation process

Basis of valuation of an LLV – based on an independent assessment of value carried out by "Humphrey's". Valued at the aggregate of:

- Underwriting capital
- Other assets / liabilities
- Pipeline profits / losses for the 3 open years of account
  - Year 1 – on risk no profit or loss attributed
  - Year 2 & 3 – the current mid point estimate of the result

Helios makes further adjustments for:

- Value of capacity less deferred tax
- Discount applied to aggregate value

Indicative re-financing of an LLV

• Underwriting capital re-financed using 70% quota share	40.0%
• Surplus from "Other assets / liabilities" released	7.5%
• Improvement in profit / loss estimates	2.5%
• Proportion of initial consideration made available	**50.0%**

Timeline for consolidation

- Year 1
  - Refinancing commences
  - Portfolio harmonisation
  - Merging into fewer trading companies
- Year 2 – 4
  - Cost savings flow through from consolidation
  - Run-off process completed after 4 years

High quality underwriting portfolio

Top seven holdings by Managing Agent comprise 77% of the 2019 portfolio

Syndicate	Managing Agent	Capacity	Total
		£000s	%
510	Tokio Marine Kiln Syndicates Ltd	9,352.3	17.4%
623	Beazley Furlonge Limited	8,037.7	15.0%
33	Hiscox Syndicates Limited	6,686.4	12.5%
2791	Managing Agency Partners Limited	5,253.6	9.8%
609	Atrium Underwriters Limited	4,777.9	8.9%
218	ERS Syndicate Management Ltd	4,368.2	8.1%
6117	Argo Managing Agency Limited	2,905.1	5.4%
Subtotal		41,381.1	77.1%
Other		12,283.3	22.9%
Total		53,664.5	100.0%

- Alignment with syndicate management

Note:
- Information as at 1st January 2019
- Other syndicates supported include: Meacock 727, Nuclear 1176, Cathedral 2010

Reinsurance Capital Deployed During Growth Phase

- 70% of Underwriting exposure is reinsured to 3rd parties at start of each year
- It reduces the exposure of the portfolio and assists in the financing of the underwriting capital
- Reinsurers capital requirements are fully collateralised
- Helios retained capacity is higher in year 2 and 3 as further LLV's are acquired and the older years are not reinsured.
- Helios receives a fee and profit commission from Reinsurers – Growing source of 'other' income
- The gearing of Helios shareholder funds using reinsurance allows capital to work harder to achieve target size with much reduced risk
- Private capital participates in the quota share reinsurance panel using a Protected Cell structure in Guernsey
- Even after target achieved reinsurers may continue to provide interesting and profitable options

Value drivers for Helios

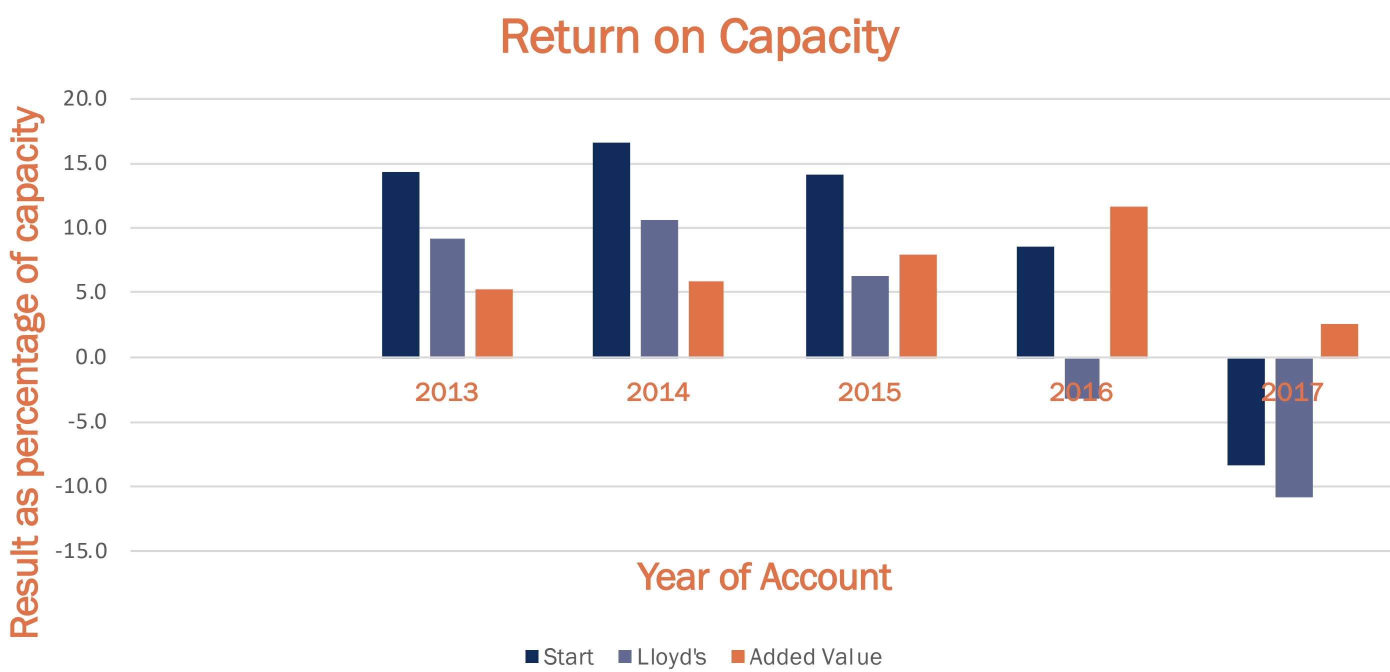
Capacity Fund	Changes in Capacity Value Fees & PC from reinsurers	26% increase in capacity value - £3.4m – 24p per share £0.6m fees & PC 4p per share
30% of underwriting profits	30% share of underwriting profits Profits roll up from acquisitions	U/wing profits - £0.8m 5p per share
Acquiring assets at below fair value	Acquisition Activity – Typically acquire below fair value Corporate / Administration	Acquiring assets at below fair value – Negative G'will £1.2m Corporate costs – (£1.7m)

From Financial Statements – 2018

Pivot to Income Fund

- Once target size is achieved and market conditions permit the board may choose to pivot from growth to income
- Lloyd's underwriting as unique asset class
    - Income producing exposures
    - Double use of assets
    - Low correlation to other asset classes
- Underwriting capital can be a range of other acceptable assets – equities, bonds, UCITS etc
- Reinsurance capital can be replaced once growth phase finished at the option of Helios
- At target size, strategic stakes will have been built in freehold syndicates which are difficult, expensive and costly to replicate
- If market conditions permit, the fund can be increased significantly to benefit from 'tenancy' or 'sidecar' underwriting opportunities in addition to normal pre-emption rights at no cost

Helios' Year of Account results 2013-2017 v overall Lloyd's Market showing added value



YOA %	2013	2014	2015	2016	2017
Helios					
Start	14.4	16.6	14.1	8.6	(8.3)
Lloyd's	9.1	10.7	6.2	(3.1)	(10.9)
Added Value	5.3	5.9	7.9	11.7	2.6

Note: Helios return based on capacity at the start of the underwriting year excluding capacity acquired subsequently

- Aggregate added value of £14m generated in excess of average Lloyd's Market result – equivalent to 100p per share in 5 years

Results to 31st December 2018

	31st December 2018	31st December 2017
	£'000's	£'000's
Underwriting profits	783	183
Other Income	1,879	1,278
Costs	(2,054)	(1,867)
Profit for the year before impairment and goodwill	608	(406)
Profit after tax	456	(694)
Earnings per share	3.1p	(4.75p)
Adjusted net asset value per share	£1.90	£1.60
Dividend	3.0p	1.5p

Commentary

- Profit before impairment of £608,000 (2017 loss - £406,000)
- The adjusted net asset value per share is £1.90 per share (31st Dec 2017 - £1.60 per share)
- Risk mitigation strategy has reduced the impact of 2017 and 2018 catastrophe losses

Summary Financial Information

31st Dec	2012	2013	2014	2015	2016	2017	2018
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	*£'000's*
Capacity Value per £ of capacity	0.24	0.37	0.36	0.42	0.46	0.32	*0.39*
NTA Per Share	0.69	0.63	0.81	0.89	0.94	0.71	*0.47*
Capacity per share	0.38	0.78	0.86	1.12	1.02	0.89	*1.43*
Adjusted Net Asset Value	1.07	1.42	1.67	2.01	1.96	1.60	*1.90*
Growth in Value		33%	18%	20%	(2%)	(19%)	*19%*
Share Price as at 31st Dec - £	1.00	1.50	1.40	2.00	1.45	1.35	*1.31*
Discount to ANAV	-6%	6%	-16%	-1%	-26%	-15%	*-31%*
Earnings per share	9.92	8.57	24.11	9.67	6.22	(4.8)	3.1p
Dividends per share							
Basic		1.5	1.5	1.5	1.5	1.5	1.5
Special		3.0	3.6	3.5	4.0	-	1.5
		4.5	5.1	5.0	5.5	1.5	3.0
Yield		3.0%	3.6%	2.5%	3.8%	1.1%	2.3%

- The reduction in the value of the capacity value per £ of capacity to 32p in Nov 2017 has been partially reversed in Nov 18
- Capacity values now at similar levels to 2013 - 2015

Summary of acquisitions to 2018

	Consideration	Humphrey Valuation	(Discount) to Humphrey	% (discount)	(Negative) Goodwill	Fair Value of Assets	(Below) / Above Fair Value
2012 & Prior	3,260,819	4,722,720	(1,461,901)	(31%)	(834,000)	4,096,000	(26%)
2013	3,927,168	3,908,265	18,903	0%	(35,000)	3,962,000	(1%)
2014	4,360,449	5,100,244	(739,795)	(15%)	(785,000)	5,145,000	(18%)
2015	4,865,000	5,231,173	(366,173)	(7%)	(108,000)	4,973,000	(2%)
2016	5,593,000	5,307,848	285,152	5%	493,000	5,100,000	9%
2017	4,850,159	5,321,835	(471,676)	(9%)	198,000	4,652,659	4%
2018	12,060,453	14,050,363	(1,989,910)	(14%)	(1,189,618)	13,230,908	(10%)
Totals	38,917,048	43,642,448	(4,725,400)	(11%)	(2,260,618)	41,159,567	(6%)

- £39m of acquisitions to date

Summary

Profitable growth by building the capacity fund through acquisitions and increasing the underwriting exposures and the fee income

- An opportunity for:
  - investors to gain access to the Lloyd'/s insurance market and a high quality portfolio of syndicates; and
  - the Company to be the consolidator of Private Capital at Lloyd's
  - First mover advantage

- Helios will look to continue to exploit opportunities to grow profitably and grow its capacity fund to target size by acquiring further corporate vehicles
  - increase in the availability of quality vehicles at an attractive price
  - Continued participation in the better managed syndicates

- Approx. 1,700 corporate vehicles remain in private hands and the age profile of investors may encourage sales in the short-medium term

- Reinsurance structure to reduce exposure to underwriting risk and to assist in the funding of acquisitions
  - However, scope to reduce reinsured underwriting exposed to increase on-risk capacity profile

Appendix

Additional information on Helios

Shareholders

- Helios Underwriting Plc has 15,104,240 ordinary shares of £0.10 in issue, including 755,778 ordinary shares which are held in treasury. There are therefore 14,848,462 ordinary shares carrying voting and there are no restrictions on transfer.

Significant Shareholders	Shareholding	Percentage of voting rights
Will Roseff	3,711,542	25.0%
N J Hanbury (either personally or has an interest in)*	2,736,871	18.4%
Hampden Capital Plc	1,214,560	8.2%
Directors		
N J Hanbury (either personally or has an interest in)	2,736,871	18.4%
Arthur Manners (either personally or has an interest in)**	333,334	2.2%
Edward Fitzalan Howard, Duke of Norfolk	333,333	2.2%
Jeremy Evans	58,670	0.4%
Michael Cunningham	37,167	0.3%
Andrew Christie	12,166	0.1%

- * 300,000 of Nigel Hanbury's shares are jointly owned in accordance with the Company's Joint Share Ownership Plan, as detailed in the announcement made by the Company on 14 December 2017.
- ** 200,000 of Arthur Manner's shares are jointly owned in accordance with the Company's Joint Share Ownership Plan, as detailed in the announcement made by the Company on 14 December 2017.
- Shareholdings and percentage of voting rights shown prior to the Placing & Open Offer

Related Party Issues

Nigel Hanbury has the following related interests to the business of Helios:

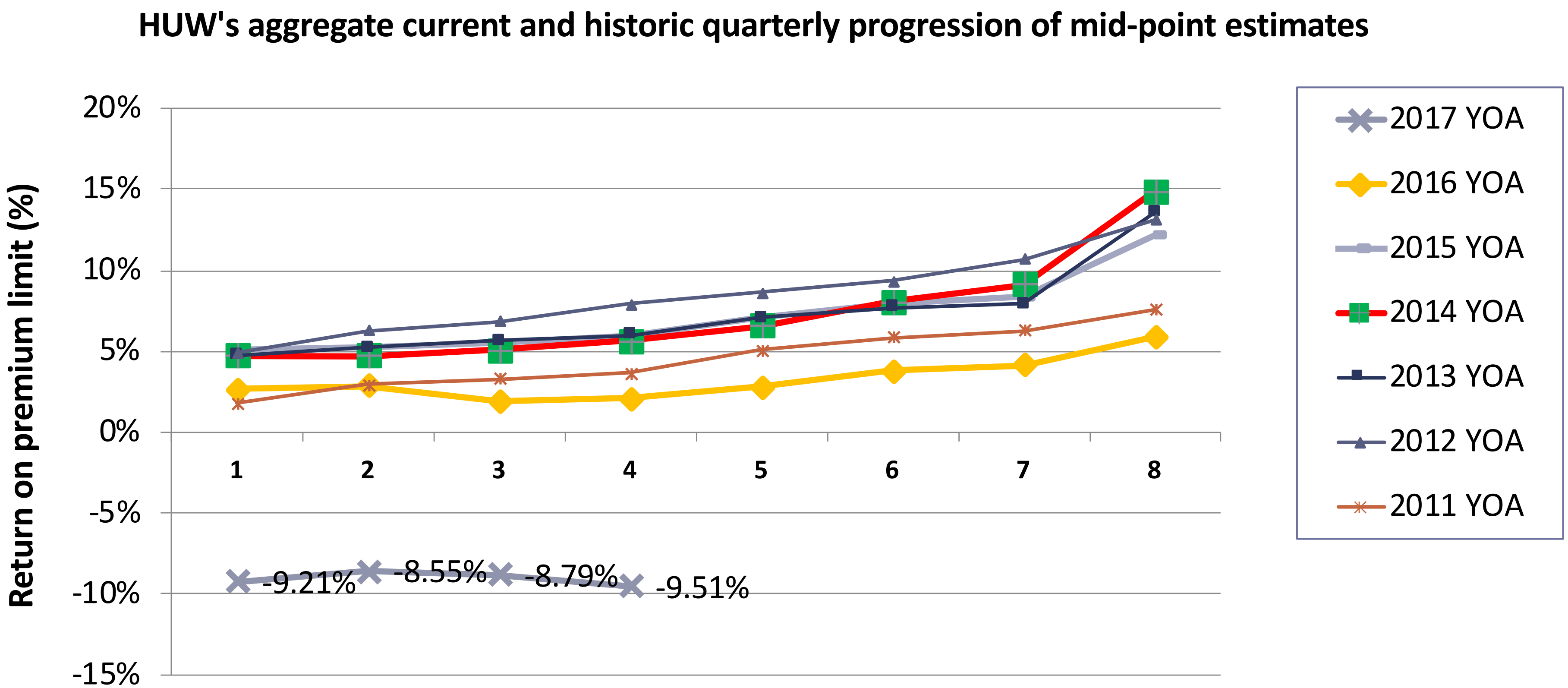
- A 51% shareholding in HIPCC that acts as an intermediary for the reinsurance products purchased by Helios. An arrangement has been put in place so that 51% of the profits generated by HIPCC in the future relating to the business of Helios will be repaid to Helios in return for a one-off payment of £100,000. This arrangement will continue while Nigel remains on the Board of Helios.

Hampden Capital Limited has an 8% shareholding in Helios and provides the following services to Helios:

- Research and advice on syndicate selection
- Administration of funds at Lloyd's for all LLV's
- Accounting and company secretarial services

Quarterly progression of syndicate forecasts – mid point

Indicating the benefit to Helios of the improvement in syndicate forecasts
On average 30% of improvement in forecasts occur in final quarter



Acquisition Strategy

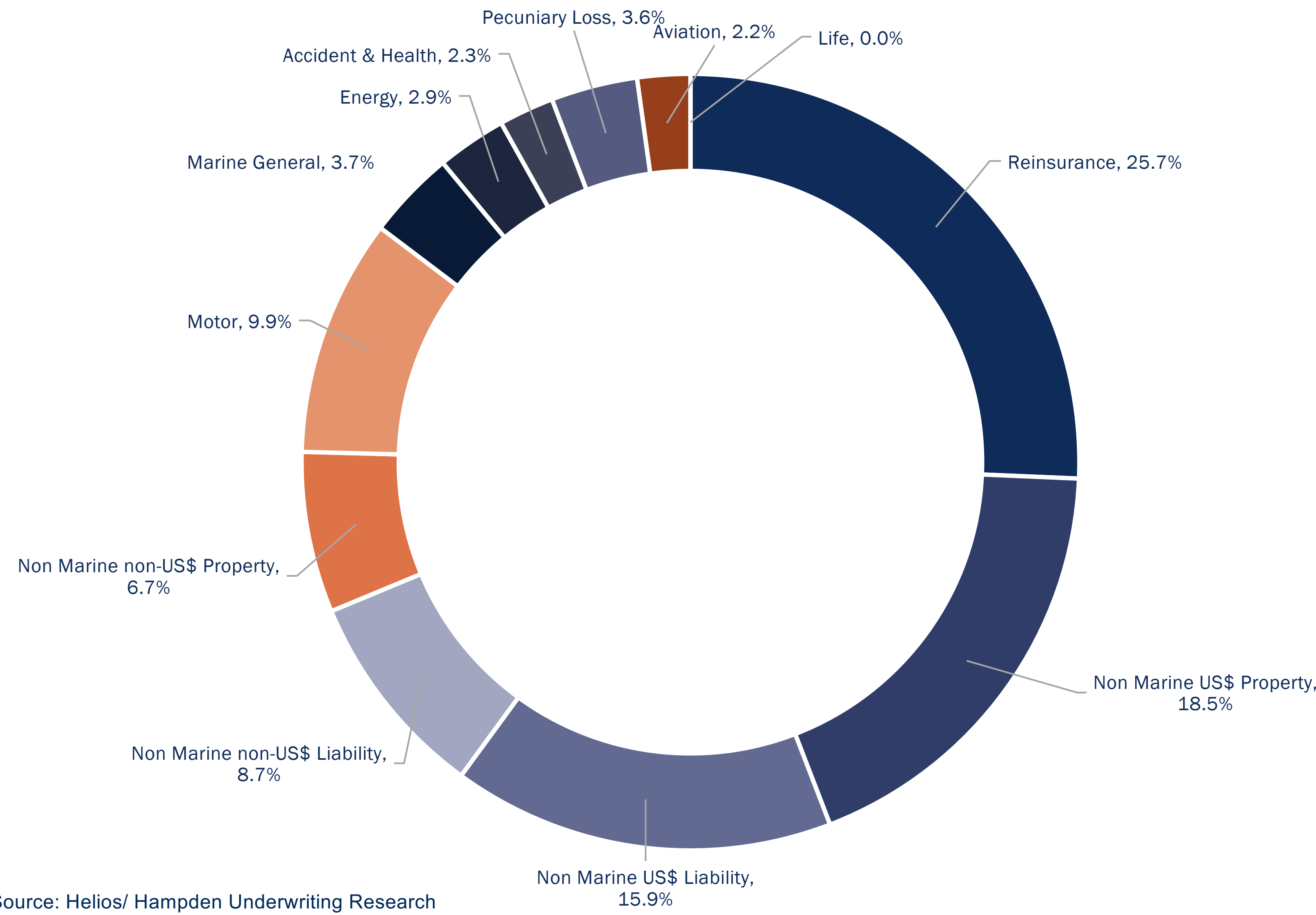
Attractive returns available from building capacity portfolio for current and prior years

The acquisition policy has built the current portfolio

	Year of Account					
	2015	2016	2017	2018	2019	Capacity acquired with same companies
Capacity at start of u/wing year - £m	20.5	28.1	32.6	41.0	52.6	
% capacity retained at outset	30%	30%	30%	30%	30%	
Helios retained at inception	6.2	8.4	9.8	12.3	15.8	
Acquired in Year 1 - £m	6.3	5.6	4.4	14.7	1.1	On risk
Acquired in Year 2 - £m	5.4	4.2	16.1	1.2		
Acquired in Year 3 - £m	3.4	16.1	1.2			Off risk
Current Capacity - £m	36.3	53.9	54.3	56.9	53.7	
Helios Retained capacity at closure / current	18.6	34.0	28.9	18.7	16.1	
Proportion retained - %	51%	63%	53%	33%	30%	

- Corporate vehicles underwrite on a three year of account basis – Helios inherits three years of estimated undistributed profits when it buys a corporate vehicle
- Profits are recognised by Helios from the date of acquisition and 100% of the cash distributed from "open years" is received
- The estimates on these open years of account have historically tended to improve
- "On risk" capacity partly re-insured via reinsurers and private capital
- "Off risk" capacity exposures retained 100% by Helios

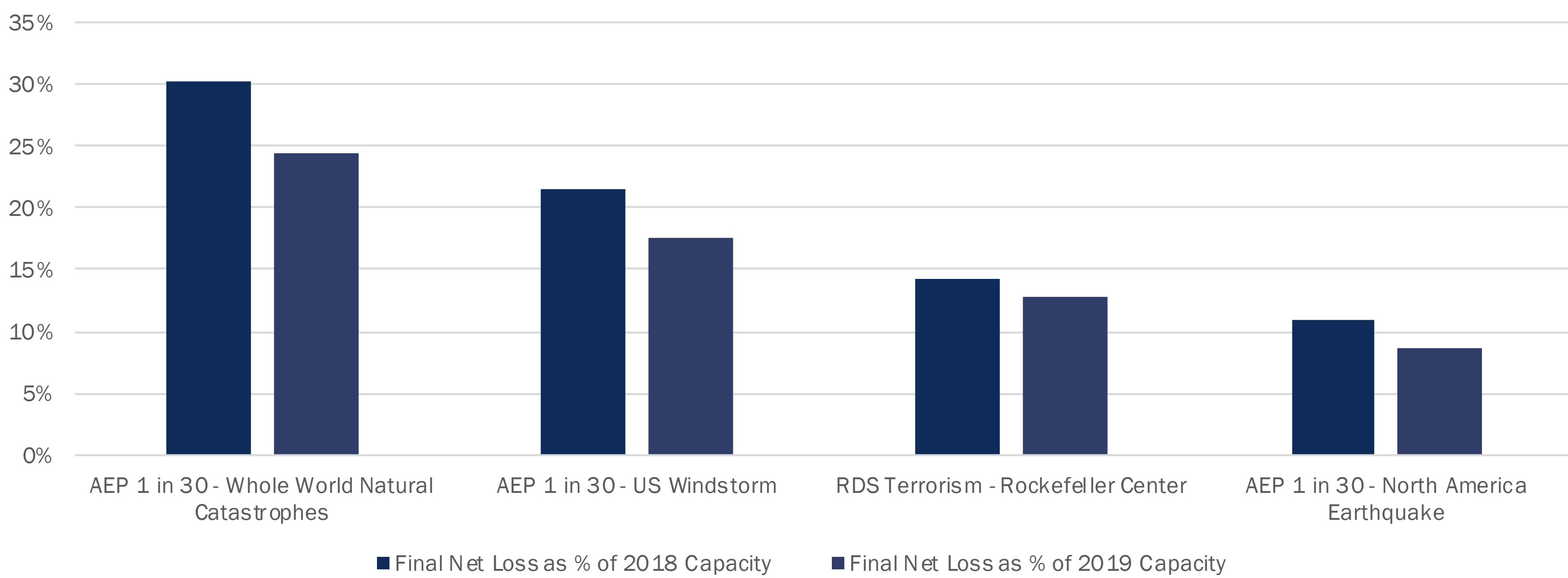
Categories of business for 2019 (%)



Source: Helios/ Hampden Underwriting Research

Net realistic disaster scenarios for Helios' 2019 portfolio

Loss as % of capacity gross of all quota share reinsurance arrangements



Notes : The chart only shows the top net losses, not all Catastrophe risk scenarios RSs. The AEP (Aggregate Exceedance Probability) 1 in 30 figure is the weighted average of each syndicates' 1 in 30 projections which serves as a guide to the portfolio aggregate though the correct approach would involve combining the underlying distribution curves which are not provided in the Syndicate Business Forecasts. The aggregate AEP also does not factor in diversification.

Source: Hampden Underwriting Research

London Correspondence Address:

Helios Underwriting plc
C/O Association of Lloyd's Members,
2nd Floor, 22 Bevis Marks,
London EC3A 7JB.

Nigel Hanbury (CEO)
+44 (0) 7787 530 404

Arthur Manners (CFO)
+44 (0) 7754 965 917

www.huwplc.com

Registered number: 05892671

Registered office:
40 Gracehurch Street
London EC3V 0BT

HELIOS UNDERWRITING