

Further strong momentum in PM division reported

13 December 2021

The consistent performance by R&Q's Program Management division puts it comfortably on track to achieve its stated targets and our forecasts. As an operationally geared operation, we anticipate a notable step-up in profitability as Gross Written Premium (GWP) builds on the back of a larger program base.

The positive Group outlook is supported by the creation, announced in September, of Gibson Re, a 'sidecar' which transforms the group's Legacy division into a what is effectively an asset manager, generating fee income by assembling legacy portfolios and managing them on behalf of third parties.

Q3 Program Management Update

The Q3 update shows Program Management hitting its targets as it continues to build scale during the first nine months (and post the period). This is a key metric for group results. As program numbers rise, they provide the division with a base of visible, reproducible revenues that will underpin future distributions and ongoing strategic investment.

The performance for the first nine months of 2021 was as follows:

- GWP: US\$714m (Q3 2020: US\$395m), **up 81%**
- Fee Income: US\$39m (Q3 2020: US\$16m), **138% ahead**
- **70** programs at period end (Q3 2020: 39), with **another 5** added in November 2021
- Contracted premium now **over US\$2.0bn**

Valuation remains attractive

PM continues to deliver, while the creation of the new restructured Legacy division will move its contribution away from substantial but opaque, deal-by-deal based profits. Progressively, R&Q's rating will shift to an EBIT multiple for both divisions, although the latter will really kick-in as Gibson Re's book scales up over the next 12 months.

We maintain our 240p/share fair value assumption on the back of this latest, encouraging update on progress.

Company Data

EPIC	RQIH
Price	174p
52 weeks Hi/Lo	195p/155p
Market cap	£476m
ED Fair Value/share	240p

Share Price, p



Source: ADVFN

Description

Randall & Quilter Investment Holdings Ltd. (R&Q) is a long-established UK and US insurance business led by an experienced and growing management team.

It is focused on two core strategies, both with potential to build substantial visible revenues.

The Program Management (PM) division earns commission income from writing niche books of business using its carriers licensed in all key regions.

The Legacy division is an industry leading provider of exit solutions for legacy / run-off insurance assets to vendors in the US, Bermuda, and Europe.

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Summary forecasts

Year end 31 Dec, \$m	2020A	2021E	2022E
PM Fee Income (incl. minority stake)	22.0	55.0	96.0
Legacy Underwriting Income	103.0	60.0	15.0
Legacy Fee Income (Gibson Re)	0.0	5.0	26.0
Pre-Tax Op. Profit	20.6	20.5	35.0
EPS (c)	14.2	(0.5)	1.0
Yield on distribution (%)	2.3	2.7	3.0
Tangible NAV per share (c)	173	170	180

Source: Group report & accounts and ED estimates *final div paid in shares during the pandemic



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