

4 August 2021

## Growth momentum is gathering pace

The recent update on its Program Management activities confirmed that RQIH is enjoying the fruits of prior investment and and, importantly, seeing further acceleration in the division. We expect that Accredited Program Management will become an increasingly valuable source of visible, recurring, fee-based income and progressively balance the Group's highly successful, but more opaque - from a forecast perspective - Legacy operation.

### Program Management metrics accelerate during the first six months

Accredited produced another strong performance in H1 2021 and remains on track to generate significant profit growth over the next few years. An impressive six months to end June 2021 included the following y-o-y growth:

- **Gross Written Premium +80% to US\$445m (+46% y-o-y in FY 2020)**
- **Fee Income +135% to US\$25.2m**
- **Contracted premium +74% to US\$1.6bn (+52% y-o-y FY 2020)**

The division also added another 13 programs to finish the period at 60 programs at end June 2021 (36 at end June 2020), and a further another seven in July to bring the total to **67**.

### Forecasts well underpinned, as is 240p/share fair value assumption

We have held the forecasts detailed in our [report](#) on June 2<sup>nd</sup>, ahead of the interim results due in September. Legacy remains a greater component of projected profit and by nature, harder to predict. However, Accredited's first half underpins the outlook. New business growth is not fully reflected in the bottom line for 12 months, while margins benefit from scale. Both were reflected in this division's maiden profit and increased average program fees in FY 2020.

The current market valuation of Randall & Quilter remains below industry peers and, we believe, underplays the benefit of combining these two core operations. As PM fees scale, we expect that to enable Group acceleration of investment from internal sources, finance strategic initiatives and generate free cash for progressive dividends.

**We reiterate our 240p/share fair value assumption based upon first half trading for PM. That represents a sum of the parts for two distinct businesses and revenue profiles: PM (a fee business) at a multiple of pre-tax operating earnings and Legacy (M&A related) a multiple of Tangible NAV, in line with specialty insurers.**

#### Summary forecasts

Year end 31 Dec	2019A	2020A	2021E	2022E
IFRS PBT (£m)	38.1	30.2	46.0	56.0
Pre-tax Operating Profit (£m)	8.0	16.0	41.0	52.0
EPS (p)	4.3	5.9	15.0	19.0
Yield on distribution (%)	2.3	2.4	3.0	3.8
Tangible NAV per share (p)	125	124	134	140

Source: Group report & accounts and ED estimates

#### Company Data

EPIC	RQIH
Price	167.5p
52 weeks Hi / Lo	195p / 148p
Market cap	£460m
ED Fair Value / share	240p

#### Share Price, p



Source: ADVFN

#### Description

Randall & Quilter Investment Holdings Ltd. Is a long-established UK and US insurance business led by an experienced management team.

It is focused on two core strategies:

**Program Management (PM)** is a fully regulated commission-fee based business, which acts as a conduit between reinsurers and MGAs (insurance distributors).

**Legacy Insurance** provides exit solutions for legacy/run-off insurance assets to vendors in the US, Europe, and Bermuda.

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