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INSURANCE

GENERAL INSURANCE

Tower Limited 1Q23 and ASM Updates

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Tower (TWR) released further information about Auckland's January floods and February's Cyclone Gabrielle during its 1Q23 update and ASM. TWR's gross written premium (GWP) growth continues via gaining new customer and the inflationary pass-through of costs. TWR has continued to make efficiency gains with management costs; offset by increases in claims costs. Despite the mix of these updates, management did not change its recent guidance for FY23 underlying NPAT of NZ\$18m-NZ\$23m, nor its dividend estimate of NZ5cps. We make amendments to our FY23 estimates, lifting our GWP estimates +2% and our underlying NPAT +2% to NZ\$20.4m. Our blended spot valuation rises +1cps to NZ\$0.78.

NZX Code	TWR	Financials: Sep/	22A	23E	24E	25E	Valuation (x)	22A	23E	24E	25E
Share price	NZ\$0.61	NPAT* (NZ\$m)	17.7	23.5	35.0	37.4	PE	13.8	10.0	6.7	6.2
Spot Valuation	NZ\$0.78 (from 0.77)	EPS* (NZc)	4.4	6.2	9.2	9.9	EV/EBIT	n/a	n/a	n/a	n/a
Risk rating	High	EPS growth* (%)	5.4	39.1	49.4	6.8	EV/EBITDA	n/a	n/a	n/a	n/a
Issued shares	379.5m	DPS (NZc)	6.5	5.0	7.5	8.0	Price / NTA	1.3	2.0	2.8	3.7
Market cap	NZ\$233m	Imputation (%)	0	0	0	50	Cash div yld (%)	10.6	8.1	12.2	13.0
Avg daily turnover	148.6k (NZ\$99k)	*Based on normalis	sed profi	ts			Gross div yld (%)	10.6	8.1	12.2	15.5

1Q23 performance update was strong, as expected

TWR's 1Q23 GWP was NZ\$123m, +12.5% growth on 1Q22 driven by market share gains and inflation/cost pass-through. In New Zealand, TWR's share of the personal insurance market has increased to 9.5% from the 9.2% achieved in 1Q22, and reflects policies growing to 582,000, +5% versus 1Q22. Economies of scale and cost control have seen TWR's management expense ratio (MER) improve to ~35% in 1Q23 (from 38% in 1Q22). The company noted that external factors had put pressure on claims costs, and their increased frequency has led to its claims ratio (excluding large events) rising to 54% for the quarter (from 47% for 1Q22). TWR has received ~5,325 claims regarding the Auckland and Upper North Island flooding event and ~2,200 claims for damage caused by Cyclone Gabrielle, which separate NZ\$11.9m reinsurance excesses have covered. TWR is purchasing reinstatement cover to ensure it maintains sufficient protection for two additional catastrophe events, albeit these negotiations have yet to be finalised. Estimates of the cost are included in the underlying earnings estimate.

ASM centred on addressing climate change issues

TWR's Chairman discussed ways of working towards a future considering climate change in the NZ insurance market. TWR's use of a sophisticated data set underpins its risk-based pricing model on an individual property basis. It believes this is the fairest way to allocate these costs, given that customers pay insurance premiums specific to their risks and customers in low-risk areas should not pay a disproportionate share of levies. TWR noted that it would be, "deeply concerned to see additional levies or increases that result in even further cross subsidisation of risks as has occurred with the most recent EQC levy hike", and that, "some areas in New Zealand ... should not be rebuilt in the event of a disaster or they will become – literally – uninsurable". It noted that in some areas a, "managed retreat will be the safest and most pragmatic way to address the risks associated with climate change in order to protect lives and property".

Changes to estimates

We amend our FY23 growth and reinsurance estimates upward while adjusting our MER down. This sees our FY23 estimate of GWP increasing from NZ\$504m to NZ\$512m, up +2%. Our reinsurance cost estimates rise +18% and we lower our management expenses. Our underlying NPAT forecast rises slightly from NZ\$19.8m to NZ\$20.3m. Additionally, at the reported line, we now include approximations of the gains on sales from TWR's Suva building (NZ\$1.1m) and its Papua New Guinea subsidiary (NZ\$2.1m). Our reported NPAT FY23 forecast is now NZ\$23.5m.

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Tower Limited (TWR)

Market data (NZ\$)						Spot valuation (NZ\$)						0.78
Priced as at 28 Feb 2023					0.62	PE relative						0.75
52 week high / low				0	.75 / 0.59	P/Book relative						0.85
Market capitalisation (NZ\$m)					235.3	DCF						0.74
Key WACC assumptions						DCF valuation summary (NZ\$m)						
Risk free rate					4.50%	Total firm value						381
Equity beta					1.10	(Net debt)/cash						(32)
WACC					10.1%	Less: Capitalised operating leases						(52)
Terminal growth					1.8%	Value of equity						296
Profit and Loss Account (NZ\$m)	2021A	2022A	2023E	2024E	2025E	Valuation Ratios	2021A	2022	A 20	23E	2024E	2025E
Sales revenue (GEP)	386.6	418.3	479.0	549.0	605.8	EV/EBITDA (x)	n/a	n/	a	n/a	n/a	n/a
Normalised EBITDA	n/a	n/a	n/a	n/a	n/a	EV/EBIT (x)		n/	a	n/a	n/a	n/a
Depreciation and amortisation	n/a	n/a	n/a	n/a	n/a	PE (x)		14.	0	10.0	6.7	6.3
Normalised EBIT	n/a	n/a	n/a	n/a	n/a	Price/NTA (x)		1.	4	2.0	2.8	3.7
Net interest	n/a	n/a	n/a	n/a	n/a	Free cash flow yield (%)		5.		13.6	19.2	20.3
Associate income	0	0	0	0	0	Net dividend yield (%)		10.		8.1	12.1	12.9
Tax	(9.2)	(7.5)	(9.5)	(16.1)	(17.2)	Gross dividend yield (%)	8.1	10.	5	8.1	12.1	15.4
Minority interests	0.6	0.1	0	0	0							
Normalised NPAT	17.8	17.7	20.3	35.0	37.4	Key Ratios	2021A	2022			2024E	2025E
Abnormals/other	0	0	3.2	0	0	Return on assets (%)	n/a	n/		n/a	n/a	n/a
Reported NPAT	17.8	17.7	23.5	35.0	37.4	Return on equity (%)	5.1	5.		9.4	15.7	17.9
Normalised EPS (cps)	4.2	4.4	6.2	9.2	9.9	Return on funds employed (%)	0.0	0.		0.0	0.0	0.0
DPS (cps)	5.0	6.5	5.0	7.5	8.0	EBITDA margin (%)	n/a	n/		n/a	n/a	n/a
						EBIT margin (%)	n/a	n/		n/a	n/a	n/a
Growth Rates	2021A	2022A	2023E	2024E	2025E	Capex to sales (%)	3.1	4.		2.9	2.9	2.8
Revenue (%)	3.8	8.2	14.5	14.6	10.3	Capex to depreciation (%)	n/a	n/		n/a	n/a	n/a
EBITDA (%)	n/a	n/a	n/a	n/a	n/a	Imputation (%) 0 Pay-out ratio (%) 119			0	0	0	50
EBIT (%)	n/a	n/a	n/a	n/a	n/a	Pay-out ratio (%)		14	6	81	81	81
Normalised NPAT (%)	49.4	-0.5	32.7	49.4	6.8	Capital Structure 2						
Normalised EPS (%)	47.8	5.4	39.1	49.4	6.8	·		2022	4 20		2024E	2025E
	,	00.0	00.4	F0.0								
Ordinary DPS (%)	n/a	30.0	-23.1	50.0	6.7	Solvency capital	155.9	150.		79.4	136.4	164.9
						Minimum solvency capital (MSC)	56.6	52.	3	66.3	66.5	75.6
Cash Flow (NZ\$m)	2021A	2022A	2023E	2024E	2025E	Minimum solvency capital (MSC) Total regulatory capital	56.6 106.6	52. 102.	3	66.3 83.3	66.5 91.3	75.6 91.3
Cash Flow (NZ\$m) EBITDA	2021A n/a	2022A n/a	2023E n/a	2024E n/a	2025E n/a	Minimum solvency capital (MSC)	56.6	52.	3	66.3	66.5	75.6
Cash Flow (NZ\$m) EBITDA Working capital change	2021A n/a n/a	2022A n/a n/a	2023E n/a n/a	2024E n/a n/a	2025E n/a n/a	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%)	56.6 106.6	52. 102. 28	3 3 7	66.3 83.3 271	66.5 91.3 205	75.6 91.3 218
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid	2021A n/a n/a 0	2022A n/a n/a 0	2023E n/a n/a 0	2024E n/a n/a 0	2025E n/a n/a 0	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance	56.6 106.6	52. 102. 28 2021A	3 3 7 2022A	66.3 83.3 271 2023 E	66.5 91.3 205 2024E	75.6 91.3 218 2025E
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other	2021A n/a n/a 0 0	2022A n/a n/a 0	2023E n/a n/a 0	2024E n/a n/a 0	2025E n/a n/a 0 0	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium	56.6 106.6	52. 102. 28 2021A 396.0	3 7 2022A 445.6	66.3 83.3 271 2023E 512.4	66.5 91.3 205 2024E 585.6	75.6 91.3 218 2025E 626.0
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow	2021A n/a n/a 0 0 99.7	2022A n/a n/a 0 0 13.1	2023E n/a n/a 0 0 32.0	2024E n/a n/a 0 0 45.1	2025E n/a n/a 0 0 47.7	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium	56.6 106.6	52. 102. 28 2021A 396.0 386.6	3 3 7 2022A 445.6 418.3	66.3 83.3 271 2023E 512.4 479.0	66.5 91.3 205 2024E 585.6 549.0	75.6 91.3 218 2025E 626.0 605.8
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure	2021A n/a n/a 0 0 99.7 (12.0)	2022A n/a n/a 0 0 13.1 (17.3)	2023E n/a n/a 0 0 32.0 (14.0)	2024E n/a n/a 0 0 45.1 (16.0)	2025E n/a n/a 0 0 47.7 (17.1)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Reinsurance premium	56.6 106.6	52. 102. 28 2021A 396.0 386.6 (58.8)	2022A 445.6 418.3 (66.3)	66.3 83.3 271 2023E 512.4 479.0 (81.8)	66.5 91.3 205 2024E 585.6 549.0 (92.1)	75.6 91.3 218 2025E 626.0 605.8 (101.0)
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments	2021A n/a n/a 0 0 99.7 (12.0) (14.4)	2022A n/a n/a 0 0 13.1 (17.3) (6.1)	2023E n/a n/a 0 0 32.0 (14.0) 4.1	2024E n/a n/a 0 0 45.1 (16.0)	2025E n/a n/a 0 0 47.7 (17.1)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Reinsurance premium Net earned premium	56.6 106.6	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9	2022A 445.6 418.3 (66.3) 352.1	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other	2021A n/a n/a 0 0 99.7 (12.0) (14.4) (24.5)	2022A n/a n/a 0 13.1 (17.3) (6.1) (13.3)	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0)	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9)	2025E n/a n/a 0 47.7 (17.1) 0 (8.5)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Reinsurance premium Net earned premium Net claims expense	56.6 106.6	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3)	3 3 7 2022A 445.6 418.3 (66.3) 352.1 (224.9)	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1)	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5)	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8)
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required)	2021A n/a n/a 0 0 99.7 (12.0) (14.4) (24.5) 48.7	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6)	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0) 15.2	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Reinsurance premium Net earned premium Net claims expense * includes Large event claims of	56.6 106.6	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9)	3 3 7 2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0)	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0)	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0)	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0)
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5)	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0)	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0)	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5)	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses	56.6 106.6	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3)	3 3 7 2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9)	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0)	91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0)	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9)
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned)	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6)	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit	56.6 106.6	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1	91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5)	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0)	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0)	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5)	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue	56.6 106.6	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5	91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned)	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6)	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1	91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m)	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3)	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8)	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3)	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 (0.4) 27.6	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) 16.1 14.5 (0.9) 30.8	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) 36.8 15.3 (0.9) 51.2	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3)	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8)	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3)	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing ope	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4)	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9)	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9)	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9)	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0)
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m)	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (20.0) (30.6) (74.3) 2022A	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Reinsurance premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing operax expense)	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2)	3 3 7 2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5)	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) 16.1 14.5 (0.9) 30.8 (9.5)	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1)	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2)
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E	2024E n/a n/a 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing ope Tax expense Profit after taxation	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2) 18.4	3 3 7 2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5) 17.7	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets Intangibles	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4 120.6	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4 132.5	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E 180.0 7.0 133.2	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5 140.6	2025E n/a n/a 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9 10.0 146.0	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing operation) Tax expense Profit after taxation NPAT (from discontinued operation)	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2) 18.4 (0.2)	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5) 17.7 5.1	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets Intangibles Right of use asset	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4 120.6 25.6	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4 132.5 23.3	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E 180.0 7.0 133.2 20.6	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5 140.6 17.9	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9 10.0 146.0 15.2	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing operation) Tax expense Profit after taxation NPAT (from discontinued operation)	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2) 18.4 (0.2)	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5) 17.7 5.1	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets Intangibles Right of use asset Other assets	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4 120.6 25.6 313.0	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4 132.5 23.3 295.6	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E 180.0 7.0 133.2 20.6 295.6	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5 140.6 17.9 295.6	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9 10.0 146.0 15.2 295.6	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing operation) NPAT (from discontinued operation) NPAT (Reported)	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2) 18.4 (0.2)	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5) 17.7 5.1	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets Intangibles Right of use asset Other assets Total funds employed	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4 120.6 25.6 313.0 615.5	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4 132.5 23.3 295.6 640.0	2023E n/a n/a 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E 180.0 7.0 133.2 20.6 295.6 636.4	2024E n/a n/a 0 0 45.1 (16.0) (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5 140.6 17.9 295.6 668.4	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9 10.0 146.0 15.2 295.6 686.7	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing ope Tax expense Profit after taxation NPAT (from discontinued operation) NPAT (Reported) Key ratios	56.6 106.6 275	52. 102. 28 2021A 396.0 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 (0.4) 27.6 (9.2) 18.4 (0.2) 18.2	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5) 17.7 5.1 22.8	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4 2.1 23.5	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets Intangibles Right of use asset Other assets Total funds employed Net debt/(cash)	2021A n/a n/a 0 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4 120.6 25.6 313.0 615.5 (116.1)	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4 132.5 23.3 295.6 640.0 (84.5)	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E 180.0 7.0 133.2 20.6 295.6 636.4 (80.7)	2024E n/a n/a 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5 140.6 17.9 295.6 668.4 (73.4)	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9 10.0 146.0 15.2 295.6 686.7 (65.1)	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing ope Tax expense Profit after taxation NPAT (from discontinued operation) NPAT (Reported) Key ratios Tower Direct GWP growth %	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2) 18.4 (0.2) 18.2	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5) 17.7 5.1 22.8	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4 2.1 23.5	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0 0 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets Intangibles Right of use asset Other assets Total funds employed Net debt/(cash) Lease liability	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4 120.6 25.6 313.0 615.5 (116.1) 39.4	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4 132.5 23.3 295.6 640.0 (84.5) 35.1	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E 180.0 7.0 133.2 20.6 295.6 636.4 (80.7) 28.1	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5 140.6 17.9 295.6 668.4 (73.4) 20.2	2025E n/a n/a 0 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9 10.0 146.0 15.2 295.6 686.7 (65.1) 11.7	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing operation) NPAT (from discontinued operation) NPAT (Reported) Key ratios Tower Direct GWP growth % Partnership GWP growth %	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2) 18.4 (0.2) 18.2	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 1.2 (0.9) 25.2 (7.5) 17.7 5.1 22.8	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4 2.1 23.5	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0 0 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4 0 37.4
Cash Flow (NZ\$m) EBITDA Working capital change Interest & tax paid Other Operating cash flow Capital expenditure (Acquisitions)/divestments Other Funding available/(required) Dividends paid Equity raised/(returned) (Increase)/decrease in net debt Balance Sheet (NZ\$m) Working capital Fixed assets Intangibles Right of use asset Other assets Total funds employed Net debt/(cash) Lease liability Other liabilities	2021A n/a n/a 0 99.7 (12.0) (14.4) (24.5) 48.7 (10.5) 0 38.2 2021A 146.9 9.4 120.6 25.6 313.0 615.5 (116.1) 39.4 342.5	2022A n/a n/a 0 0 13.1 (17.3) (6.1) (13.3) (23.6) (20.0) (30.6) (74.3) 2022A 183.2 5.4 132.5 23.3 295.6 640.0 (84.5) 35.1 383.5	2023E n/a n/a 0 0 32.0 (14.0) 4.1 (7.0) 15.2 (19.0) 0 (3.8) 2023E 180.0 7.0 133.2 20.6 636.4 (80.7) 28.1 438.7	2024E n/a n/a 0 0 45.1 (16.0) 0 (7.9) 21.2 (28.5) 0 (7.3) 2024E 205.7 8.5 140.6 17.9 295.6 668.4 (73.4) 20.2 498.3	2025E n/a n/a 0 47.7 (17.1) 0 (8.5) 22.1 (30.4) 0 (8.3) 2025E 219.9 10.0 146.0 15.2 295.6 686.7 (65.1) 11.7 531.2	Minimum solvency capital (MSC) Total regulatory capital Solvency ratio (%) Operating Performance Gross written premium Gross earned premium Net earned premium Net claims expense * includes Large event claims of Management & sales expenses Underwriting profit Investment and other revenue Financing and other costs Profit before tax (from continuing ope Tax expense Profit after taxation NPAT (from discontinued operation) NPAT (Reported) Key ratios Tower Direct GWP growth % Partnership GWP growth % Total GWP growth %	56.6 106.6 275	52. 102. 28 2021A 396.0 386.6 (58.8) 327.9 (202.3) (13.9) (123.3) 27.2 0.2 (0.4) 27.6 (9.2) 18.4 (0.2) 18.2 26.4% -30.0% 5.0%	2022A 445.6 418.3 (66.3) 352.1 (224.9) (19.0) (129.9) 23.6 (0.9) 25.2 (7.5) 17.7 5.1 22.8 17.2% 13.0% 12.5%	66.3 83.3 271 2023E 512.4 479.0 (81.8) 397.2 (275.1) (40.0) (139.0) 16.1 14.5 (0.9) 30.8 (9.5) 21.4 2.1 23.5	66.5 91.3 205 2024E 585.6 549.0 (92.1) 456.9 (305.5) (40.0) (150.0) 36.8 15.3 (0.9) 51.2 (16.1) 35.0 0 35.0	75.6 91.3 218 2025E 626.0 605.8 (101.0) 504.7 (344.8) (42.0) (155.9) 40.6 15.0 (1.0) 54.6 (17.2) 37.4 0 37.4

^{*}Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report



Earnings revisions

Our estimates include revisions across several measures. TWR made 49 targeted rating and underwriting adjustments in 1Q23. In our opinion, this represents a good signal that TWR is continually targeting a pass-through of inflationary costs. We lift our GWP estimates slightly. We reassess reinsurance expenses which see a material uplift in anticipated costs. TWR has seen a further reduction in its commission expense ratio, now just 1.8%, which we flow into our numbers. Further, we amend our methodology and inputs for investment returns. We now include the approximations of two post-FY22 balance date transactions into our estimates — creating the difference between Reported and Underlying NPAT numbers in FY23. The gains were:

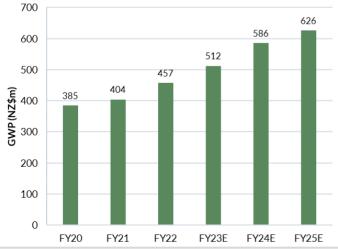
- On 3 November 2022, TWR's Board approved the sale of its Suva building for FJ\$8.2m, which, after allowing for transaction costs and taxes, is greater than the book value of the asset recorded in the FY22 financial statements. The ~NZ\$1.1m estimated after tax gain on sale will be recognised in FY23 profit or loss.
- On 10 June 2022, TWR announced the sale of all of its shares in its Papua New Guinea subsidiary to Alpha Insurance for AU\$7.9m, subject to settlement adjustments. The sale was completed on 28 October 2022, for a revised price of PGK22m. The estimated gain on sale included in profit or loss in FY23 after tax is ~NZ\$2.1m.

Figure 1. Forecast changes (NZ\$m)

	FY23E				FY24E		FY25E			
	Old	New	Change	Old	New	Change	Old	New	Change	
Gross written premium	504.5	512.4	2%	573.7	585.6	2%	613.3	626.0	2%	
Gross earned premium	475.0	479.0	1%	539.1	549.0	2%	593.5	605.8	2%	
Reinsurance expense	(69.2)	(81.8)	18%	(77.8)	(92.1)	18%	(85.3)	(101.0)	18%	
Net earned premium	405.9	397.2	-2%	461.2	456.9	-1%	508.2	504.7	-1%	
Net claims expense	(204.4)	(202.1)	-1%	(231.1)	(230.1)	0%	(265.8)	(266.2)	0%	
Large event claims expense	(40.0)	(40.0)	0%	(40.0)	(40.0)	0%	(42.0)	(42.0)	0%	
Management and sales expenses	(143.9)	(139.0)	-3%	(152.3)	(150.0)	-2%	(158.5)	(155.9)	-2%	
Underwriting profit	17.6	16.1	-9%	37.8	36.8	-3%	41.8	40.6	-3%	
Investment and other revenue	12.3	14.5	18%	15.5	15.3	-2%	15.2	15.0	-1%	
Financing costs	(0.9)	(0.9)	2%	(0.9)	(0.9)	4%	(0.9)	(1.0)	6%	
Underlying profit before tax	29.1	29.7	2%	52.5	51.2	-2%	56.1	54.6	-3%	
Income tax expense	(9.3)	(9.5)	2%	(16.5)	(16.1)	-2%	(17.7)	(17.2)	-3%	
Underlying profit after tax	19.8	20.3	2%	36.0	35.0	-3%	38.5	37.4	-3%	
Reported profit / (loss) after tax	19.8	23.5	18%	36.0	35.0	-3%	38.5	37.4	-3%	

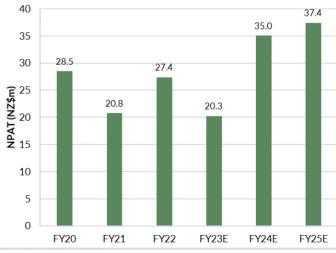
Source: Forsyth Barr analysis

Figure 2. TWR - Underlying GWP NZ\$m



Source: Forsyth Barr analysis

Figure 3. TWR - Underlying NPAT NZ\$m



Source: Forsyth Barr analysis

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Figure 4. Price performance



Source: Forsyth Barr analysis

Figure 5. Substantial shareholders

Shareholder	Latest Holding
Bain Capital Credit LP	20.0%
ACC	9.6%
Salt Funds Management	7.0%
Investment Services Group	5.4%
NZ Funds Management	5.2%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 6. International valuation comparisons

Company	Code	Price	Mkt Cap	Р	E	EV/EI	BITDA	EV/E	BIT	Cash Yld
(metrics re-weighted to reflect TWR	(m)	2023E	2024E	2023E	2024E	2023E	2024E	2024E		
Tower Ltd	TWR NZ	NZ\$0.62	NZ\$233	10.0x	6.7x	n/a	n/a	n/a	n/a	12.2%
Heartland Group Holdings *	HGH NZ	NZ\$1.76	NZ\$1,241	10.8x	10.1x	n/a	n/a	n/a	n/a	7.2%
Insurance Australia Group	IAG AT	A\$4.70	A\$11,515	19.5x	12.6x	n/a	n/a	n/a	9.1x	5.9%
Suncorp Group	SUN AT	A\$12.82	A\$16,205	12.8x	12.4x	n/a	n/a	n/a	51.6x	6.2%
QBE INSURANCE GROUP	QBE AT	US\$10.19	US\$15,126	12.4x	9.4x	n/a	n/a	n/a	8.3x	5.6%
			Compco Average:	13.9x	11.1x	n/a	n/a	n/a	23.0x	6.2%
EV = Mkt cap+net debt+lease liabilit	TWR Relative:	-28%	-40%	n/a	n/a	n/a	n/a	96%		

 $Source: {}^*Forsyth\ Barr\ analysis,\ Bloomberg\ Consensus,\ Compco\ metrics\ re-weighted\ to\ reflect\ headline\ (TWR)\ companies\ fiscal\ year\ end\ to\ reflect\ headline\ to\ reflect\ head\ head\$

Figure 7. Consensus EPS momentum (NZ\$)

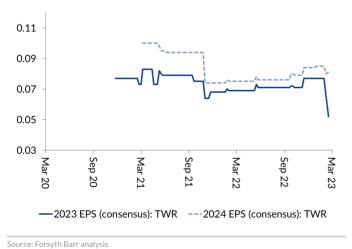
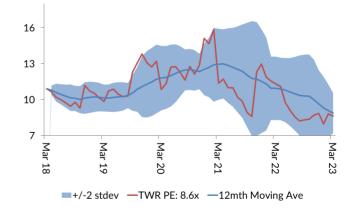


Figure 8. One year forward PE (x)



Source: Forsyth Barr analysis

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