

Re-Entry Conduit Holdings: A 35% discount to TNAV¹

Company:	Conduit Holdings (CRE)	Market Cap:	\$680m (303p)
Industry:	Reinsurance	TNAV (H1 2025):	\$1bn (450p)
Country:	Worldwide, US	Revenue (2024):	\$814m
Entry Date:	1 st August 2025	Net profit (2024):	\$126m
Dividend:	\$60m (8.8%)	Solvency ratio (2024):	255%
Entry:	\$685m (308p)	Target:	\$1bn or 450p (+46%)

Why Conduit Holdings?

- Discount to TNAV of over 35%
- Quiet hurricane season so far
- High dividend yield of 8.8% and potential share buyback to continue later this year if hurricane losses are limited
- The \$118m damage from the LA fires are a “one-off” and can be added back to profits next year

Risks

- Hurricane season could still cause havoc
- 255% solvency ratio limits growth going forward
- Property cat pricing is softening amidst no major hurricane damages in recent years

¹ all assumptions and observations are based on internal modelling and data analysis

About Conduit

As I've written a note on Conduit before ([here](#)), I will not provide an in-depth overview of what Conduit does. I will also not go too much into the details of the macro, i.e. the weather, as the note I've written on hurricanes in 2024 is still valid today ([here](#)). In short, Conduit is a Bermuda based reinsurer focused primarily on US property (60% of revenue), as well as on casualty (21%) and specialty (19%). Conduit has written around 70% in quota-share reinsurance and 30% in excess loss according to their CEO. Quota-share reinsurance is when an insurer wants to share some of the risks of their underwriting by paying a reinsurer a fee to pay for some of the potential losses, whereas excess loss would only cost the reinsurer once a high loss amount has been triggered. The quota-share segment has been less profitable for reinsurers lately due to high frequency of weather events that caused high damage, yet not high enough to trigger the excess loss. Over the last year, the company's growth moderated and the LA wildfires have caused significant losses for Conduit (\$118m)² – the highest amongst all reinsurers in comparison to Conduit's size. This has led to the departure of their CEO, Trevor Carvey³, as well as the retirement of their Chief Underwriting Officer, Gregory Roberts⁴. The company's co-founder and chairman, Neil Eckert, has taken on the CEO role now and revamped the management team with new hires⁵. The key to the \$118m LA wildfire loss is that this is a one-off event and will very likely not re-occur due to the executive order on water supply⁶. Usually, the first half of Conduit is highly profitable, and would have yielded over \$100m in profits without the LA wildfires. Below are some charts that demonstrate the volatility of Conduit's earnings and how a dip in earnings should be a buying opportunity (2020-2021 should be ignored as the company just started trading and had very little capital deployed).

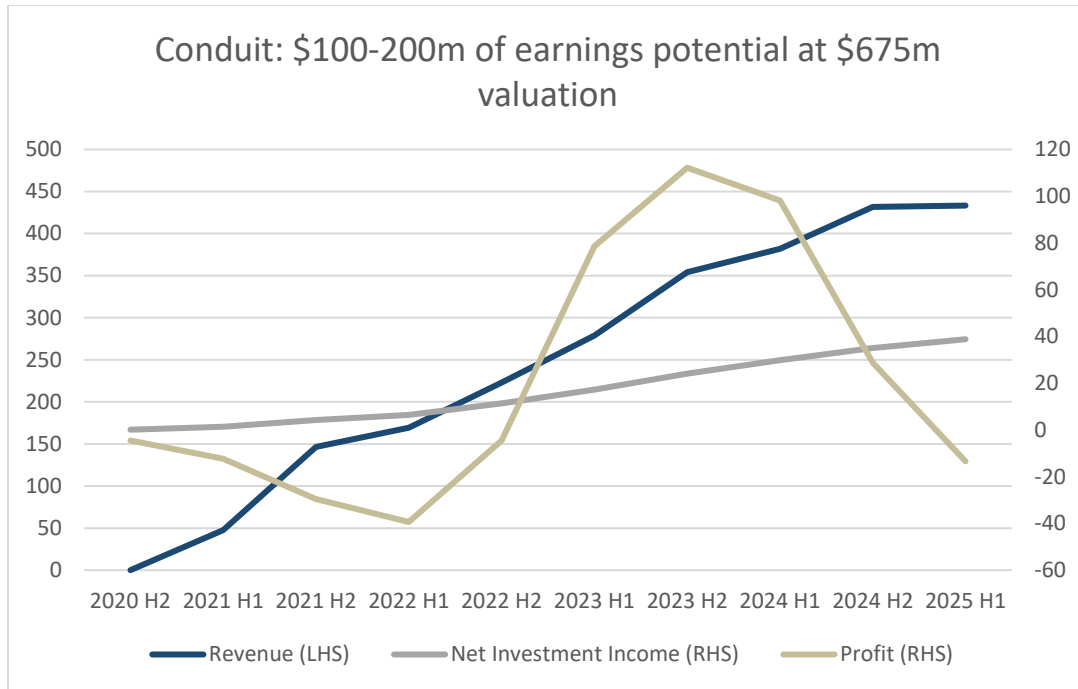
² <https://tools.eurolandir.com/tools/Pressreleases/GetPressRelease/?ID=7761874&lang=en-GB&companycode=uk-cre&v=>

³ <https://tools.eurolandir.com/tools/Pressreleases/GetPressRelease/?ID=7371366&lang=en-GB&companycode=uk-cre&v=>

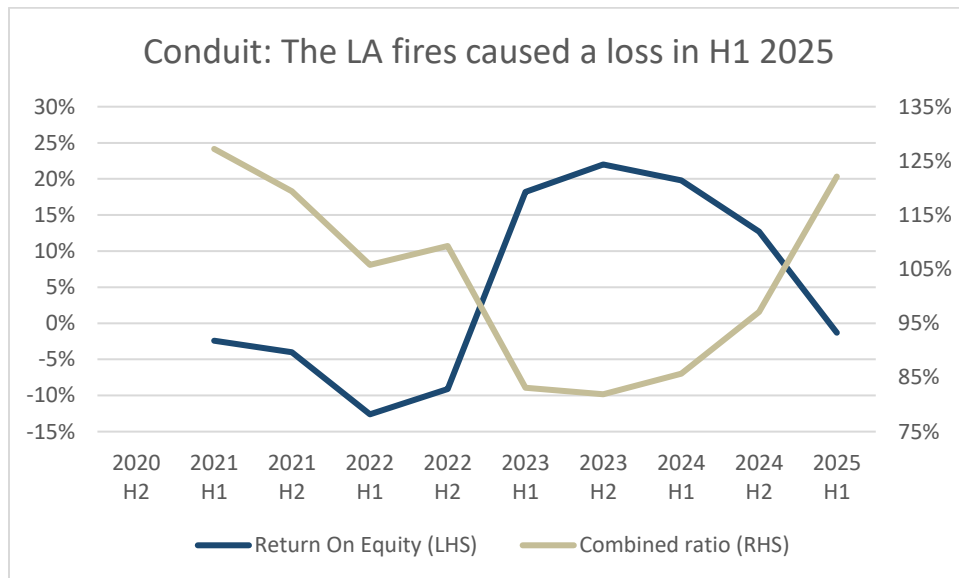
⁴ <https://tools.eurolandir.com/tools/Pressreleases/GetPressRelease/?ID=7383374&lang=en-GB&companycode=uk-cre&v=>

⁵ <https://www.conduitreinsurance.com/news-insights/2025/strategic-underwriting-appointments/>

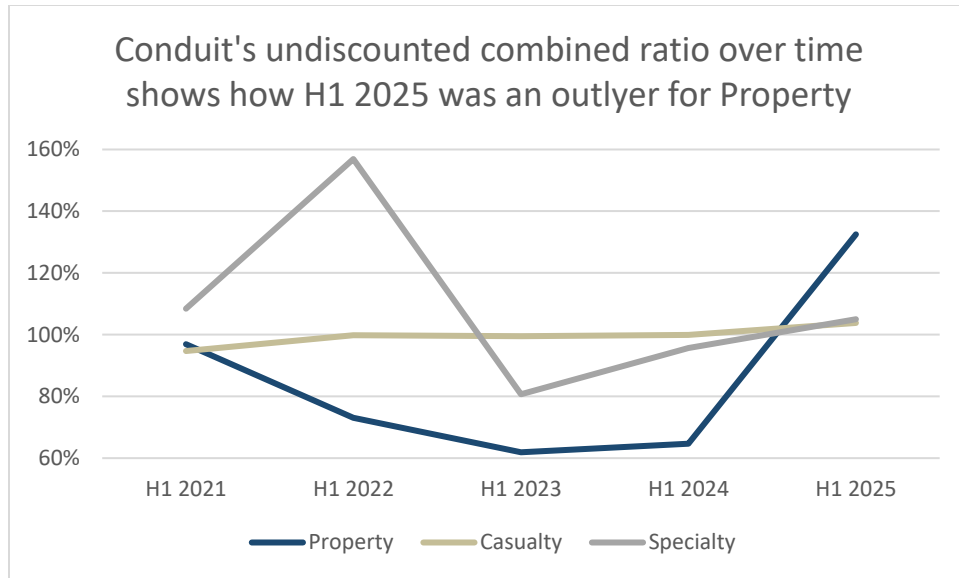
⁶ <https://www.whitehouse.gov/presidential-actions/2025/01/emergency-measures-to-provide-water-resources-in-california-and-improve-disaster-response-in-certain-areas/>



Source: Conduit Holdings annual reports



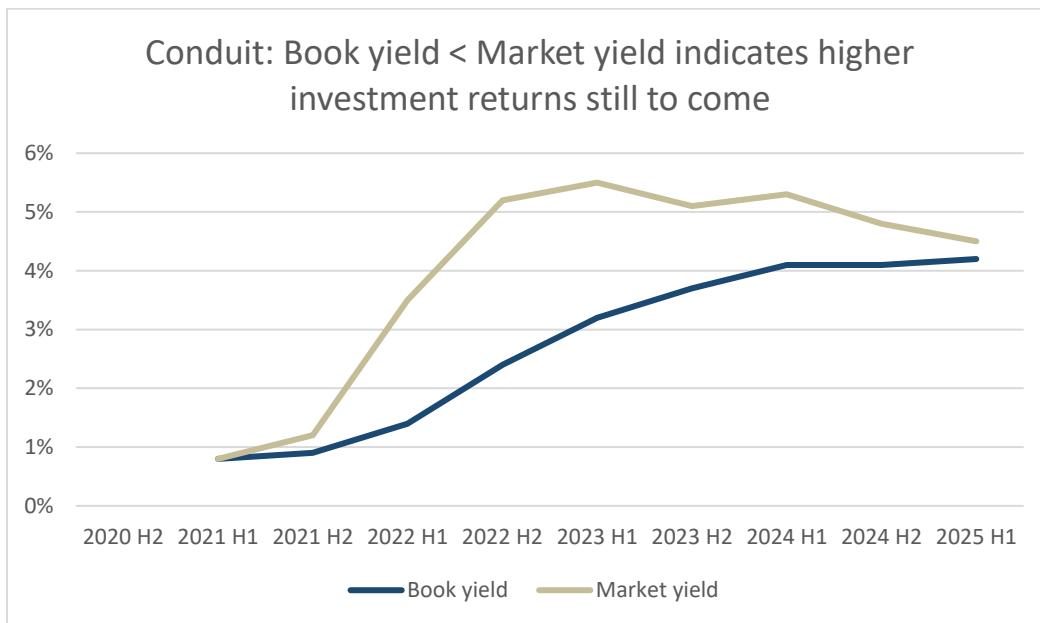
Source: Conduit Holdings annual reports



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Strong investment returns

Although the combined ratios of property, casualty and specialty have all been above 100% in H1 2025, the losses have been dampened due to the attractive net investment returns, which continue growing and are likely exceeding \$80m for 2025, as the book yield remains below the market yield. This is more than double Conduit's \$30m operating expenditures.



Source: Conduit Holdings annual reports

The turnaround

Conduit's management has now indicated to move from 70/30 quota-share/excess loss towards a 50/50 ratio over the next 12-18 months. Together with the new hires, this should form the basis of the turnaround. Management also confirmed that the \$50m share buyback will continue once the hurricane season is over. At a more than 35% discount to TNAV together with a 255% solvency ratio, Conduit remains a bargain, and unless the hurricane season will lead to larger losses over the coming weeks, the company's valuation should rerate and might even become a takeover target, in my opinion. Amidst record insurance linked securities issuance and investor demand in the sector⁷, no company should really trade at a discount to TNAV in this market. And as the market is softening, it makes more sense for reinsurers that are looking to grow, to acquire other reinsurers that are trading at a discount to TNAV⁸. For this reason, I see Conduit Holdings as one of the top investment opportunities, especially in light of the macro-economic uncertainties.

The hurricane season

This hurricane season has so far been more mundane than the one from last year at this time in the cycle (beginning of September), with literally no hurricane hitting land and therefore pretty much zero damage. In 2024, there were already two large hurricanes, Beryl and Debby, causing \$4-6bn in damages⁹. However, most of 2024's hurricane damage came later in September/October with hurricane Helene and hurricane Milton, causing a combined damage of >\$110bn¹⁰. Currently, we do face some risks from the formation of hurricane Gabrielle – although it is not expected to make a major US landfall according to all models at this time as per weathernerds.org below. This reduces the probabilities of a major hurricane making landfall, as over the last 20 years from the 17 most costly hurricanes, only 3 occurred later than September: Hurricane Wilma on 18 Oct 2005 (\$30bn), hurricane Michael on 8 Oct 2018 (\$31bn) and hurricane Sandy on 24 Oct 2012 (\$88.5bn). On the downside, this could lead to further softening in natcat pricing for 2026.

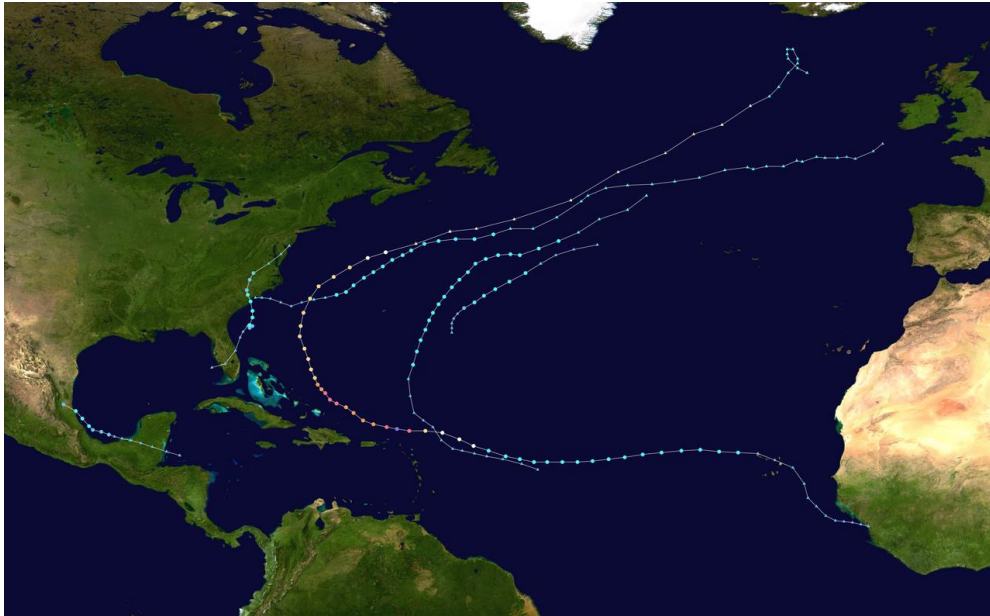
⁷ <https://www.reinsurancene.ws/ils-market-continues-to-break-records-fitch-ratings/>

⁸ <https://www.reinsurancene.ws/softening-reinsurance-market-could-drive-ma-opportunities-fitch/>

⁹ <https://www.artemis.bm/news/hurricane-francine-losses-manageable-for-pc-insurers-minimal-for-reinsurance-rbc/>

¹⁰ <https://www.climate.gov/news-features/blogs/beyond-data/2024-active-year-us-billion-dollar-weather-and-climate-disasters>

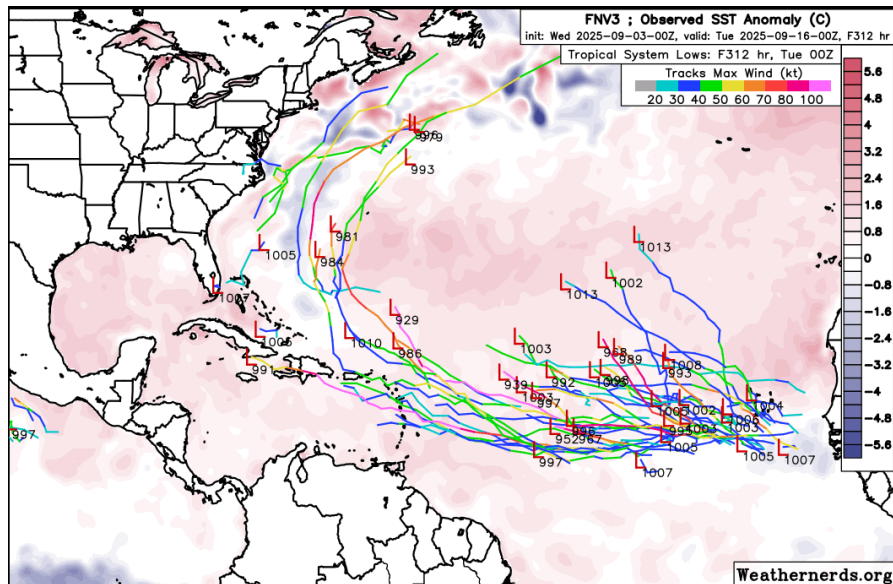
Formed North Atlantic tropical storms and hurricanes as of 3rd September 2025



Source:

https://en.wikipedia.org/wiki/2025_Atlantic_hurricane_season#/media/File:2025_Atlantic_hurricane_season_summary.png

Current hurricane formation spaghetti models Google Deep Mind 13 days out



Source: <https://weathernerds.org/>



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