

## CIC Insurance Group Ltd 1H17 Earnings Update

**CIC Insurance reported a 14.5% y/y increase in net earnings for 1H17 to KES 347.9M. The rise was mainly attributable to a 16.6% y/y increase in net earned premiums to KES 5.9B and a 53.6% y/y rise in investment income to KES 2.0B.**

**Top-line up on diversification of product portfolio:** CIC Insurance posted a 16.6% y/y increase in net earned premiums to KES 5.9B. This was due to management's decision to increase diversification of its insured product portfolio. CIC's Uganda and Malawi insurance business has been doing well, increasing net earned premiums.

**Investment and other income surge on account of increases in share prices:** Investment and other income went up 53.6% y/y to KES 2.0B for 1H17. This was partly due to recovery of CIC's equity investments. Listed equities have rallied for the better part of 2017, highlighted by the 18.8% YTD gain of the NASI with the NASI index yield to date standing at 18.8%. The rise in investment and other income saw insurance margin increase to 33.6% in 1H17 from 25.5% in 1H16.

**Net claims and policyholders' benefits grow as CIC takes on a larger portfolio:** Net claims and policyholders' benefits expense grew 27.2% y/y to KES 4.1B. This was in line with business growth and prudent reserving. Consequently, the loss ratio increased to 69.0% in 1H17 from 63.3% in 1H16.

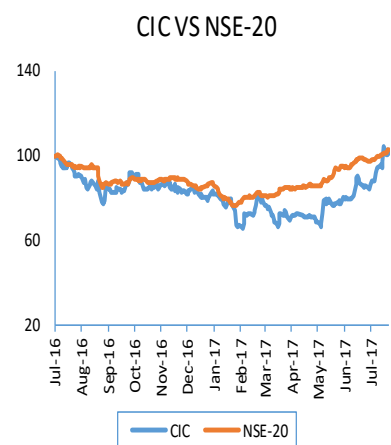
**Total expenses increase as South Sudan's economic environment remains hyperinflationary:** Total expenses increased 25.5% y/y to KES 7.1B in 1H17. This was attributable to an increase (27.2% y/y) in net claims and policyholder's benefits, a 25.2% y/y rise on operating and other expenses to KES 2.9B and a loss on net monetary position of KES 124.7M. Although the South Sudan economy is slowly getting back to normal, the economic environment remains hyperinflationary, therefore, CIC's South African business will continue being affected in the medium term.

**Looking Ahead:** As per the new regulation, all imports to Kenya are to be insured through local insurers. Consequently, marine insurance premiums are estimated to hit KES 20B in FY17. Therefore we anticipate CIC's written premiums to increase on account of increased uptake of marine insurance consequently boosting the bottom line. CIC's current price of KES 4.80 sees it trade at 18.5 times earnings and 1.7 times book value against an industry average of 10.5 times and 2.0 times respectively. These metrics reflect a fairly priced stock. The expected increase in top-line coupled with the increase in realized and unrealized gains in quoted equity investments, point to a larger bottom-line, making it a viable investment venture for a long-term yield hunting investor.

Bloomberg Ticker :	CIC KN
Reuters Ticker:	CIC.NR

Share Statistics	
Current Price (KES)	4.80
Issued shares (M)	2,615.5
Market cap (USD M)	120.8
Year end	31 Dec
3-month avg traded val (USD)	4129
Free float (%)	93.6

### Price Trend



Source: Bloomberg, ApexAfrica Research

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## 1H17 Financials

	1H16	FY16	1H17	% chg
	KES '000	KES '000	KES '000'	
<b>Income Statement</b>				
Gross written premiums	6,298,655	12,334,289	7,585,498	20.4
Net earned premiums	5,039,137	10,031,301	5,877,926	16.6
Investment income	1,286,288	1,287,790	1,975,345	53.6
Total income	6,325,425	13,060,879	7,853,271	24.2
Claims and policyholders' benefits expense	(3,189,560)	(6,469,473)	(4,056,777)	27.2
Operating and other expense	(2,330,789)	(4,649,528)	(2,917,182)	25.2
Total expenses	(5,654,270)	(12,955,203)	(7,098,640)	25.5
Profit before tax	335,385	114,388	429,508	28.1
Profit after tax	303,731	188,185	347,872	14.5
EPS (KES)	0.12	0.07	0.13	8.3
DPS (KES)		0.10		
<b>Statement of Financial Position</b>				
Property & Equipment	1,339,417	1,344,707	1,324,358	-1.1
Investment properties	6,051,288	5,420,742	6,338,794	4.8
Other Investments	12,085,183	12,085,183	12,085,183	0.0
Other loans	977,738	977,738	906,141	-7.3
Other receivables	5,863,434	5,761,598	7,477,542	27.5
Cash and bank balances	611,463	611,463	686,455	12.3
Net assets	26,928,523	26,826,687	29,857,627	10.9
Total equity	7,479,463	7,479,463	7,561,451	1.1
Insurance liabilities	13,013,310	13,129,885	15,569,601	19.6
Borrowings	5,086,021	5,086,021	5,327,594	4.7
Other payables	1,349,729	1,131,318	1,398,981	3.6
Total liabilities	19,449,060	19,347,224	22,296,176	14.6
Net assets	26,928,523	26,826,687	29,857,627	10.9
<b>Statement of Cash Flows</b>				
Net cash (used in)/ generated from operating activities	(839,366)	(193,933)	1,120,492	
Net cash (used in)/ generated from investing activities	1,332,901	517,818	(1,184,302)	
Net cash (used in)/ generated in financing investments	(267,400)	(255,915)	(33,060)	
Increase/ (decrease) in cash and cash equivalents	226,135	67,970	(96,870)	
Cash and cash equivalents at the end of the period	4,379,452	4,379,452	4,371,649	
<b>Ratios</b>				
Loss Ratio (%)	63.3	64.5	69.0	
Insurance Margin (%)	25.5	12.8	33.6	
Return on Equity (ROE) (%)	4.1	2.5	4.6	
Return on Assets (ROA) (%)	1.1	0.7	1.2	
Net margin (%)	6.0	1.9	5.9	
Debt to Equity (%)	68.0	68.0	70.5	
P/E (x)			18.5	
P/B (x)			1.7	

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