

Britam Holdings Plc

‘Down but not under’

Britam Holdings FY17 posted a hefty 78.7%y/y decline in net earnings to KES 527.5M mainly attributed to a one-off change that inflated FY16 earnings by KES 5.2B. The board recommended the payment of a first and final dividend of 35.0 cents per share, a 16.7% y/y increase from 30.0 cents in FY16.

The Group’s total income grew by 24.5% to KES 27.8B from KES 22.4B in FY16 on the back of a 15.0%y/y increase in gross earned premiums to KES 23.3B and a splendid performance in equities which resulted in a 19.4%y/y increase in investment income and a 154.9% y/y jump in gains on financial assets at fair value through profit and loss to KES 1.3B from a loss of KES 2.4B in FY16.

Profit before tax stood at KES 865M in FY17, a 79.6%y/y nose –dive compared to KES 4.2B in FY16. This sharp decline attributable to a one-off change in FY16 that positively impacted earnings has dented the company’s bottom line despite the increase in net earned revenue. The Group’s profit after tax decreased by 78.8%y/y to KES 527.5M which is significantly higher than the 25.0%(potential) decline in net earnings issued in the profit warning. Total comprehensive income, however grew by 143.2%y/y to KES 1.9B compared to KES 784.7 in FY16.

Net insurance claims and policyholder’s benefits ballooned 149.9%y/y to KES 12.5B highlighted by a change in the valuation method for life business long term liabilities to Gross Premium Valuation (GPV) from the previously applied Net premium Valuation (NPV).

Income from investments in property and the associate declined by 161.3%y/y to KES –607.3M and 88.0%y/y to KES 53.0M respectively on the back of a tough macroeconomic environment in Kenya worsened by investor uncertainty over a long electioneering period coupled with a rate cap effected in September 2016.

Outlook for 2018:

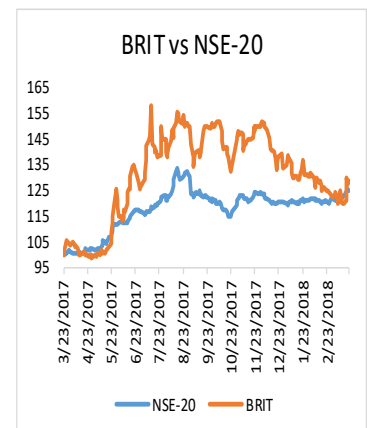
The Group is expected to realize significant top-line growth in FY18 reinforced by an improved business operating environment, introduction of innovative products and services that are customer-oriented and process improvement through deployment of information technology. New digital and mobile distribution channels will play a key role in reducing overhead costs and increasing efficiency consequently boosting the Group’s bottom line in FY18.

Bloomberg Ticker: BRIT KN
Reuters Ticker: BRIT.NR

Share Statistics

Current Price (KES)	12.90
Issued shares (M)	2163
Market cap (USD M)	276.5
Year end	31-Dec
3-month avg traded val (USD)	19711
Free float (%)	17.3%

Price Trend



Source: Bloomberg, ApexAfrica Research

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Financials

Income Statement	FY16A	1H17	2H17	FY17A	Δ% y/y	
	KES M	KES M	KES M	KES M		
Gross earned premium reserve	21,221	11,236	12,823	24,059	13.4%	14.1%
Net insurance premium reserve	18,323	9,745	11,314	21,059	14.9%	16.1%
Investment income	4,233	2,772	2,282	5,054	19.4%	-17.7%
Total income	22,360	14,693	13,144	27,837	24.5%	-10.5%
Net Insurance Claims and loss adjustment expenses	5,001	6,669	5,830	12,499	149.9%	-12.6%
Interest payments/ Increase in unit value	1,742	514	1,949	2,463	41.4%	279.2%
Total expenses and commission	18,563	13,488	13,535	27,023	45.6%	0.3%
Share of profit of the associates	442	78	-25	53	-88.0%	
Profit/ (loss) before tax	4,239	1,282	-416	866	-79.6%	
Profit for the year	2,480	995	-468	527	-78.8%	
EPS	1.28	0.51	-0.22	0.24	-81.0%	
DPS	0.3		0.35	0.35	16.7%	
Statement of Financial Position						
Assets						
Fixed and Intangible assets	3681	3544	53	3597	-2.3%	-98.5%
Investment assets	68,582	74,655	7,114	81,769	19.2%	-90.5%
Insurance assets	7,466	7,618	456	8,074	8.1%	-94.0%
Other assets	2,567	2,921	-383	2,538	-1.1%	-113.1%
Total assets	83,643	90,623	8,402	99,025	18.4%	-90.7%
Liabilities						
Insurance liabilities & deposit administration contracts	50,412	56,104	5,160	61,264	21.5%	-90.8%
Borrowings	9,380	9,392	-1,429	7,963	-15.1%	-115.2%
Other liabilities	5,974	5,924	1,204	7,128	19.3%	-79.7%
Total liabilities	65,765	71,421	4,933	76,354	16.1%	-93.1%
Total equity	17,878	19,202	3,468	22,670	26.8%	-81.9%
Net assets	17,878	19,202	3,468	22,670	26.8%	-81.9%
Ratios and Margins						
Expense Ratio (%)	20.4	18.6	-6.2	16.7	-370bps	
Loss Ratio (%)	28.8	68.4	51.5	59.4	30600bps	
Combined Ratio (%)	49.1	87	45.3	76.1	270bps	
Insurance margin (%)	28.6	50.8	16.2	32.2	360bps	
Return on Equity (ROE) (%)	13.9	5.2	-13.5	2.3	-11600bps	
Return on Assets (ROA) (%)	3.0	1.1	-5.6	0.5	-250bps	
Net margin (%)	14.3	10.2	13.9	2.5	-11800bps	
Debt to Equity (%)	52.5	52.5	-41.2	35.1	-17400bps	
P/E(x)				49.6		
P/B(x)				1.2		
Dividend Yield %				2.7		

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