

## Jubilee Holdings Ltd

### “Onwards and upwards”

Jubilee’s FY16 PAT increased 17.8% y/y to KES 3.7B. The increase was mainly attributable to an 18.2% y/y growth in net insurance premium revenue to KES 17.6B and a 36.0% y/y increase in share results of associates to KES 1.4B. Gross written premiums rose 12.1% y/y to KES 33.8B. The company held final dividend constant at KES 7.50 bringing the total dividend for FY16 to KES 8.50. The directors’ also recommended a bonus share issue of 1share for every 10 shares held. Books closure for dividend is slated for 22nd May 2017.

**Top-line up on surge in life business segment:** Jubilee posted a 12.1% y/y increase in gross written premium to KES 33.8B. This was due to a 59.0% y/y increase in group life business and 36.0% y/y growth in individual life business. Under the general insurance segment, medical business was up 16.0% y/y.

**Claims and policyholders’ benefits expense surge even as insurers switched to GPV method of valuing life insurance business liabilities:** Claims and policyholders’ benefits expense rose 20.8% y/y to KES 14.0B. The bulk of Jubilee’s premium comes from general insurance business segment. Therefore, the move to GPV methodology did not significantly reduce the group’s claims and policyholders’ benefits.

**Operating profit margin declines as claims and policy holders’ growth outpaces net earned premiums growth:** Operating profit margin decreased by 320bps y/y to 17.8%. This was attributable to a 20.8% y/y increase in claims and policyholders’ benefits to KES 14.0B compared to an 18.2% y/y rise in net earned premiums to KES 17.6B.

**Share results of associates boost earnings:** Share results of associates grew 36.0% y/y to KES 1.4B. Jubilee Holdings has five associates; IPS Power Investments Ltd, PDM Ltd, Bujagali holding power Ltd, FCL holding Ltd and IPS Cable Holding Systems Ltd. This increase led to a 10.1% y/y rise in PBT to KES 4.6B.

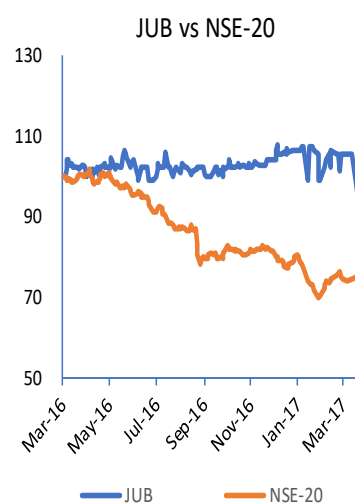
**Looking Ahead:** We anticipate the market to overreact to the news of a bonus issue (1 share for every 10 shares). This may push prices up in the short term. However, the price may even out after a while since a bonus issue does not increase nor decrease share holders value.

Further, we expect the company’s top line to be boosted by the uptake of marine insurance premiums. This is after the IRA ordered all imports to Kenya are to be insured through local insurers.

Jubilee’s current price of KES 473.00 sees it trade at a P/E of 11.1x and P/B of 1.6x against an industry average of 15.2x and 2.0x respectively. The company has an ROE of 12.8%. These metrics portray a fairly priced stock. Notwithstanding, Jubilee has a strong regional presence across the East African region with subsidiaries in Uganda, Tanzania, Burundi and Mauritius. The company is also a member of AKFED group of companies with a history of a dynamic management team with a proven track record of shareholder wealth creation. Therefore, the counter is a good investment pick for a long-term investor.

Bloomberg Ticker :	JBIC KN
Reuters Ticker:	JUB.NR

Share Statistics	
Current Price (KES)	473.00
Issued shares (M)	65.9
Market cap (USD M)	302.6
Year end	31 Dec
3-month avg traded val (USD)	39,063
Free float (%)	18.5
Foreign shareholding (%)	59.1



#### Price Trend

Source: Bloomberg, ApexAfrica Research

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## FY 16 Financials

	FY15	1H16	FY16	% chg
	KES '000	KES '000	KES '000	
<b>Income Statement</b>				
Gross written premiums	30,158,675	13,624,931	33,809,781	12.1%
Net earned premiums	14,876,157	8,355,443	17,581,229	18.2%
Other income	6,821,757	*	7,122,633	4.4%
Total income	21,697,914	8,355,443	24,703,862	13.9%
Claims and policyholders' benefits expense	(11,565,275)	(7,484,882)	(13,965,531)	20.8%
Operating expenses and commissions	(7,004,651)	500,446	(7,606,378)	8.6%
Total expenses	(18,569,926)	(6,984,436)	(21,571,909)	16.2%
Operating profits	3,127,988	1,371,007	3,131,953	0.1%
Net finance costs	(34,861)	-	-	
Share results of associates	1,052,012	601,767	1,430,752	36.0%
Profit before tax	4,145,139	1,972,774	4,562,705	10.1%
Profit after tax	3,121,093	1,578,735	3,675,947	17.8%
EPS (KES)	42.70	21.20	50.00	17.1%
DPS (KES)	8.50	1.00	8.50	0.0%

### Balance Sheet

Fixed assets	291,291	235,801	381,079	30.8%
Investment assets	56,245,763	60,090,152	64,868,332	15.3%
Insurance assets	13,795,612	15,632,893	15,446,717	12.0%
Other assets	1,154,764	5,839,644	1,544,766	33.8%
Cash and cash equivalent	10,890,580	5,768,962	8,326,849	-23.5%
Total assets	82,378,010	87,567,452	90,567,743	9.9%
Retained earnings	13,759,189	15,010,969	16,352,839	18.9%
Total equity	20,381,207	21,228,070	21,421,669	5.1%
Insurance liabilities	59,014,996	61,590,992	66,607,490	12.9%
Other liabilities	2,981,807	4,748,390	2,538,584	-14.9%
Total liabilities	61,996,803	66,339,382	69,146,074	11.5%

### Ratios

Expense Ratio	47.1%	-6.0%	43.3%
Loss Ratio	77.7%	89.6%	79.4%
Combined Ratio	124.8%	83.6%	122.7%
Insurance Margin	45.9%	*	40.5%
Return on Equity (ROE)	20.3%	9.3%	21.3%
Return on Assets (ROA)	5.0%	2.3%	5.0%
Net margin	13.7%	14.5%	13.5%
P/E (x)	11		11.1
P/B (x)			1.6
Dividend Yield			2.0%

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