

## CIC Insurance Group Limited 'Stellar'

**CIC Insurance Group Ltd announced a stupendous 54.4% y/y increase in net earnings to KES 537.1M in 1H18 on the back of increased net premiums earned and the relatively stable operating expenses. The board did not recommend payment of an interim dividend.**

**Net earned premium rose 20.5% y/y to KES 7.1B.** This impressive growth was attributed to the insurer's diversification efforts into ordinary life and pension which are touted to offer a lucrative revenue stream going forward. Consequently, outward reinsurance also went up 11.2% y/y to KES 1.9B with the company maintaining a high retention ratio of 78.9% which poses a huge insurance claims risk exposure incase of a major disaster.

**Total income posted an 11.1% y/y jump to KES 8.7B** despite the 16.9% y/y decline in investment income. This sharp fall was occasioned by the poor performance of the capital markets in FY18 (equities and bonds) and the downturn of the real estate industry on the back of a liquidity crunch.

**Net claims and policy holder benefits payable surged 15.1%/y/y to KES 4.7B** in line with the business growth even as the industry grapples with insurance fraud. CIC has invested in innovation and information technology to curb insurance claims malpractices in addition to setting up motor assessment centres which have resulted in lower motor claims costs for their general business.

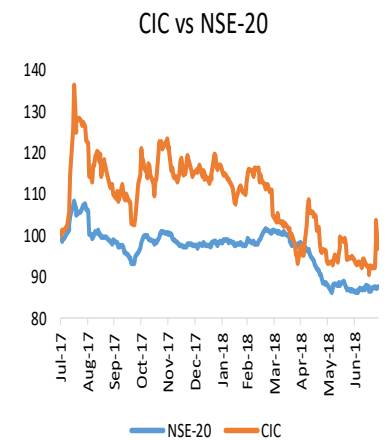
**Looking ahead:** The insurer will continue to leverage on technology to enhance customer service, increase efficiency and mitigate against fraud. CIC Insurance Group is optimistic that the general recovery of the economy will give impetus to the growth of the Ordinary Life and pension segments of the business. The, albeit, splendid results may stir activity on CIC's share price (KES 4.85) in the short-term though sustained profits will be required to maintain a steady performance of the counter at the local bourse.

**Bloomberg Ticker:** CIC KN  
**Reuters Ticker:** CIC.NR

### Share Statistics

Current Price (KES)	4.85
Issued shares (M)	2615.5
Market cap (USD M)	126.3
Year end	31-Dec

### Price Trend



Source: Bloomberg, ApexAfrica Research

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## Financials

Income Statement	FY16	1H17	FY17	1H18	Δ%/y
Gross earned premium	11,814	7,585	14,336	8,981	18.4%
<b>Net insurance premium</b>	<b>10,031</b>	<b>5,878</b>	<b>12,095</b>	<b>7,083</b>	20.5%
Net fair value gain through profit or loss	1,035	-	938	-	
Investment income	1,302	1,975	1,544	1,641	-16.9%
Commission earned	650	-	1,023	-	
<b>Total income</b>	<b>13,017</b>	<b>7,853</b>	<b>15,600</b>	<b>8,724</b>	<b>11.1%</b>
Net Insurance Claims and benefits	(6,469)	(4,057)	(7,856)	(4,670)	15.1%
Total expenses and commission	(6,442)	(3,042)	(7,225)	(3,075)	1.1%
<b>Operating profit</b>	<b>106</b>	<b>755</b>	<b>519</b>	<b>979</b>	<b>29.7%</b>
Share of profit of the associates	9	(325)	0	(335)	3.0%
<b>Profit/ (loss) before tax</b>	<b>114</b>	<b>430</b>	<b>519</b>	<b>644</b>	<b>49.9%</b>
<b>Profit for the year</b>	<b>188</b>	<b>348</b>	<b>478</b>	<b>537</b>	<b>54.4%</b>
EPS (KES)	0.07	0.13	0.18	0.21	54.4%
DPS (KES)	0.11		0.12		
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Property and equipment	1,339	1,324	1,376	1,253	-5.4%
Investment properties	6,051	6,339	6,686	7,042	11.1%
Other investments	12,085	13,124	14,621	15,307	16.6%
Other loans	978	906	822	629	-30.6%
Other receivables	5,863	7,478	6,737	7,945	6.3%
Cash and bank balances	611	686	263	589	-14.2%
<b>Total assets</b>	<b>26,929</b>	<b>29,858</b>	<b>30,505</b>	<b>32,765</b>	9.7%
<b>Liabilities</b>					
Insurance contract liabilities	13,130	15,570	16,260	18,420	18.3%
Borrowings	5,086	5,328	5,107	5,116	-4.0%
Other liabilities	1,233	1,399	1,502	1,732	23.8%
<b>Total liabilities</b>	<b>19,449</b>	<b>22,296</b>	<b>22,868</b>	<b>25,269</b>	<b>13.3%</b>
<b>Total equity</b>	<b>7,479</b>	<b>7,561</b>	<b>7,637</b>	<b>7,496</b>	<b>-0.9%</b>
<b>Statement of Cash Flow</b>					
Cash inflow from operating activities	455	1,120	2,091	2,260	101.7%
Cash inflow/(outflow) from investing activities	538	(1,184)	(2,501)	(727)	-38.7%
Cash outflow from financing activities	(925)	(33)	(909)	(639)	1832.5%
Cash and cash equivalents at end of year	4,568	4,372	2,877	3,758	-14.0%
<b>Ratios and Margins</b>					
Expense Ratio (%)	64.2%	51.8%	59.7%	43.4%	-16.1%
Loss Ratio (%)	64.5%	69.0%	65.0%	65.9%	-4.5%
Combined Ratio (%)	128.7%	120.8%	124.7%	109.3%	-9.5%
Insurance margin (%)	65.3%	64.6%	64.0%	57.2%	-11.4%
Return on Equity (ROE) (%)	2.5%	4.6%	6.3%	7.2%	55.7%
Return on Assets (ROA) (%)	0.7%	1.2%	1.6%	1.6%	40.7%
Operating profit margin (%)	1.1%	12.8%	4.3%	13.8%	7.6%
Net margin (%)	1.9%	5.9%	4.0%	7.6%	28.1%
P/E (x)				23.86	
P/B (x)				4.74	
<u>Dividend yield (%)</u>				1.8%	

Source: Company Filings, ApexAfrica Research



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