

Jubilee Holdings 1H18 Earnings update 'Poised to rebound'

Jubilee Holdings Ltd posted flat 1H18 earnings with PAT stagnating at 1.9B (-0.9% y/y). While gross earned premiums declined 9.0% y/y to KES 14.2B, gross written premiums were largely flat indicating a resurgence in the topline in 2H18 following the release of unearned premium reserve into the P&L. The Board of Directors announced an interim dividend of KES 1.00 (unch) with payment date slated for 5th October, 2018 following books closure on 14th September, 2018.

Topline declines; expected to rebound in 2H18

Gross earned premiums declined 9.0% y/y to KES 14.2B on the back of a difficult macroeconomic environment witnessed in 2H17. Nevertheless, 1H18 saw a rebound in economic activity following the end of the long electioneering period, highlighted by the 11.5% h/h increase in gross earned premiums. We anticipate a surge in FY18 net earned premiums as unearned premiums registered in 1H18 trickle into the profit and loss statement.

Investment income surge buoys total income

The contraction in the net earned premiums was cushioned by a steep 26.7% y/y rise in investment income to KES 4.3B. This surge is attributable to the heightened accumulation of government securities by the insurer, culminating in an 18.2% y/y jump in investment assets to KES 83.5B which seems to have paid off handsomely. Net fair value gains through profit and loss also posted a solid performance, rising 9.8% y/y to KES 1.4B while commission earned dipped 6.2% y/y to KES 1.0B. Overall, total income declined marginally by 2.2% y/y (+1.9% h/h) to KES 15.6B.

Declining net claims and benefits boost operating profit

Net claims and policyholder benefits dwindled 5.2% y/y to KES 9.8B in line with falling premiums. The decline may also be attributed to the company's investment in people and technology to lower fraudulent claims which have been a menacing challenge for most insurance players. Total expenses remained flat at KES 3.8B illuminating the company's tight-ship-cost-management-strategy.

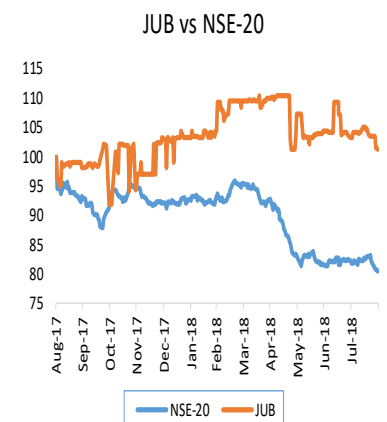
Future outlook: Consensus projections of Kenya's 5.9% GDP growth in FY18 are anticipated to propel insurance penetration, consequently boosting the insurer's topline growth. Capital investment in government securities is also expected to yield favorable returns further boosting total income. Effective management of claims and operating expenses will play a pivotal role in cushioning the bottom line thus ensuring sustained earnings for the shareholders. The counter which currently trades at KES 485.00 is fairly priced with trading multiples P/E 21.0x and P/B 1.4x given the industry average of P/E 35.4x.

Bloomberg Ticker: JBIC KN
Reuters Ticker: JBIC.NR

Share Statistics

Current Price (KES)	485.00
Issued shares (M)	72.5
Market cap (USD M)	349.6
Year end	31-Dec
3-month avg traded val (USD)	47809
Free float (%)	39.9%

Price Trend



Source: Bloomberg, ApexAfrica Research

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Financials

Income Statement (KES M)	1H17	2H17	FY17A	1H18	Δ%/y	Δ%h/h
Gross earned premium	15,601	12,728	28,329	14,191	-9.0	11.5
Net insurance premium	10,193	9,001	19,194	8,880	-12.9	-1.3
Net fair value gain through profit/loss	1,298	1,402	2,700	1,426	9.8	1.7
Investment income	3,396	3,766	7,162	4,304	26.7	14.3
Commission earned	1,068	735	1,803	1,002	-6.2	36.4
Total income	15,955	15,318	31,273	15,611	-2.2	1.9
Net Insurance Claims and benefits	(10,381)	(9,273)	(19,654)	(9,840)	-5.2	6.1
Total expenses and commission	(3,812)	(3,829)	(7,641)	(3,820)	0.2	-0.2
Operating profit	1,761	2,217	3,978	1,951	10.8	-12.0
Share of profit of the associates	579	603	1,182	471	-18.7	-21.9
Profit/ (loss) before tax	2,340	2,821	5,161	2,422	3.5	-14.1
Profit for the year	1,876	2,354	4,230	1,860	-0.9	-21.0
EPS	26.05	28.21	54.26	23.38	-10.2	-17.1
DPS	1.00	8.00	9.00	1.00	0.0	
Statement of Financial Position						
Assets						
Fixed assets	361	78	439	479	32.7	
Investment assets	70,645	4,901	75,546	83,530	18.2	
Insurance assets	17,858	(2,394)	15,464	15,225	-14.7	
Other assets	2,372	(958)	1,414	2,436	2.7	
Cash and cash equivalents	9,873	2,231	12,104	11,360	15.1	
Total assets	101,108	3,859	104,967	113,030	11.8	
Liabilities						
Insurance contract liabilities	73,646	3,456	77,102	81,782	11.0	
Other liabilities	3,493	(858)	2,635	5,032	44.1	
Total liabilities	77,139	2,598	79,737	86,814	12.5	
Total equity	23,969	1,261	25,230	26,216	9.4	
Statement of Cash Flow						
Cash inflow from operating activities	2,505	1,510	4,015	(782)	-131.2	
Cash inflow/(outflow) from investing activities	(594)	3,608	3,014	(3,556)	498.7	
Cash outflow from financing activities	(494)	(73)	(567)	(580)	17.4	
Net increase/ (decrease) in cash & equivalents	1,416	5,047	6,463	(4,919)	-447.4	
Cash and cash equivalents at end of year	9,872	4,925	14,797	9,925	0.5	
Ratios and Margins						
Expense Ratio (%)	37.4	0.4	39.8	43.0		
Loss Ratio (%)	101.84	1.03	102.40	110.82		
Combined Ratio (%)	139.24	1.46	142.21	153.84		
Insurance margin (%)	54.68	0.67	60.53	65.00		
Return on Equity (ROE) (%)	7.83	1.87	16.77	7.09		
Return on Assets (ROA) (%)	1.86	0.61	4.03	1.65		
Operating profit margin (%)	17.28	0.25	20.73	21.97		
Net margin (%)	18.40	0.26	22.04	20.95		
P/E (x)			21.0			
P/B (x)			1.4			
<u>Dividend yield (%)</u>			1.8			

Source: Company Filings, ApexAfrica Research

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