



Jubilee Holdings: FY'21 Earnings Note

Jubilee Holding's FY'21 earnings per share (EPS) shot up 79.58% y/y to **KES 89.88** from **KES 50.06** recorded in FY'20. Profit after tax also grew 67.06% y/y to **KES 6.83Bn**, attributed to a 19.37% y/y growth in total income to **KES 39.53Bn** despite a 16.69% y/y growth in claims and a 2.30% y/y growth in total expenses and commissions. Investment income registered a 41.02% growth to **KES. 15.93bn** which we partly attribute to higher yields from fixed income (government papers), capital gains and dividends from equity instruments.

➤ **Premium growth remains strong:** Gross earned premiums grew 2.19% y/y to **KES. 30.63 Bn** which was lower than our expectations. Net earned premiums were loftier with a 9.00% y/y growth to **KES 21.95B** attributable to a faster decline in reinsurance premiums ceded (-21.61% to **KES 7.58Bn**). We partly attribute lower reinsurance ceding to change in perceived risk as operating economies continue recovering. Subsequently, the ceded premium ratio reduced to 25.68% from 32.45% in FY'20.

➤ **Underwriting business remains challenged:** Total expenses grew 2.30% to **KES 9.06Bn** while net insurance benefits and claims grew faster at 16.69% to **KES 23.81Bn** on the back of economy reopening driving claims growth. Loss ratio worsened to 108.44% from 101.03% as claims grew faster than net premiums. We noted an improved efficiency with the expenses ratio improving 270 bps to 41.27% as expenses grew slower than net premiums (Opex Ratio improved 380 bps to 22.92%). Therefore, the combined ratio worsened to 149.71% from 143.% in FY'20 indicating pressure on the underwriting business.

➤ **Balance Sheet remains strong:** Total assets increased 6.45% to **KES 155.67Bn** driven by a 94.26% increase in insurance assets to **KES 8.98Bn**. Increased allocation to higher yielding government papers led to a 1.86% growth in investment securities to **KES 131.53Bn** and the yield on assets to remain at 10.10%. Total liabilities grew slower at 2.42% to **KES 112.99Bn** on the back of a 10.48% increase in insurance liabilities. Shareholder funds increased by 17.46% to **KES 41.74Bn** on the back of retained earning growth.

➤ **Valuation:** Dividend payment was at KES 14.00 which was an interim of Kes 1.00, Final dividend of KES 8.00 and a special dividend of KS 5.00, providing a dividend yield of 5.15%. We maintain our BUY recommendation with a conviction that the counter is currently undervalued with a PE of 3.02x below the market PE of 9.80x and P/B of 0.47x. Our current target price presents a 18.80% upside and a total return inclusive of dividends at 23.96%.

4th April 2022

Current price: KES 271.75

Target price: KES 322.85

Upside: 18.80%

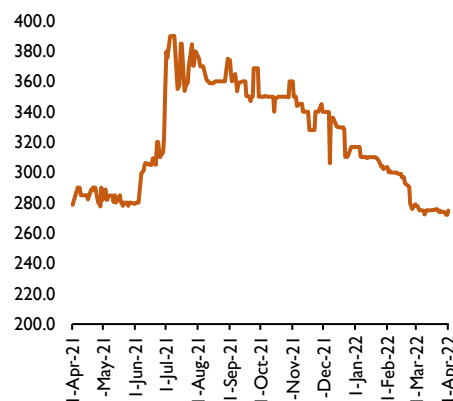
52 Week High: KES 390.00

52 Week Low: KES 272.00

EPS (FY'21): KES 89.88

DPS (FY'21): KES 14.00

Jubilee Holdings 1 -Year Share Price Movement



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Outlook

In line with our expectations, the insurer recorded an impressive financial results print showing resilience in the face of the pandemic. Net earnings was supported by total income rise coupled with a slower expenses growth despite a higher claims growth. We noted a strong investment income growth as the company continues holding a diversified portfolio that continues to spread to investments in private growth companies. We remain positive on the company's growth prospects in the face of joint venture operations with Allianz. Future growth is expected to be derived from ongoing partnerships, investments in technology as insurtech takes shape and portfolio diversification in to non-traditional asset classes.

Table I : Financial Statement Summary

Income Statement	FY'17	FY'18	FY'19	FY'20	FY'21
Gross Earned Premium	28.33	26.61	29.12	29.82	29.54
Reinsurance Ceded	(9.13)	(9.36)	(9.63)	(9.67)	(7.58)
Net Premiums	19.19	17.25	19.49	20.14	21.95
Total Income	26.36	25.97	32.83	33.11	39.53
Net Insurance Claims	(19.65)	(15.93)	(19.73)	(20.40)	(23.81)
Total Operating expenses	(7.64)	(8.01)	(9.08)	(8.86)	(9.06)
Profit before tax	0.24	3.37	5.01	5.08	8.43
Profit after tax	(0.69)	2.16	4.02	4.09	6.83
Core EPS	(11.47)	29.76	55.44	50.06	89.88
DPS	-	9.00	9.00	9.00	14.00

Balance Sheet	FY'17	FY'18	FY'19	FY'20	FY'21
Financial Investment	60.49	68.18	95.58	129.13	131.53
Total Assets	104.97	114.19	130.08	145.86	155.27
Insurance Laibilities	24.98	25.54	93.40	91.04	100.58
Total Liabilities	80.39	86.83	99.56	110.33	112.99
Shareholder's Funds	24.58	27.35	30.52	35.54	41.74

Key Ratios	FY'20	FY'21	y/y change
Loss Ratio	101.30%	108.44%	7.14%
Expense Ratio	43.97%	41.27%	(2.70%)
Combined Ratio	145.27%	149.71%	4.44%
Ceded Premium Ratio	32.45%	25.68%	(6.77%)
Return on Equity	12.38%	17.67%	5.30%
Return on Assets	4.00%	4.54%	0.54%

Source: Company filings, AIB-AXYS

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