

Jubilee Insurance: FY2019 Earnings Note.

Jubilee Insurance announced their FY19 results, reporting a **2.6%** decrease in profit after tax from **KES 4.13Bn** to **KES 4.02Bn**. The reduction in Profit after tax was largely due to an increase in operating expenses and an increase in claims during the year. A reduction in revenues from associates also served to depress revenues during the year. Dividend per share (DPS) was maintained at KES 9.00.

Key highlights

➤ **9.4% growth in gross premiums:** Gross earned premium grew **9.4%** from **26.61Bn** to **29.12Bn**. However, during the year, the revenue ceded to reinsurers also increased **2.88%** from **KES 9.36Bn** to **KES 9.63Bn**

➤ **Operating profit remains flat as expenses uptick:** Operating profit remained relatively flat growing **0.6%** from **KES 3.99Bn** to **KES 4.02Bn**. The underwhelming increase in operating profit was driven by total operating expenses growing by **20.3%** from **KES 23.94Bn** to **KES 28.81Bn**. During the year, the firm paid out higher claims than the previous year with net benefits and claims paid out increasing **23.8%** from **KES 15.93Bn** to **Kes 19.73Bn**.

➤ **Operating profit margin reflects need for operational efficiency:** Operating profit margin declined by 1.22% from **15.0%** to **13.8%** the previous year. The decline in operating margin reflects the need for Jubilee to better manage their expenses and adopt operational efficiency.

➤ **Share of profit in associate further depresses profit:** In the previous year, Jubilee had a higher share of profit from associate realizing **KES 1.4Bn** (5% of gross revenue). In the financial year just concluded, this amount shrunk **26.2%** to **KES 0.9** (3.4% of gross revenue).

➤ **Profit Before tax reverses by 6%:** Earnings Before Tax (EBT) reduced to **KES 5.00Bn** from **KES 5.34Bn** in 2018. The result of the decline in EBT has been a reduction in the company's pre-tax margin from **20%** in 2018 to **17.2%** in 2019.

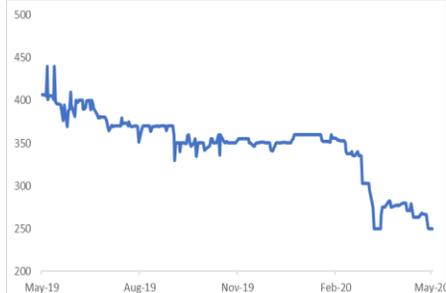
May 21, 2020

Jubilee Insurance

52 week range:
KES 249.50 to KES 440.00

Earnings Per Share: KES 49.07

Latest Results: FY2019, 4.02Bn



Analysts

Sarah Wanga

wangas@aibcapital.com

(+254) 711047105

Statement of Profit or Loss.

	2019 KES Millions	Restated 2018 KES Millions	%Change
Gross Earned Premiums	29,120	26,609	9.44%
Insurance revenue ceded to reinsurers	(9,630)	(9,360)	2.88%
Net Insurance premium revenue	19,490	17,249	12.99%
Other Revenue	13,340	10,690	24.79%
Total Income	32,830	27,939	17.51%
Net insurance benefits and claims	19,726	15,930	23.83%
Total expenses and commissions.	(9,083)	(8,011)	13.38%
Result of operating activities.	4,019	3,999	0.50%
Share of results of associates	988	1,339	-26.21%
Group profit before income tax	5,007	5,338	-6.20%
Income tax expense	(989)	(1,211)	-18.33%
Profit for the year	4,018	4,127	-2.64%
Earnings Per Share	49.07	51.83	-5.33%

Statement of Financial Position

	2019 KES Million	Restated 2018 KES Million	Restated 2017 KES Million	%Change
Shareholder Equity.	28,247	25,467	24,575	10.92%
Non-controlling Interest	2,274	1,887	1,679	20.51%
Total Equity	30,521	27,354	26,254	31.42%
Fixed Assets	886	467	440	89.72%
Investment Assets	95,582	79,448	71,840	20.31%
Insurance Assets	14,932	14,369	15,463	3.92%
Other Assets	3,657	2,718	2,427	34.55%
Cash and Cash Equivalents	15,020	17,188	14,797	-12.61%
Total Assets	130,077	114,190	104,967	13.91%
Insurance and Investment Contract liabilities	93,404	81,282	75,166	14.91%
Other Liabilities	6,152	5,553	5,227	10.79%
Total Liabilities	99,556	86,835	80,393	14.65%
Net Assets	30,521	27,355	24,574	11.57%

CONTACTS:

Research Desk

Sarah Wanga
wangas@aibcapital.com
(+254) 711047105

Keith Maru
maruk@aibcapital.com
(+254) 711047105

Equities Dealing

Bernard Kung'u
kungub@aibcapital.com
(+254) 711047108

Benard Gichuru
gichurub@aibcapital.com
(+254) 711047111

Brian Tanui
tanuib@aibcapital.com
(+254) 711047124

Bond Dealing

Crispus Otieno
otienoc@aibcapital.com
(+254) 711047113

Titus Marenye
marenyet@aibcapital.com
(+254) 7110471180

RESEARCH DISCLOSURE

Though utmost care has been taken in the preparation of this report, we do not guarantee the accuracy or completeness of the information contained herein nor will AIB Capital Ltd be held liable for the information contained herein.

The views expressed in this report are solely those of the Research Department and are subject to change without notice.

The information in this report is not an offer for the sale or purchase of any security. This document should only be considered a single factor used by investors in making their investment decisions.

This publication may not be distributed to the public media or quoted or used by the public media without prior and express written consent of AIB Capital Ltd.

NOTICE TO US INVESTORS

This report was prepared, approved, published and distributed by AIB Capital Limited Company located outside of the United States (a non-US Group Company). This report is distributed in the U.S. by LXM LLP USA, a U.S. registered broker-dealer, on behalf of AIB Capital Limited only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through LXM LLP USA.

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

Analyst Certification. Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. Please bear in mind that (i) AIB Capital Limited is the employer of the research analysts responsible for the content of this report and (ii) research analysts preparing this report are resident outside the United States and are not associated persons of any US regulated broker-dealer and that therefore the analysts are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Important US Regulatory Disclosures on Subject Companies. This material was produced by Analysis AIB Capital Limited solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by LXM LLP USA and elsewhere in the world by AIB Capital Limited or an authorized affiliate of AIB Capital Limited. This document does not constitute an offer of, or an invitation by or on behalf of AIB Capital or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which AIB Capital Limited or its Affiliates consider to be reliable. None of AIB Capital Limited accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information.

All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

LXM LLP USA assumes responsibility for the research reports content in regards to research distributed in the U.S. LXM LLP USA or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. LXM LLP USA has never owned any class of equity securities of the subject company. There are not any other actual, material conflicts of interest of LXM LLP USA at the time of the publication of this research report. As of the publication of this report LXM LLP USA, does not make a market in the subject securities.