



FAIDA
INVESTMENT BANK

CIC 1H2021 RESULTS NOTE

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CIC Group Posts an After Tax Profit of KES 259.5 million for 1H2021

- CIC Group rebounded to profitability in the period. The group registered an after tax profit of KES 259.5 million from an after tax loss of KES of 335.5 million in 1H2020. The improvement in profitability was primarily driven by higher gross written premium and investment income
- Gross written premium grew by 15.9% y/y to KES 10.8 billion (1H2020: KES 9.3 billion) supported by strong performance in all the subsidiaries excluding South Sudan. General insurance contribution was the highest, increasing by 29.0% y/y to KES 4.9 billion. The contribution of the Group Life business grew by 21.0% y/y to KES 2.6 billion dampened by the COVID-19 pandemic.
- Net earned premiums rose by 0.5% y/y to KES 7.1 billion
- Investment and other income surged by 119.1% y/y to KES 2.6 billion driven by: i) unwinding of the previous year's foreign exchange losses in South Sudan ii) recovery in the Kenyan equities market. The asset management business registered a five year CAGR of 29.0% as the pool of funds grew to KES 89.0 billion (1H2017: KES 32.0 billion). This resulted in higher fees and commissions income of KES 1.1 billion (KES 673.0 million).
- Operating and other expenses increased by 18.5% y/y to KES 3.4 billion. This was attributed to additional provisions driven by IFRS 9 provisions.
- Net claims and policy benefits grew by 7.0% y/y to KES 5.8 billion as payouts under life insurance grew due to the COVID-19 pandemic. As a result, the group's loss ratio grew to 81.3% (1H2020: 76.4%).
- Total expenditure increased by 11.0% y/y to KES 9.2 billion. The combined ratio increased to 128.9% (1H2020: 116.7%).
- Finance costs fell by 23.3% y/y to KES 231.8 million.
- Share of result of associate was nil from 2.2 million in 1H2020.

Commentary

We expect continued growth trajectory in the topline mainly from general insurance business across all regional subsidiaries with gradual economic recovery. In terms of market share, CIC is a market leader in motor private (8.7%) and motor commercial (10.4%) classes. As a market leader, the group should benefit from better pricing of premiums to reflect assumed risks. As part of balance sheet reorganization, the group is expecting to reduce its borrowings with funds from disposal of non-core assets. The reduced borrowings should lower interest expenses which should improve profitability (all else held constant).

We also expect the implementation of the group's digital strategy to enhance access to products as well as result in operational efficiencies in the medium

term. Overall, we are optimistic about the company's future given the initiatives that management has taken.

Key Trading Statistics	
Market Cap (KES Million)	8,239.1
P/B	1.08
Dividend Yield	0.0%
W-o-W	1.6%
YTD	47.9%
52-week High	KES 3.39
52-week Low	KES 1.98

Income Statement (KES '000)	1H2021	1H2020	% change
Income			
Gross written premium	10,757,630	9,283,690	15.9%
Net earned premiums	7,141,672	7,106,264	0.5%
Investment and other Income	2,632,753	1,201,891	119.1%
Total income	9,774,425	8,308,155	17.6%
Expenditure			
Net claims and policy holders benefits	-5,807,086	-5,426,039	7.0%
Operating and other expenses	-3,398,836	-2,868,846	18.5%
Total expenditure	-9,205,922	-8,294,885	11.0%
Finance cost	-231,755	-302,050	-23.3%
Share of result of associate	0	2,232	-100.0%
PBT	336,748	-286,548	-217.5%

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Income tax	-77,228	-48,983	57.7%
PAT	259,520	-335,531	-177.3%
Expense Ratio	128.9%	116.7%	
Loss Ratio	81.3%	76.4%	



Recommendations Guide

LONG-TERM BUY: The Company has strong fundamentals. However, there are certain investments or strategies that would require an investor to have a long-term view of the company to allow for capital appreciation. Also, the company may be facing headwinds which we view as short term

BUY: Strong fundamentals. Minimal risks to the catalysts/growth drivers

NEUTRAL: This is where the positives and negatives in a company almost balance out. You can accumulate for the long term.

SELL: Deteriorating fundamentals. Risks outweigh the catalyst/growth driver

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