

# Britam Holdings Plc H1 FY20 Results Presentation

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- Macroeconomic Review and Business Environment

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- Overview of our Strategic Performance

## **Section 3**

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- Business Units Performance Review

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- Strategic Priorities
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# Company Profile

Britam is a leading diversified financial services group listed on the Nairobi Securities Exchange.

The group has presence in seven countries in Africa namely; Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi.

The group offers a wide range of financial solutions in Life Assurance, General Insurance, Health Insurance, Retirement Planning, Asset Management and Property. These solutions enable our customers to protect and grow their wealth and achieve their financial goals every step of the way.



**“Providing you with financial security EVERY STEP OF THE WAY”**



**“To be the LEADING diversified financial services company in our chosen markets across Africa”**



**“With you every step of the way”**

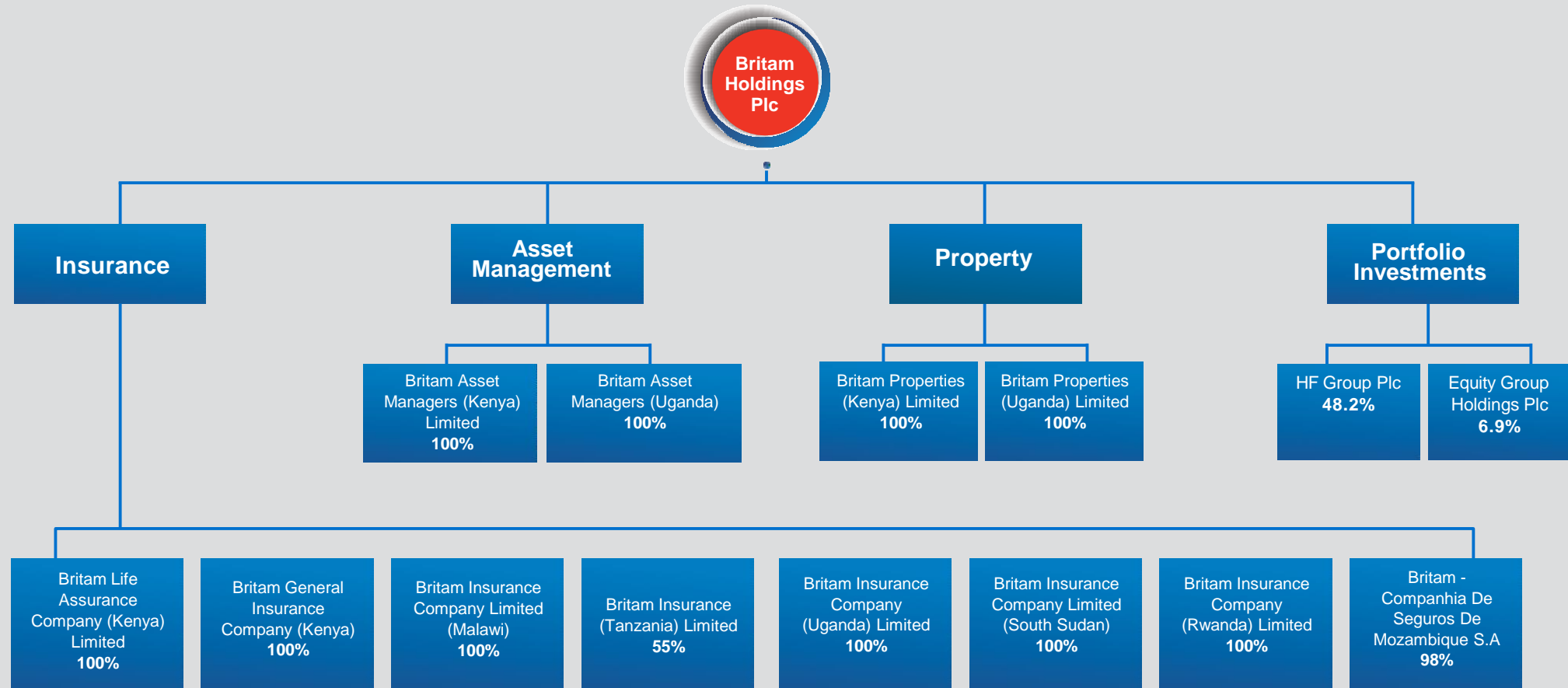


 **Respect**

 **Innovation**

 **Integrity**

 **Customer Focus**



# Macroeconomic Review and Business Environment



IMF projects the outlook for 2020 for sub-Saharan Africa to be considerably worse than was anticipated in April and subject to much uncertainty. Economic activity this year is now projected to contract by some c.3.2%, reflecting a weaker external environment and measures to contain the COVID-19 outbreak.

Country	Population (Mn)	GDP Growth Outlook 2020	GDP Growth 2021	Ins. Penetration	Opportunity
Kenya	47.5	1.5%	4.4%	2.43%	Focus on the opportunity presented by the high population, post Covid-19 GDP growth rate estimates and low insurance penetration rates.
Tanzania	59.1	2.5%	3.9%	1.87%	
Uganda	44.2	1.7%	4.7%	0.77%	
Rwanda	12.5	2.0%	4.2%	1.74%	
Mozambique	30.5	1.3%	3.6%	1.58%	
Malawi	19.2	2.0%	3.5%	1.52%	
South Sudan	12.9	-3.5%	2.0%	0.90%	

Source: *Fitch, World Bank, IMF, AfDB*

According to AfDB, Africa's economic growth could rebound in 2021 to 3.4% in 2021.

The group will continue to align and implement the strategy in place to take advantage of the emerging opportunities as the operating environment across our foot print normalizes.

As a leading diversified financial services group, our different businesses are exposed to varied macro economic and industry specific factors. The key highlights in the period under review includes;

## Insurance

- Stock market performance and investment returns
- Dynamic regulatory environment especially the risk based capital regime including interest rate margin.
- New accounting standards – IFRS 17.
- Increasing pressure on uptake of products and services.
- Fraudulent claims especially in motor products.

## Banking

- Constrained credit growth.
- Rise in non-performing loans.
- Slow uptake of developed real estate.

## Asset Management

- Opportunities in depressed asset prices.
- Slower growth of pensions and collective investment schemes.
- Low margins especially in institutional funds markets.

## Property

- Low occupancy rates and rental yields leading to impairment losses.
- Realization of the emerging opportunities especially in the hospitality sector may take longer.

# Overview of our Strategic Performance

Even as Covid-19 continues to adversely impact our operating environment and our performance especially due to;

- The decline in the stock markets, and
- The depressed property market.

We continue to witness significant resilience in our business with our operating results remaining strong;

Some of the areas of major progress include;

- Monetization of our investments in technology – (Project Jawabu paying off ensuring business continuity)
  - continued to serve our customers in spite of the pandemic and growing our revenues,
  - managed to achieve operational efficiencies across our businesses
- Continued growth and contribution of our regional businesses to revenues and profitability; and
- Prudent cost management initiatives to achieve more for less leading to an overall decline in our operating expenses.

# Overview of Strategic Performance



Profitable growth

Group PBT - Shs mn

2,426

H1 FY19



H1 FY20

(2,308)

Life PBT - Shs mn

2,276

H1 FY19



H1 FY20

(1,108)

Int'l GI PBT - Shs bn

209

H1 FY19



575

H1 FY20

GI Kenya PBT - Shs mn

92

H1 FY19



166

H1 FY20



Customer Service

- Continued to enable end to end customer servicing through the Britam App and Online Customer Portal



Innovation

- New Products/Services and enhancements
  - Rolled out telemedicine consulting for our medical clients
  - Unit trusts products now available online
- Continued onboarding clients through our digital platforms



Operational excellence

- Continued use of Data Analytics
- Revised Processes for efficiency



Enabling transformation

- Rolled our revised working models to allow our employees to work safely and remotely.

# Financial Performance Review

The Group recorded a loss before tax of Shs 2.3 billion for the six month period to 30 June 2020, compared to a profit before tax Shs 2.4 billion for the same period in 2019. This reflects the significant adverse impact of Covid-19 on the operating environment, the Group's operations, and investments mainly equities and property.

The negative impact on the results is mainly from;

- Fair value losses of Shs 3.1 billion following the depressed performance of the stock market as investors' preferences shift to fixed income securities; and
- Property revaluation losses of Shs 929 million due to the depressed property market which has been characterised by low occupancy levels and depressed rental yields.

In spite of the adverse impact of Covid-19, the Group's operating results remain strong;

- Our gross earned revenue continues to grow supported mainly by our insurance business especially the international general insurance division which now accounts for 23% of the Group's gross earned revenue.
- The Group's operating costs have declined 6% even as gross earned premiums grew by 9%; and
- The Life Assurance embedded value has achieved an annualized return of 9 percent as at 30 June 2020.

Income Statement - Shs millions	Jun-20	Jun-19	Change	Commentary
<b>1</b> Gross earned premiums	13,762	12,616	+9%	<b>1</b> Growth in line with our rising premiums especially from international general insurance businesses.
Net earned premiums	11,389	10,811	+5%	
Fund management fees	292	313	-7%	<b>2</b> Drop attributed to fair values losses on equities and property impairment losses.
<b>2</b> Investment, property, fair value gains/(losses) & other income	626	5,309	-88%	
Commission income	636	509	+25%	<b>3</b> Increase in line with business and revenue growth.
<b>Total Income</b>	<b>12,943</b>	<b>16,942</b>	<b>-24%</b>	
<b>3</b> Net insurance claims, increase in policy holder's benefits and unit values and loss adjustment expenses	9,242	8,616	+7%	<b>4</b> Drop in overall operating expenses on account of operational efficiencies and cost control.
Commission expense	1,831	1,666	+10%	
<b>4</b> Operating expenses & finance costs	4,035	4,187	-4%	<b>5</b> Adverse impact of the operating environment on the performance of associate.
<b>Profit before share of associate (loss)/profit</b>	<b>(2,165)</b>	<b>2,473</b>	<b>-188%</b>	
<b>5</b> Share of loss of associate	(143)	(47)	-204%	<b>6</b> Adverse impact of listed equities on the performance of our strategic investments.
<b>Profit / (loss) before tax</b>	<b>(2,308)</b>	<b>2,426</b>	<b>-195%</b>	
<b>6</b> Total comprehensive income / (loss)	<b>(4,236)</b>	<b>1,862</b>	<b>-327%</b>	
Basic and diluted earnings/(losses) per share	(0.65)	0.66	-198%	

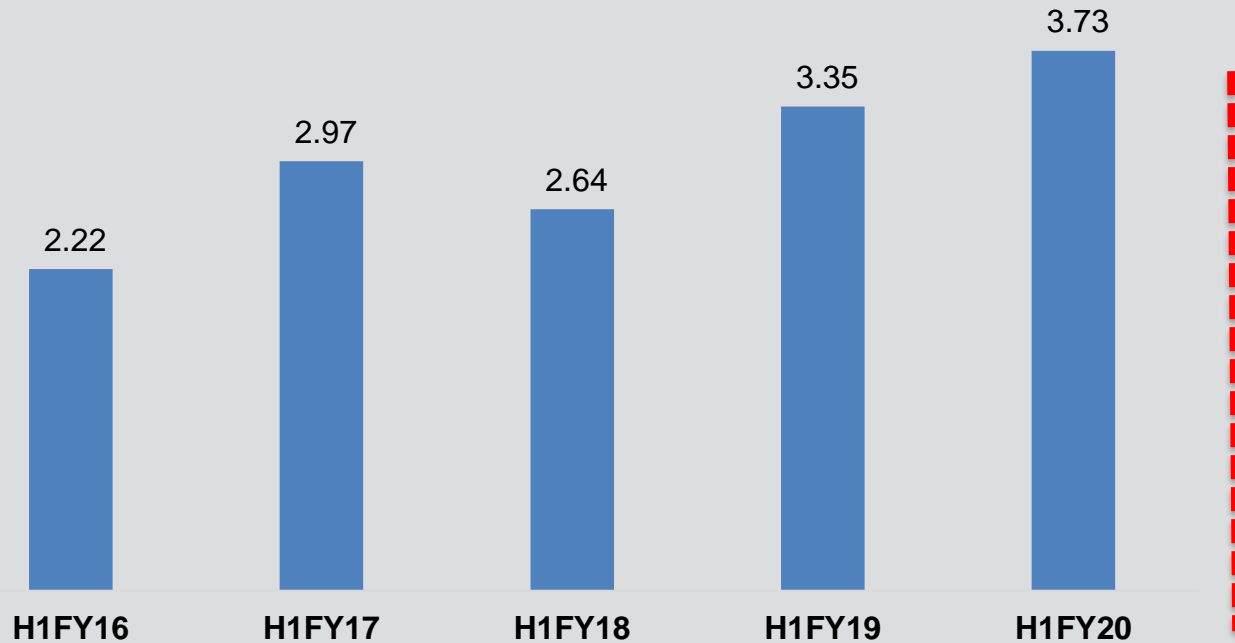


Shs millions	Jun-20	Dec-19
<b>Shareholders' funds</b>	<b>25,060</b>	<b>29,296</b>
Non-controlling interest	80	81
<b>1 Total equity</b>	<b>25,140</b>	<b>29,377</b>
<b>Represented by:</b>		
<b>Assets</b>		
Fixed and intangible assets	2,983	3,235
Investment assets	108,836	107,809
Insurance assets	9,846	7,972
Cash	1,956	966
Other assets	4,886	5,262
<b>2 Total assets</b>	<b>128,507</b>	<b>125,244</b>
<b>Liabilities</b>		
<b>3 Insurance liabilities</b>	<b>94,486</b>	<b>85,979</b>
Borrowing	3,289	2,353
Other liabilities	5,592	7,535
<b>Total liabilities</b>	<b>103,367</b>	<b>95,867</b>
<b>Net assets</b>	<b>25,140</b>	<b>29,377</b>

## Commentary

- 1** Decline in total equity in line with year to date overall performance.
- 2** Growth in investment and insurance assets supported by the overall revenue growth.
- 3** Growth in insurance liabilities also inline with revenue growth.

## H1 Net Operating Cash flows – Shs bn



## Commentary

- Growing operating cash flows with CAGR since June 2016 of +14%.
- Strong YoY growth (+11%) in operating cash flows in line with strong operating results. Supported by
  - growth in insurance revenues, and
  - decline in operating costs.

# Business Units Performance Review

## Income Statement – Shs million

	Jun-20	Jun-19	Change
<b>1</b> Gross earned premiums	6,656	6,478	+3%
Net earned premium	6,395	6,302	+1%
Commissions earned	128	80	+60%
<b>Total Revenue</b>	<b>6,523</b>	<b>6,382</b>	<b>+2%</b>
<b>2</b> Net insurance benefits and claims	6,547	6,143	+7%
<b>3</b> Operating and other expenses	1,313	1,482	-11%
Commissions payable	764	748	+2%
<b>Total Expenses</b>	<b>8,624</b>	<b>8,373</b>	<b>+3%</b>
<b>Results before investment income</b>	<b>(2,101)</b>	<b>(1,991)</b>	<b>+6%</b>
<b>4</b> Investment income	1,096	4,295	-74%
Share of associate (loss)/profit	(103)	(28)	-268%
<b>Profit before tax</b>	<b>(1,108)</b>	<b>2,276</b>	<b>-149%</b>
Opex ratio - %	21%	24%	-3%

## Commentary

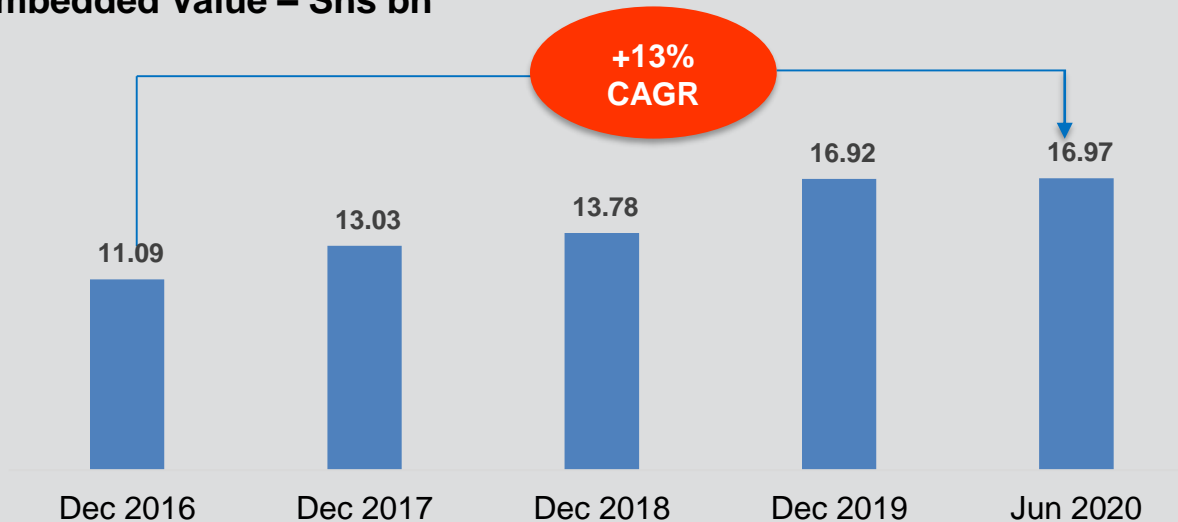
- 1** Marginal growth attributed to the current unfavorable operating environment.
- 2** Growth in line with unfavorable operating experience.
- 3** Drop on account of operating cost control measures in place.
- 4** Drop due to fair values losses on equities and property impairment losses.

	30-Jun-20 Shs '000	31-Dec-19 Shs '000	% Growth From Dec -19
<b>Adjusted Net Worth (ANW)</b>	<b>10,138,392</b>	<b>10,707,974</b>	<b>-5%</b>
Present Value of Future Profits (PVFP)	8,200,144	7,367,660	11%
Cost of Required Capital	(1,369,409)	(1,152,189)	19%
<b>Embedded Value (EV)</b>	<b>16,969,127</b>	<b>16,923,445</b>	<b>0.3%</b>
Increase in EV	45,683	3,141,362	
Transfer to Shareholders	693,000	567,000	
<b>Embedded Value Earnings</b>	<b>738,683</b>	<b>3,708,362</b>	<b>-80%</b>
RoEV (Return on EV)	4.4%	26.90%	
<b>Annualized Return on EV</b>	<b>8.7%</b>	<b>26.90%</b>	

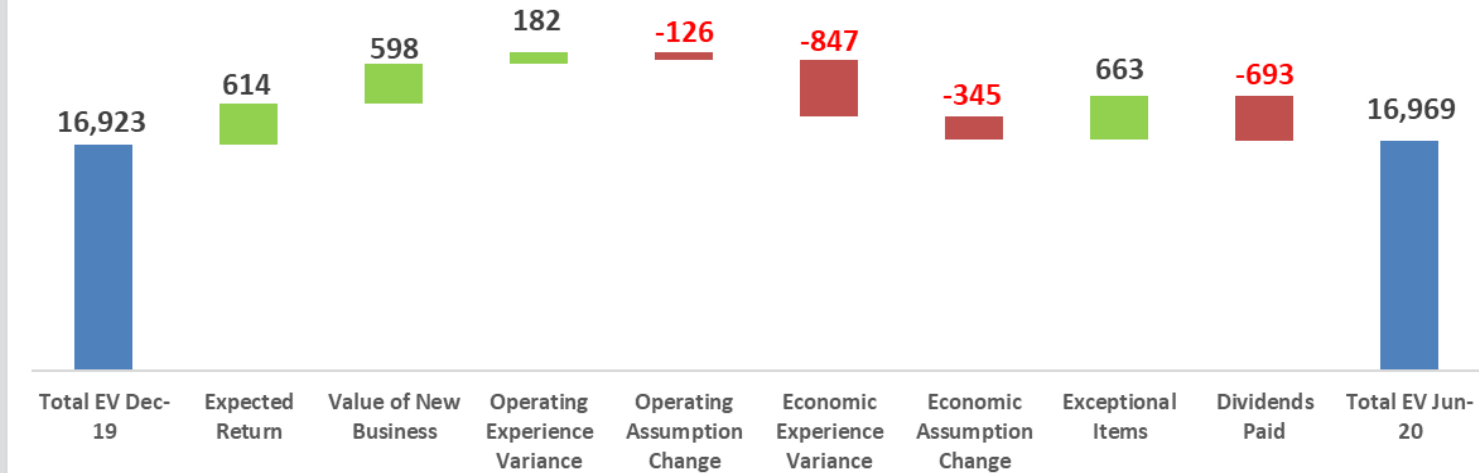
## Commentary

- Strong CAGR growth of 13% since 2016
- H1 FY20 Growth in spite of;-
  - ✓ The depressed operating environment resulting to negative growth from equities over the period.
  - ✓ A transfer to shareholders of Shs 0.69 billion.

## Embedded Value – Shs bn



## EV Earnings by Source, KES Millions



### Commentary

- Positive value of New Business written in the period under review - Business was written on a profit making basis.

- Positive operating experience variance reflects actual experience during the year being generally better than expected as at the start of the year
- Similarly, positive economic experience variance reflects worse economic variables during the year (investment returns, inflation rates) compared to expectations

## Income Statement – Shs million

	Jun-20	Jun-19	Change
<b>1</b> <b>Gross earned premiums</b>	3,884	3,735	+4%
Net earned premium	3,052	3,049	<1%
Commissions earned	211	186	+13%
<b>Total Revenue</b>	<b>3,263</b>	<b>3,235</b>	<b>+1%</b>
<b>Expenses</b>			
<b>2</b> Net insurance benefits and claims	1,945	1,928	+1%
Operating and other expenses	1,182	1,218	-3%
Commissions payable	500	486	+3%
<b>Total Expenses</b>	<b>3,627</b>	<b>3,631</b>	<b>&lt;1%</b>
Underwriting (loss)	(364)	(397)	-8%
Investment income	530	489	+8%
<b>3</b> <b>Profit before tax</b>	<b>166</b>	<b>92</b>	<b>+80%</b>
Loss ratio	64%	63%	+1%
Commission ratio	9%	10%	-1%
Opex ratio	39%	40%	-1%
Combined ratio	112%	113%	-1%

## Commentary

- 1** Marginal growth attributed to the current unfavorable operating environment.
- 2** Marginal change in line with revenue growth
- 3** Reflects the improvement in total revenue and investment income

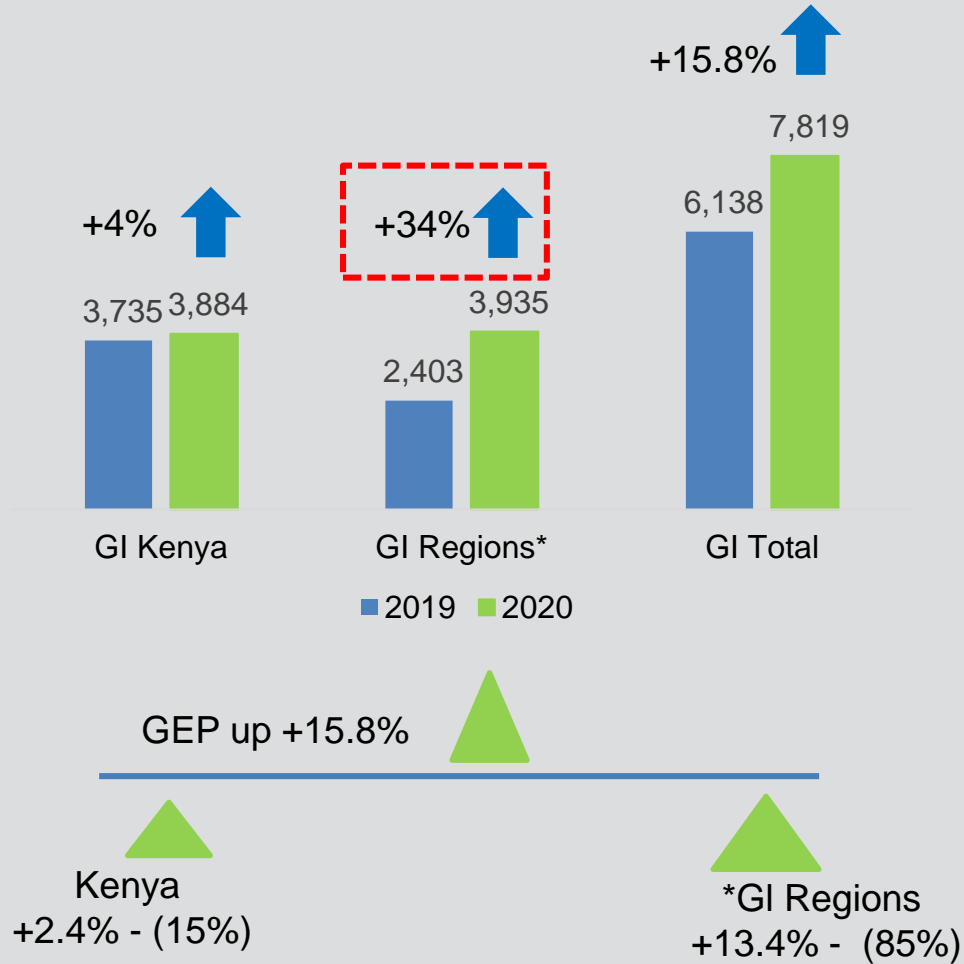
Income Statement – Shs million		Jun-20	Jun-19	Change
<b>1</b>	<b>Gross earned premiums</b>	3,221	2,403	+34%
	Net earned premium	1,942	1,460	+33%
	Commissions earned	296	243	+22%
	<b>Total Revenue</b>	<b>2,238</b>	<b>1,704</b>	<b>+31%</b>
	<b>Expenses</b>			
	Net insurance benefits and claims	750	545	+38%
	Operating and other expenses	890	844	+5%
	Commissions payable	475	361	+32%
<b>2</b>	<b>Total Expenses</b>	<b>2,115</b>	<b>1,750</b>	<b>+21%</b>
	Underwriting gain/(loss)	123	(46)	-367%
	Investment income	452	255	+77%
<b>3</b>	<b>Profit before tax</b>	<b>575</b>	<b>209</b>	<b>+175%</b>
	Loss ratio	39%	37%	+2%
	Commission ratio	9%	8%	+1%
	Opex ratio	46%	58%	-12%
	Combined ratio	94%	103%	-9%

## Commentary

- 1** Growth on account of improved revenues especially in South Sudan and Mozambique markets
- 2** The growth in line with business and premium growth.
- 3** Reflects the improvement in total revenue and investment income

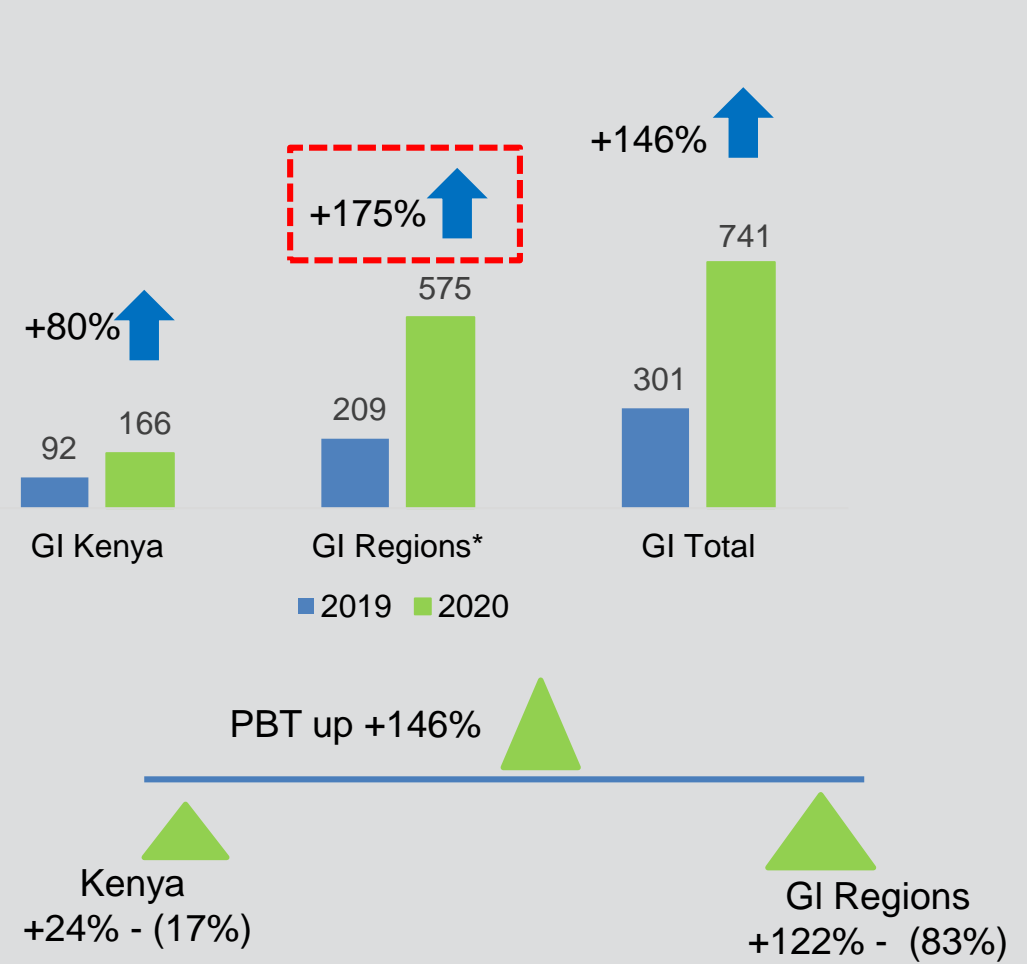


Total H1- GI Gross Earned Premium (GEP) – Shs million



✓ 13.4% (85%) of the 15.8% growth in general insurance GEP generated by regional businesses.

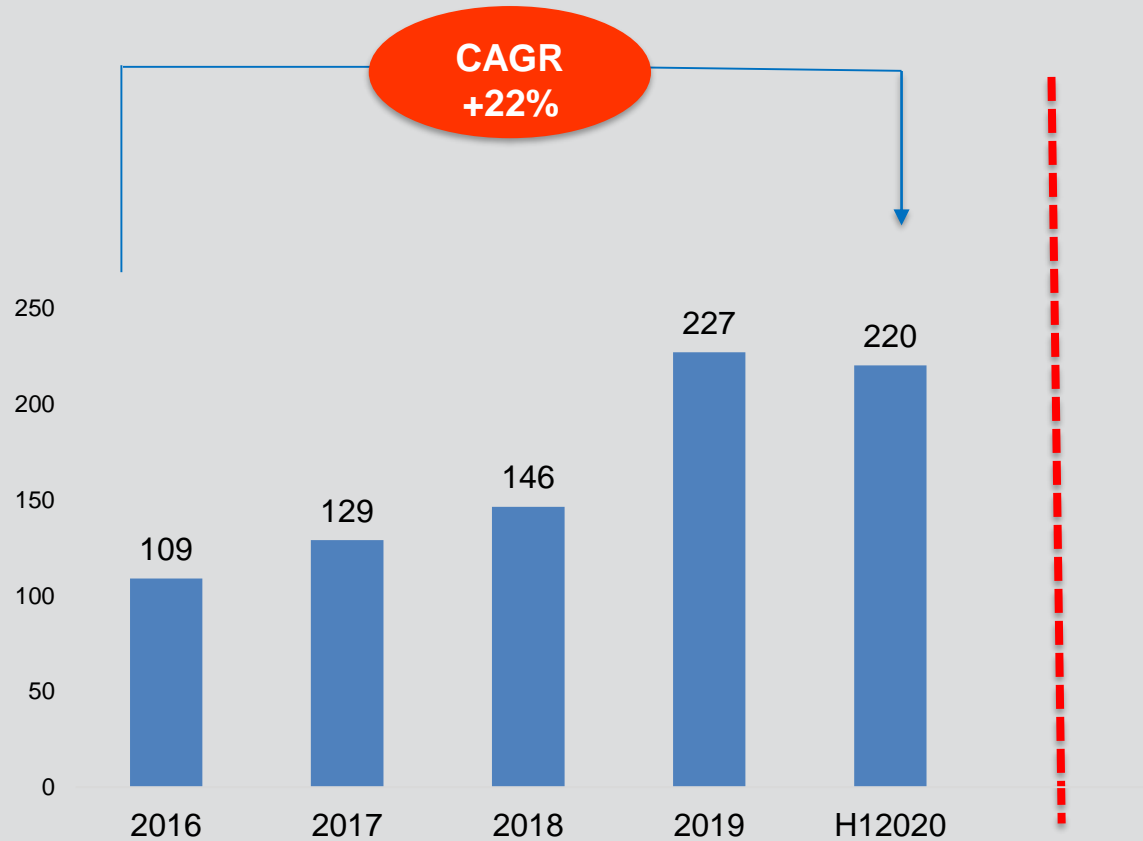
Total H1- GI Profit Before Tax – Shs million



✓ 122% (83%) of the 146% growth in general insurance PBT was contributed by the regional businesses.

\*South Sudan, Uganda, Rwanda, Tanzania, Malawi & Mozambique

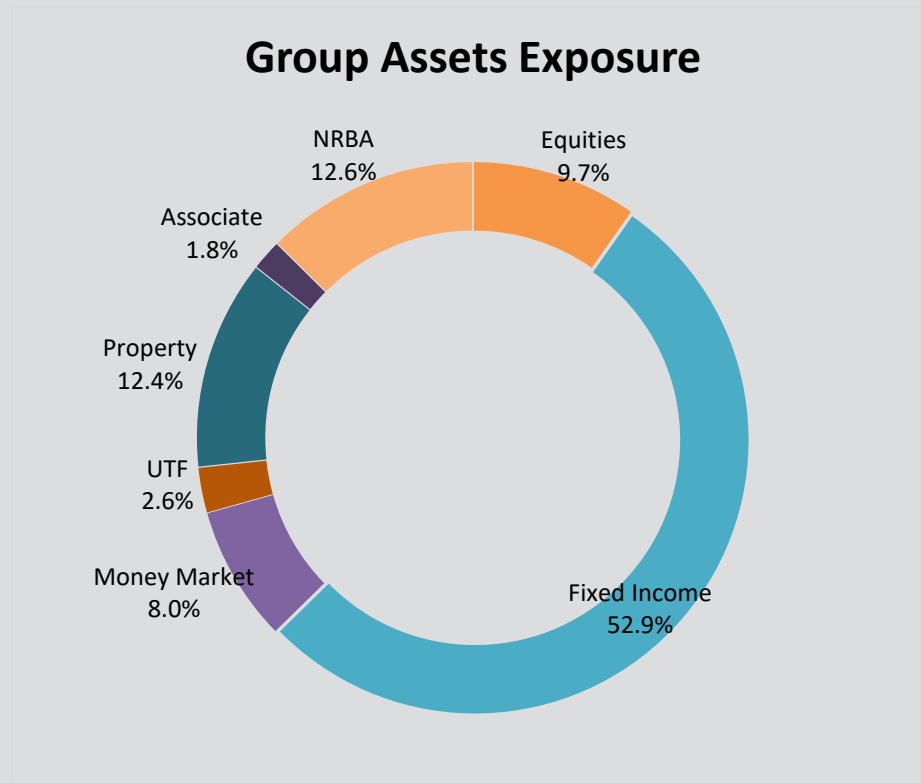
## AUM – Shs billion



- Strong growth of CAGR since 2016 at 22%
- Reflection of trust in Britam which continue to grow funds under management: A strong foundation for current and future performance.
- Growth sustained by net flows from both retail and institutional clients.
- Growing volumes expected to compensate for low margins on institutional assets.

We continue to optimize returns from our assets....

## Group Assets – June 2020



## Group Consolidated Balance sheet – 2020 – Shs million

Assets	31-Dec-19	30-Jun-20	Growth
Money Market	7,839	10,279	31.1%
Fixed Income	60,968	67,983	11.5%
Equities	18,798	12,528	-33.4%
Unit Trusts	3,396	3,400	0.1%
Property	16,414	15,866	-3.3%
Associate	2,870	2,268	-21.0%
NRBA	14,959	16,183	8.1%
<b>Consolidated Assets</b>	<b>125,244</b>	<b>128,507</b>	<b>2.6%</b>

Balance sheet growth through the fixed income assets has been offset by equities and property re-valuations

# Strategic Priorities

# Strategic Priorities - Optimization of Our Assets

Focus remains on continuing to optimize our assets (investments) in order to delight our customers and grow. Our areas of priority remains;

## *Continued Customer Service Excellence*



### **Customer and Market Growth**

- Customer feedback and data analytics driven products.
- Creating value for our current , under-insured and underserved customer bases.



- Digitization - Further enhancement of our digital platforms.
- 24 hour customer service across all our Omni-channels.



### **Focus on Distribution and Channel Partnership**

- Continued digital empowerment of our agents.
- Customer value enhancing strategic partnerships.

## **Empowerment & Safety of our Teams**



- Providing a safe and enabling workspace for our teams to continue their operations.

**Enabled by our people and technology investments**

In spite of the adverse operating environment in the first half of the year, and the expectation that this will flow to the second half, the business remains robust and we will continue to build momentum as activities increase.

The focus will be on among other initiatives;

- Optimization of returns from our investment assets,
- Continue capitalizing on our investments in technology for more operational efficiencies,
- Growing customer base, improving customer experience to increase retention and grow revenues,
- Consolidate the gains made through cost management initiatives, and
- Continue innovating relevant products and services and related enhancements

**Thank You**



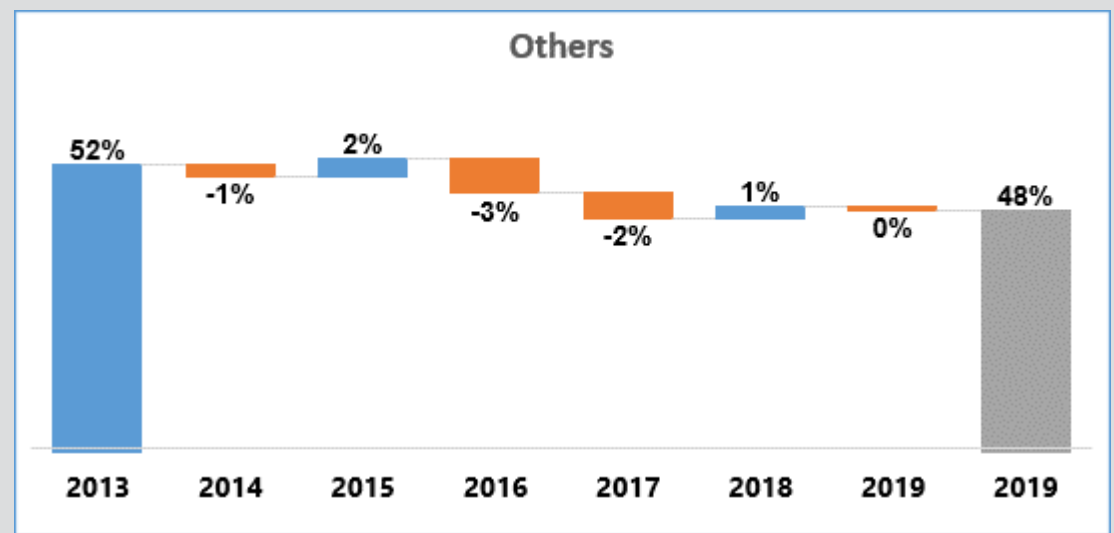
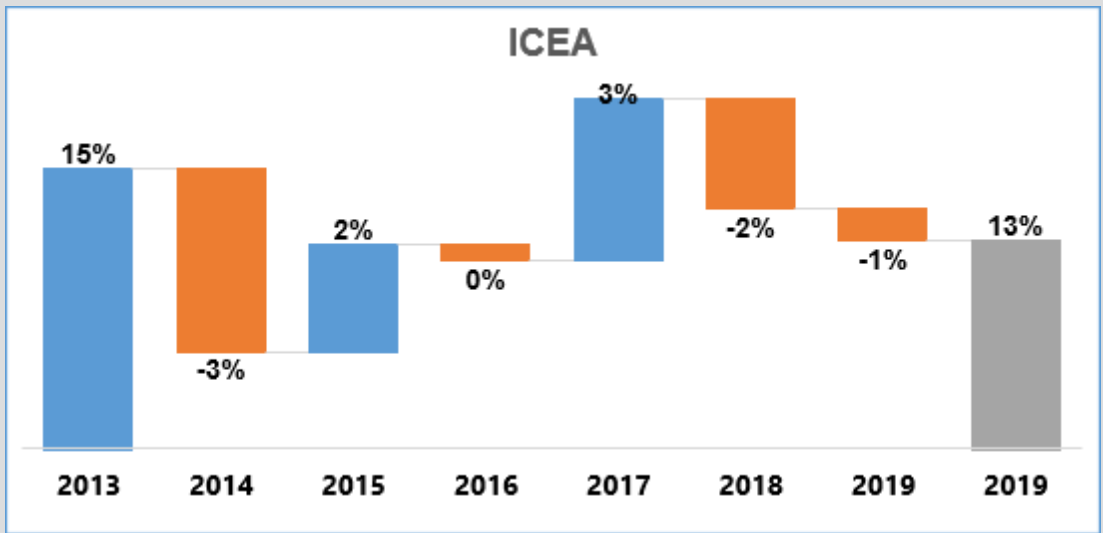
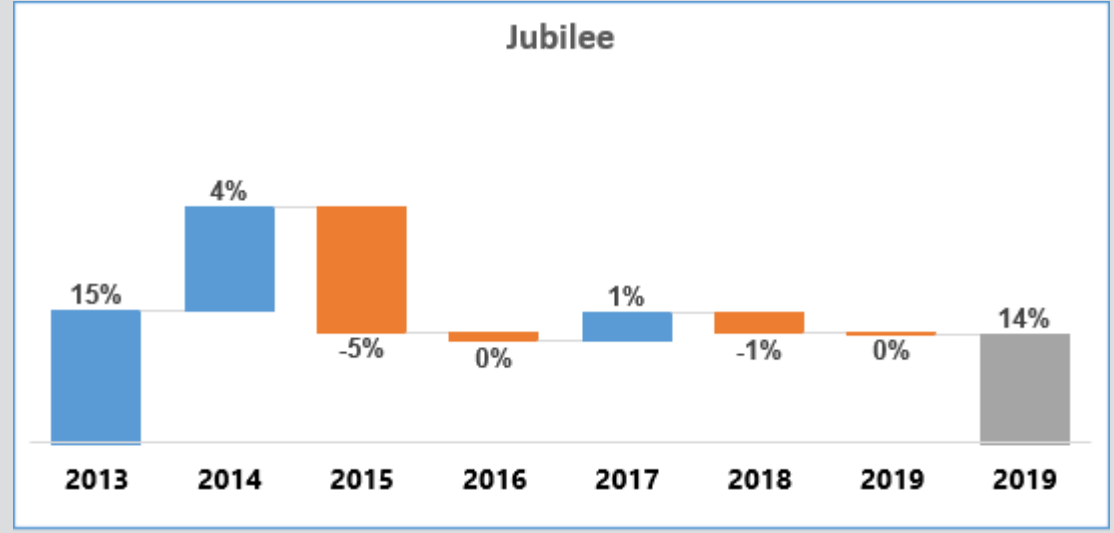
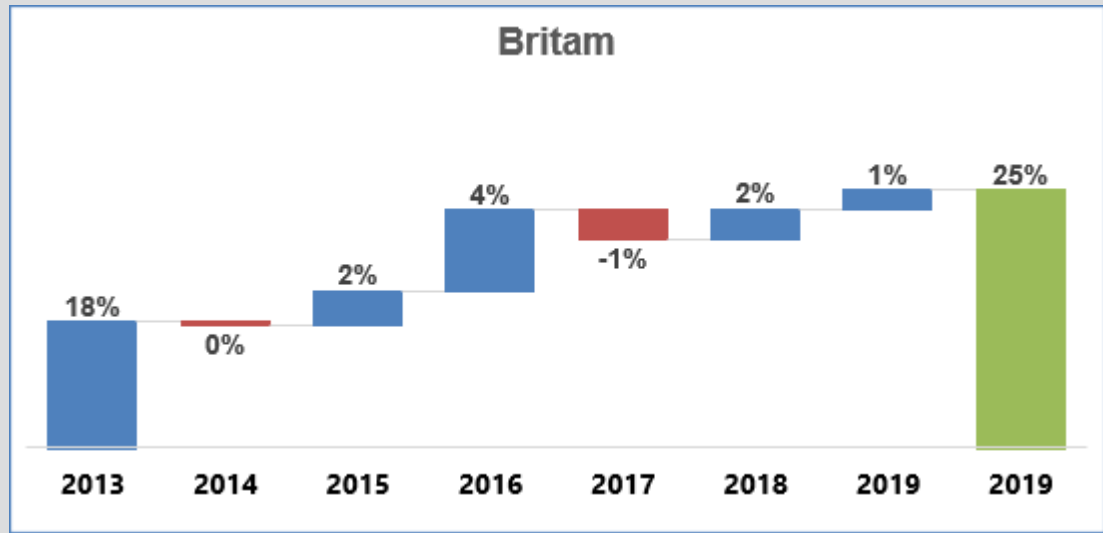
# Appendices



# Appendix I: Detailed Group Statement of Income

Income Statement – Shs '000	Jun-20	Jun-19	Change (%)
Gross earned premium and fund management fees	14,055,644	12,929,769	9%
Less: Reinsurance premium ceded	(2,373,654)	(1,805,116)	31%
<b>Net earned revenue</b>	<b>11,681,990</b>	<b>11,124,653</b>	<b>5%</b>
Investment income	3,636,795	2,724,043	34%
(Losses)/gains on financial assets at fair value through profit or loss	(3,219,690)	2,508,226	-228%
Commissions earned	635,592	508,679	25%
Other income	208,604	76,664	172%
<b>Total income</b>	<b>12,943,291</b>	<b>16,942,265</b>	<b>-24%</b>
<b>Expenses</b>			
Net insurance claims, increase in policyholders' benefits & loss adjustments	8,109,927	6,630,525	22%
Interest payments/increase in unit value	1,131,574	1,985,660	-43%
Operating and other expenses	3,897,380	4,165,422	-6%
Finance costs	138,583	21,784	536%
Commissions expense	1,831,093	1,665,656	10%
<b>Total expenses</b>	<b>15,108,557</b>	<b>14,469,047</b>	<b>4%</b>
<b>(Loss)/profit before share of loss of associate</b>	<b>(2,165,266)</b>	<b>2,473,218</b>	<b>-188%</b>
Share of loss of associate	(142,496)	(46,982)	203%
<b>(Loss)/profit before tax</b>	<b>(2,307,762)</b>	<b>2,426,236</b>	<b>-195%</b>
Income tax (expense)/credit	673,257	(753,159)	-189%
<b>(Loss)/profit for the year</b>	<b>(1,634,505)</b>	<b>1,673,077</b>	<b>-198%</b>
(Losses)/Gains on revaluation of financial assets at fair value through other comprehensive income	(2,324,034)	497,366	-567%
Others	(277,917)	(308,371)	-10%
<b>Total other comprehensive income/(loss)</b>	<b>(2,601,951)</b>	<b>188,995</b>	<b>-1477%</b>
<b>Comprehensive income/(loss) for the year</b>	<b>(4,236,456)</b>	<b>1,862,072</b>	<b>-328%</b>
<b>Basic and diluted (losses) / earnings per share</b>	<b>(0.65)</b>	<b>0.66</b>	<b>-198%</b>

# Appendix II: Life Market Share Leadership



## Britam Centre



Grade B, 8 storey & 8,600 Sq m<sup>2</sup> building located at the upper hill area of Nairobi.

Occupancy at 90%.

## Britam Tower



Grade A 31 storey property with EDGE certification as a green building with materials, energy and water utilization efficiencies.

Occupancy at 36%.

## Kilimani Serviced Apartments



The property is set to open by Q1 2021.

The operating licence has been awarded to Ascott.