Britam Holdings Plc
H1FY20 Results Presentation

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Company Profile

About Britam Holdings Plc

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.

Vision, Mission and Values

MISSION

"Providing you with financial security EVERY STEP OF THE WAY"

VISION

"To be the LEADING diversified financial services company in our chosen markets across Africa"

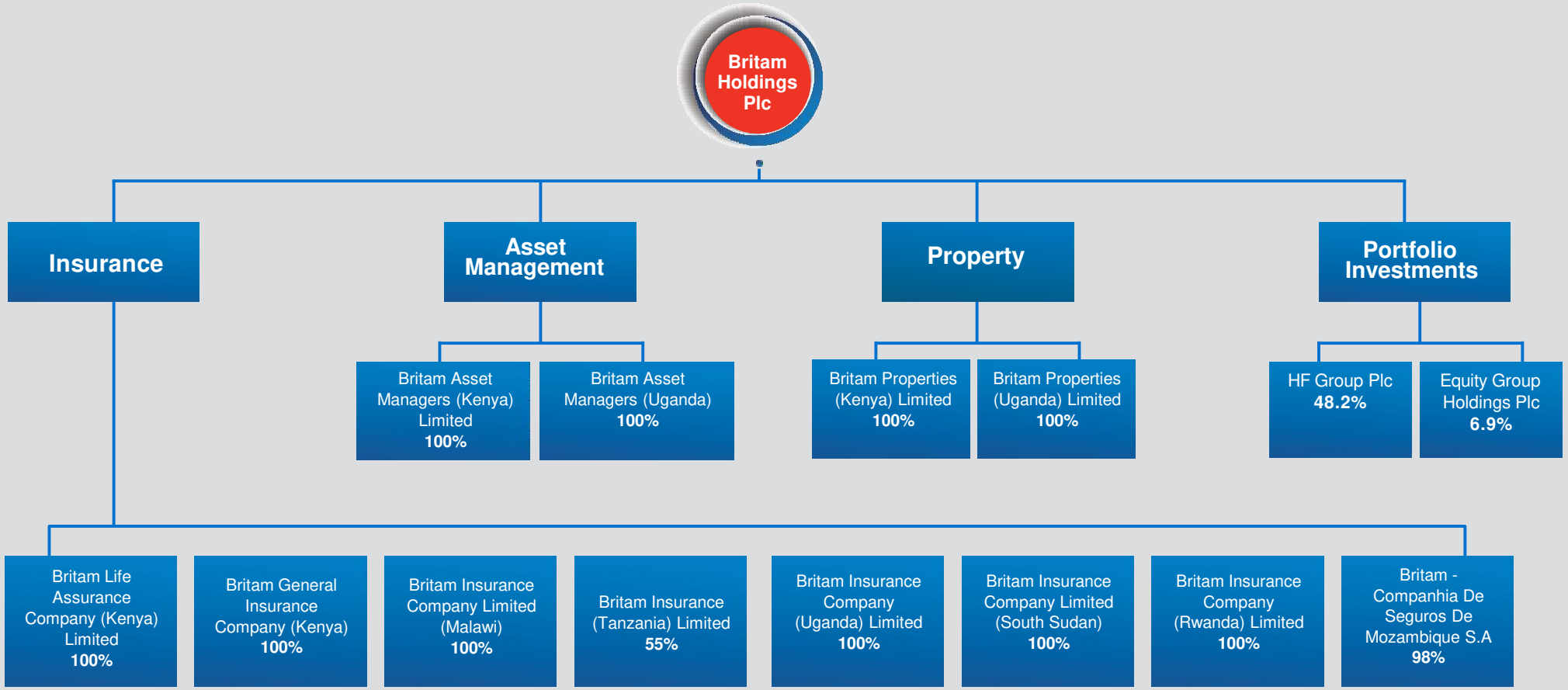
BRAND POSITION

"With you every step of the way"

VALUES

- Respect
- Innovation
- Integrity
- Customer Focus

Group Structure



Macroeconomic Review and Business Environment

Macro Economic Review

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
Kenya	47.5	1.5%	4.4%	2.43%
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***

Opportunity

Focus on the opportunity presented by the high population, post Covid-19 GDP growth rate estimates and low insurance penetration rates.

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.

Our Business Environment

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

Banking on Our Resilience

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;

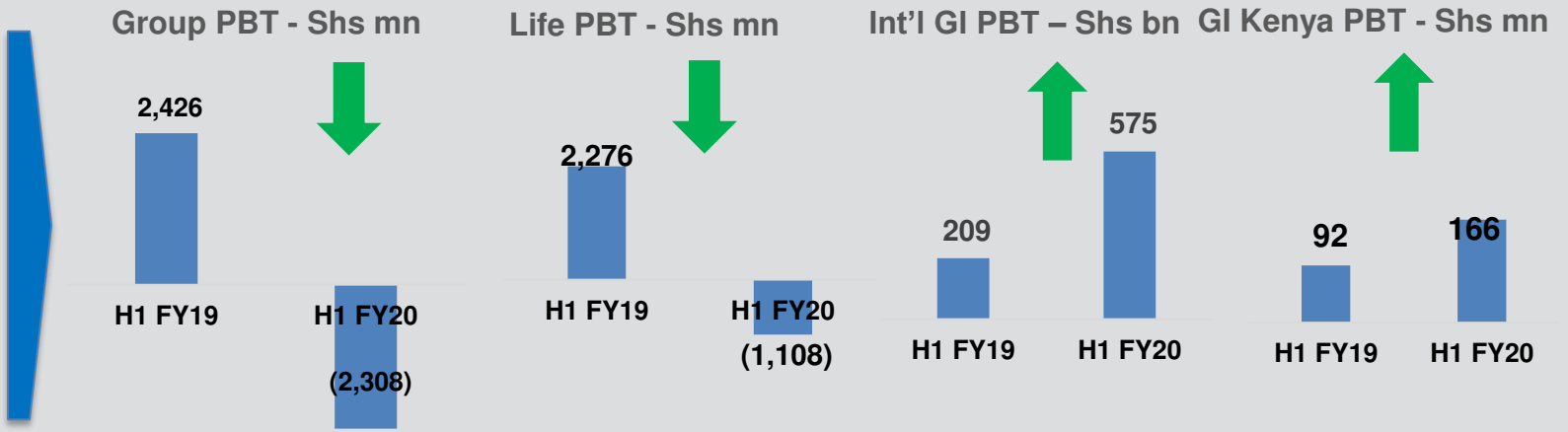
- Monetization of our investments in technology – (Project Jawabu paying off ensuring business continuity)
  - continued to serve our customers in spite of the pandemic and growing our revenues,
  - managed to achieve operational efficiencies across our businesses

- 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



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

Commentary on the H1 FY20 results

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.

Summary Group Consolidated Statement of Income

	Income Statement - Shs millions	Jun-20	Jun-19	Change
1	**Gross earned premiums**	**13,762**	**12,616**	**+9%**
	Net earned premiums	11,389	10,811	+5%
	Fund management fees	292	313	-7%
2	Investment, property, fair value gains/(losses) & other income	626	5,309	-88%
	Commission income	636	509	+25%
	Total Income	**12,943**	**16,942**	**-24%**
3	Net insurance claims, increase in policy holder's benefits and unit values and loss adjustment expenses	9,242	8,616	+7%
	Commission expense	1,831	1,666	+10%
4	Operating expenses & finance costs	4,035	4,187	-4%
	Profit before share of associate (loss)/profit	**(2,165)**	**2,473**	**-188%**
5	Share of loss of associate	(143)	(47)	-204%
6	**Profit / (loss) before tax**	**(2,308)**	**2,426**	**-195%**
	Total comprehensive income / (loss)	**(4,236)**	**1,862**	**-327%**
	Basic and diluted earnings/(losses) per share	**(0.65)**	**0.66**	**-198%**

Commentary

1. Growth in line with our rising premiums especially from international general insurance businesses.
2. Drop attributed to fair values losses on equites and property impairment losses.
3. Increase in line with business and revenue growth.
4. Drop in overall operating expenses on account of operational efficiencies and cost control.
5. Adverse impact of the operating environment on the performance of associate.
6. Adverse impact of listed equities on the performance of our strategic investments.

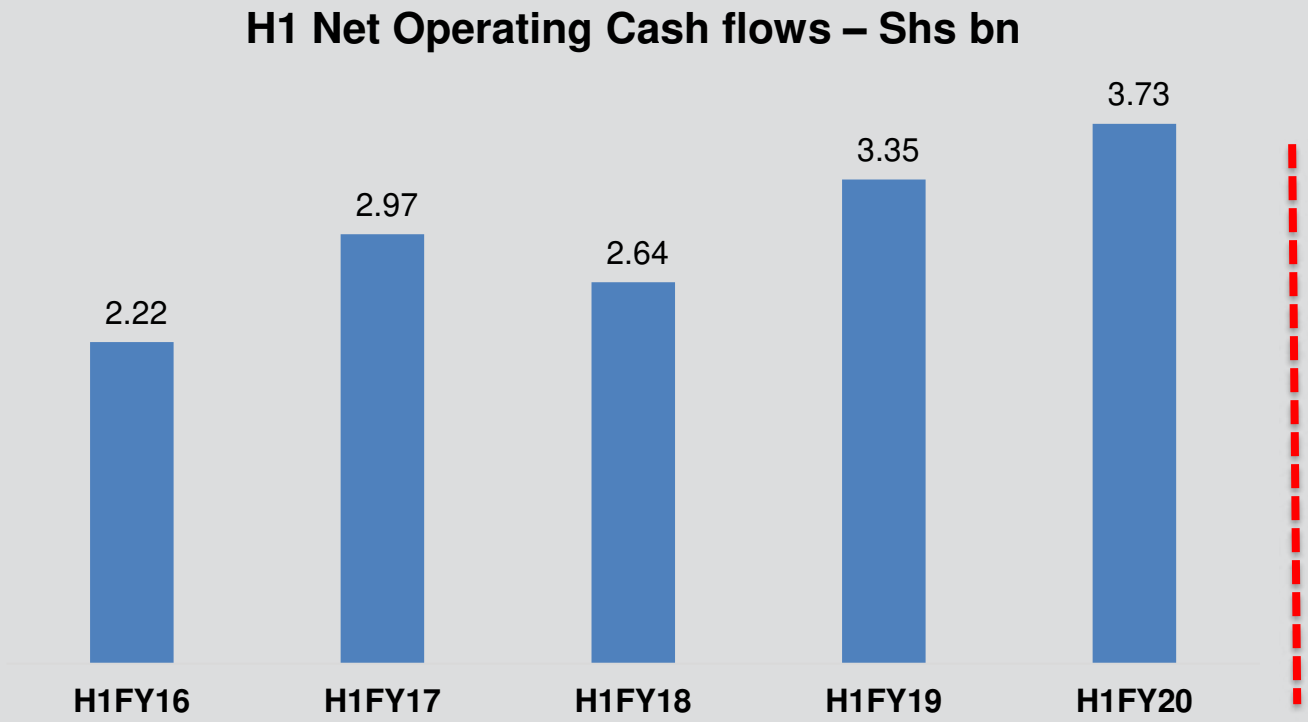
Summary Group Consolidated Statement of Financial Position

	Shs millions	Jun-20	Dec-19
	Shareholders' funds	**25,060**	**29,296**
	Non-controlling interest	80	81
1	**Total equity**	**25,140**	**29,377**
	Represented by:		
	Assets		
	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
2	**Total assets**	**128,507**	**125,244**
	Liabilities		
3	Insurance liabilities	94,486	85,979
	Borrowing	3,289	2,353
	Other liabilities	5,592	7,535
	Total liabilities	**103,367**	**95,867**
	Net assets	**25,140**	**29,377**

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.

Strong Operating Results Supporting Cash flow Generation



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

Life Assurance Company Kenya

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

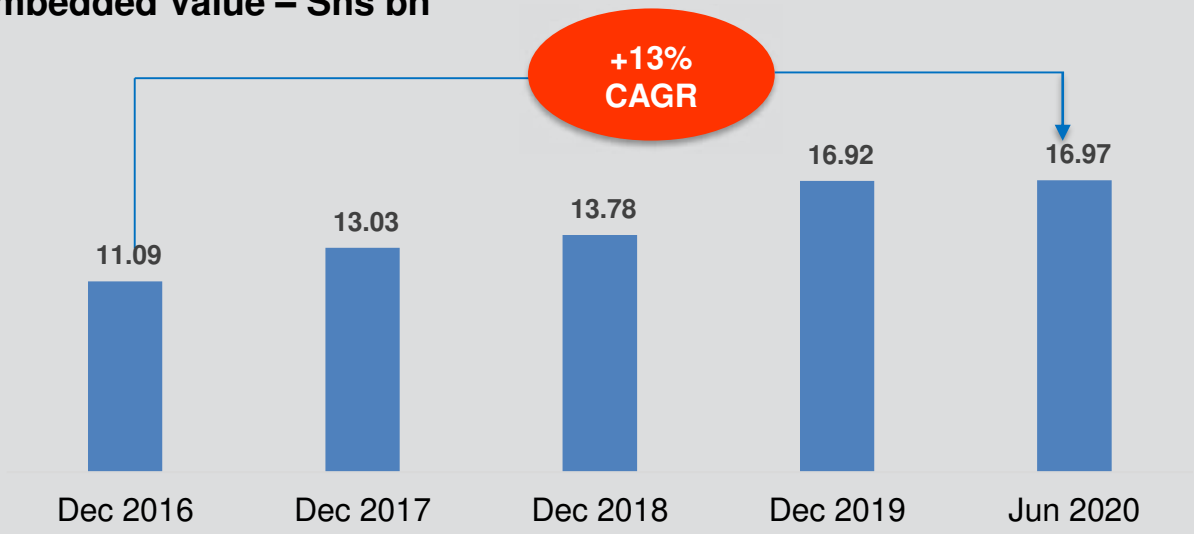
Commentary

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 equites and property impairment losses.

Life Assurance Embedded Value

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

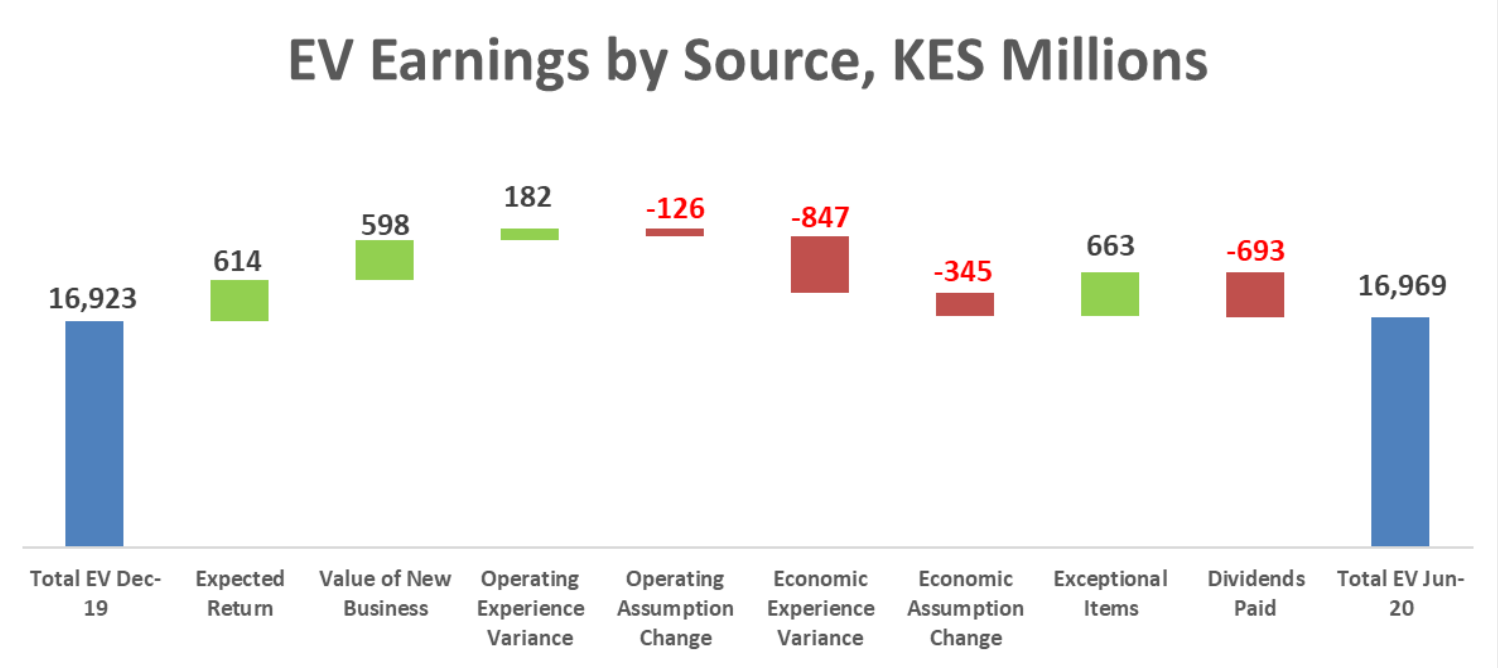
Embedded Value – Shs bn



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.

Life Assurance Embedded Value – Positive Value of New Business



- 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

Commentary

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

General Insurance Kenya Performance

	Income Statement – Shs million	Jun-20	Jun-19	Change
1	**Gross earned premiums**	3,884	3,735	+4%
	Net earned premium	3,052	3,049	<1%
	Commissions earned	211	186	+13%
	Total Revenue	**3,263**	**3,235**	**+1%**
	Expenses			
2	Net insurance benefits and claims	1,945	1,928	+1%
	Operating and other expenses	1,182	1,218	-3%
	Commissions payable	500	486	+3%
	Total Expenses	**3,627**	**3,631**	**<1%**
	Underwriting (loss)	(364)	(397)	-8%
	Investment income	530	489	+8%
3	**Profit before tax**	**166**	**92**	**+80%**
	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

Britam International Insurance Performance

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

Commentary

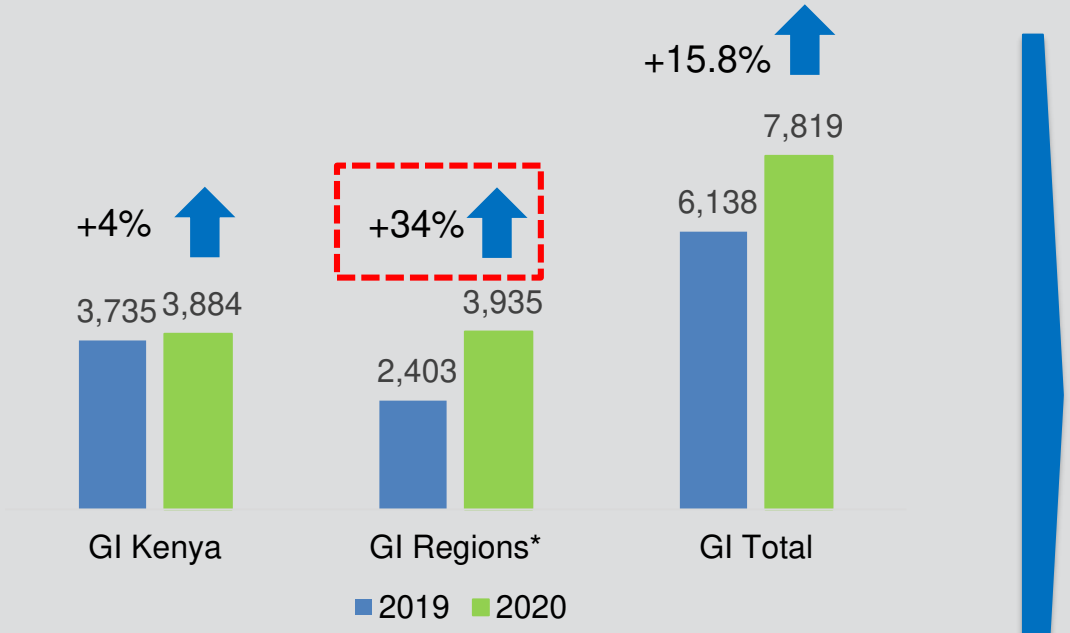
1. Growth on account of improved revenues especially in South Sudan and Mozambique markets

2. The growth in line with business and premium growth.

3. Reflects the improvement in total revenue and investment income

Regions General Insurance (GI) Businesses Supporting Revenue Growth

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

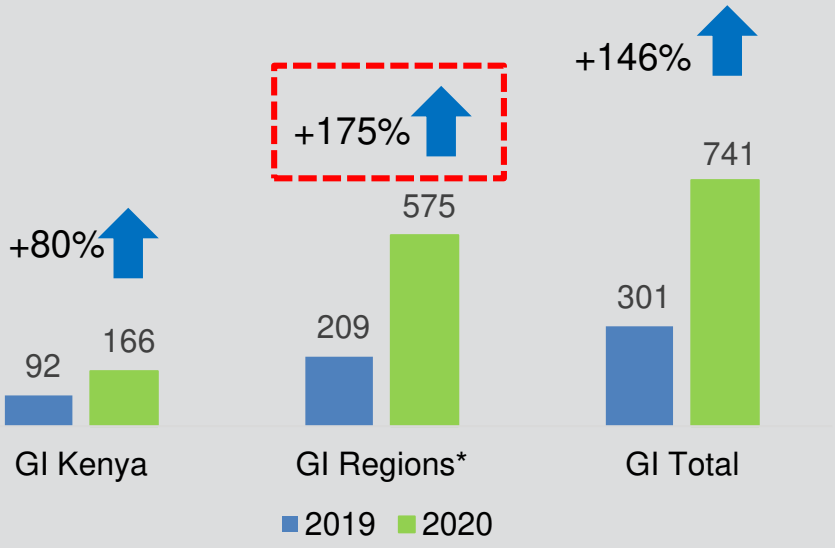


GEP up +15.8%

Kenya
+2.4% - (15%)

*GI Regions
+13.4% - (85%)

Total H1- GI Profit Before Tax– Shs million



PBT up +146%

Kenya
+24% - (17%)

GI Regions
+122% - (83%)

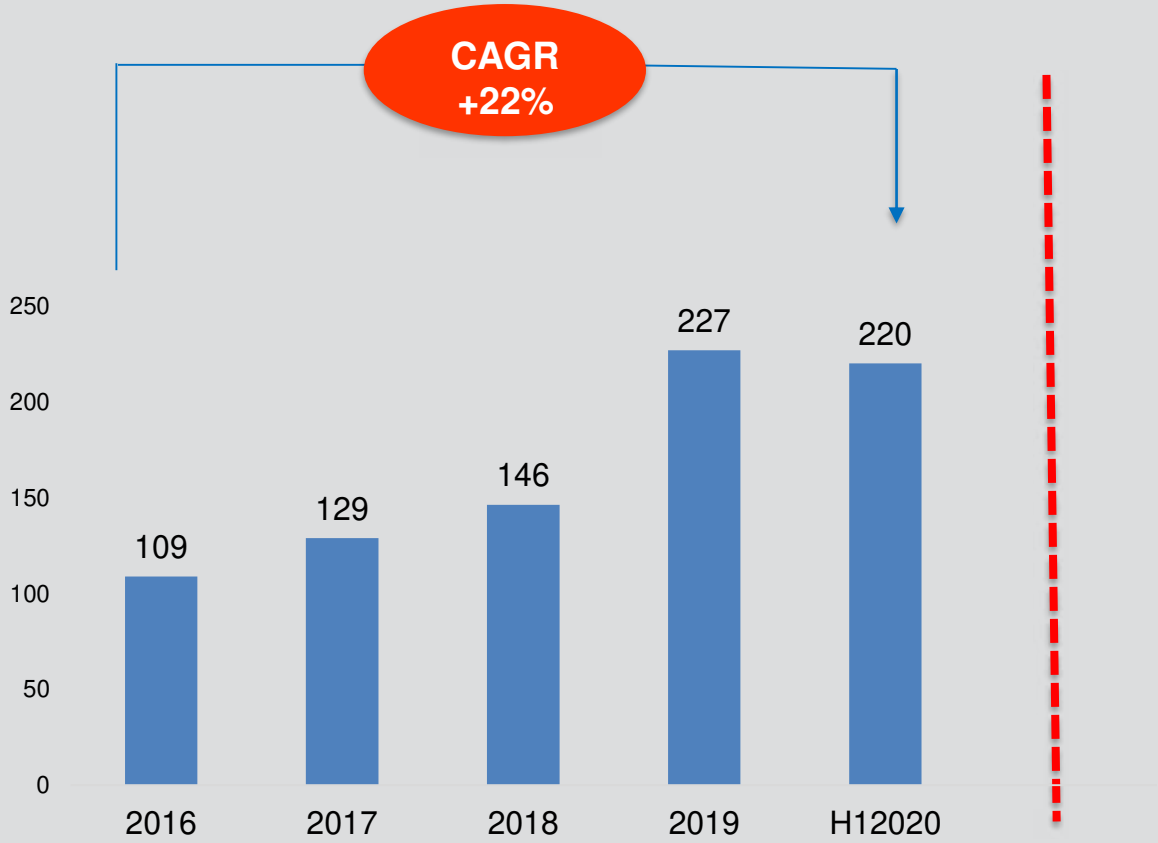
✓ 13.4% (85%) of the 15.8% growth in general insurance GEP generated by regional businesses.

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

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

Asset Management Remains Resilient

AUM – Shs billion

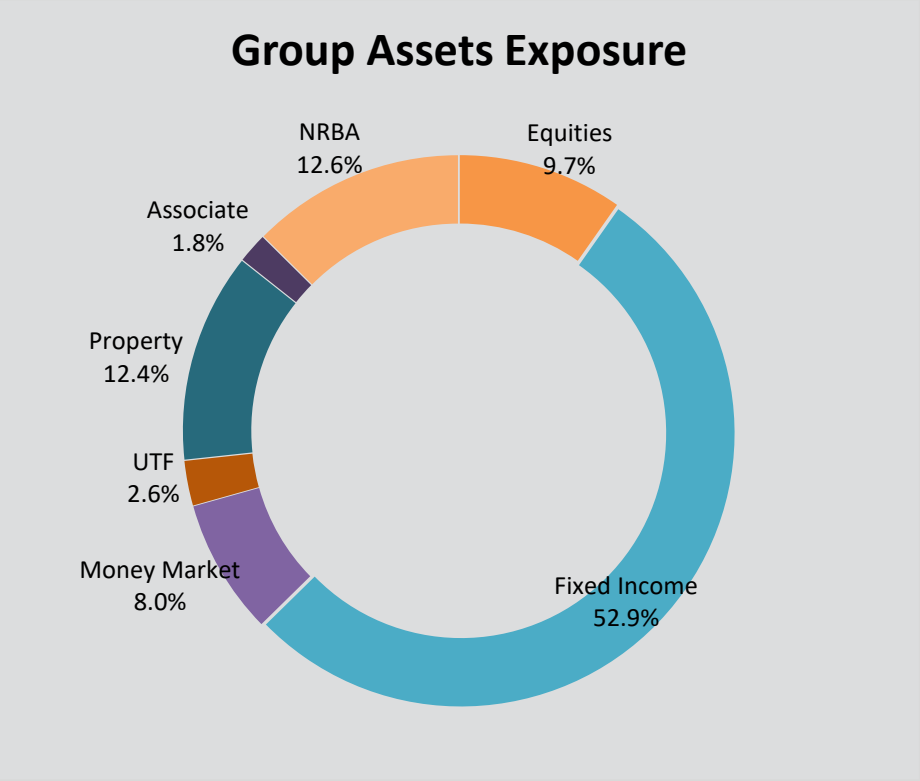


- Strong growth of CAGR since 2016 at 22%
- Reflection of trust in Britam which continue to grow funds under management: A strong foundation for current and future performance.
- Growth sustained by net flows from both retail and institutional clients.
- Growing volumes expected to compensate for low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

Optimization of Group Total Assets for Returns

We continue to optimize returns from our assets….

Group Assets – June 2020



Group Consolidated Balance sheet – 2020 – Shs milion

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%
Consolidated Assets	**125,244**	**128,507**	**2.6%**

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;

Customer and Market Growth

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

Continued Customer Service Excellence

- 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

Business Outlook and Focus for H2-FY20

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

Britam

With you every step of the way

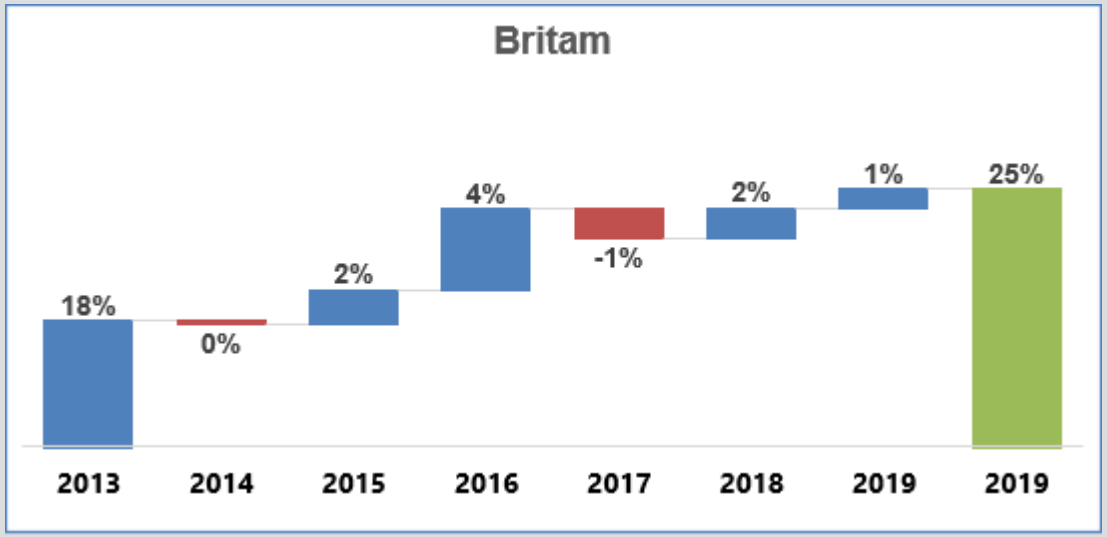
Thank You

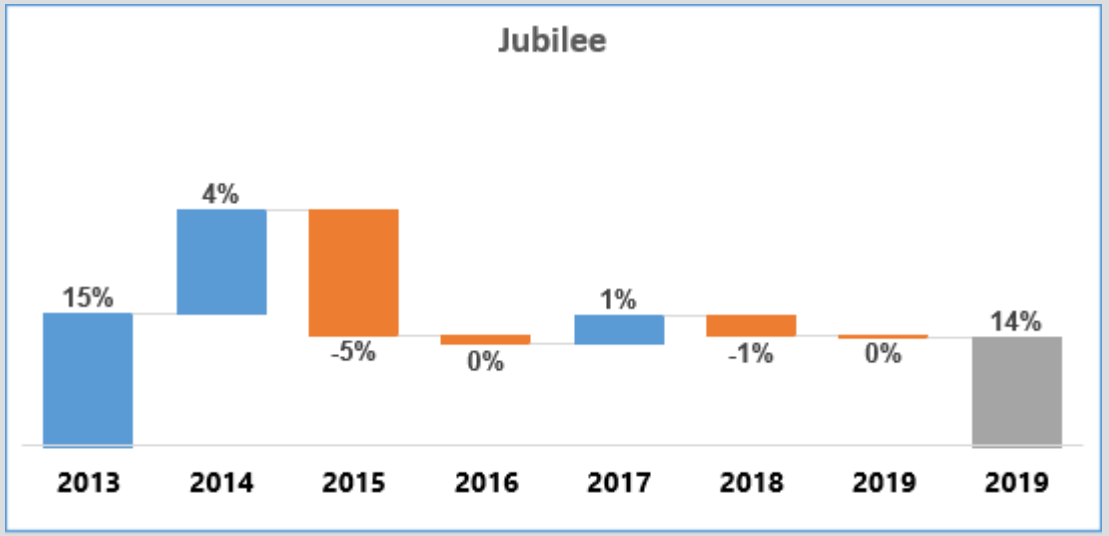
Appendices

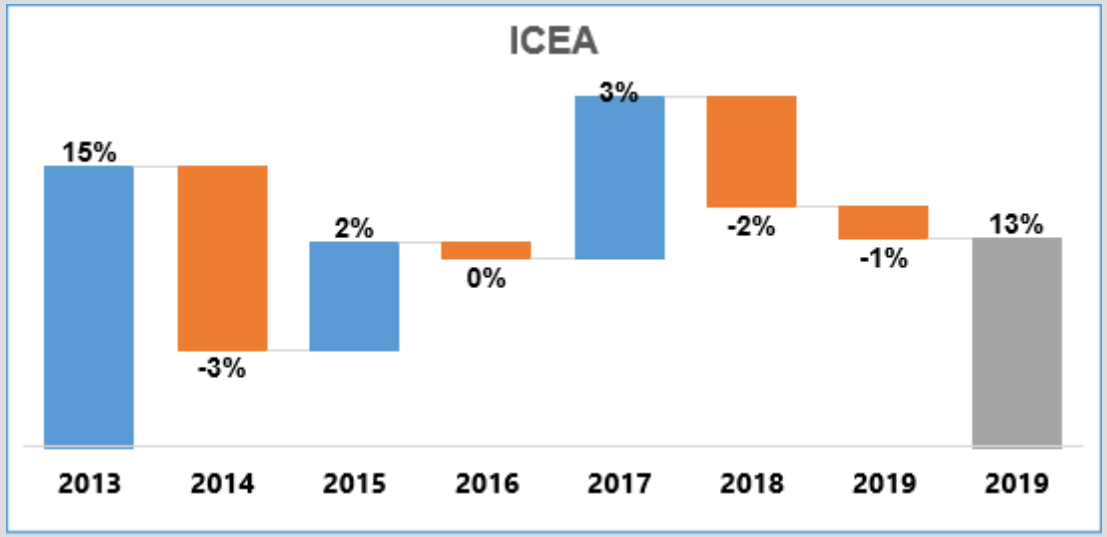
Appendix I: Detailed Group Statement of Income

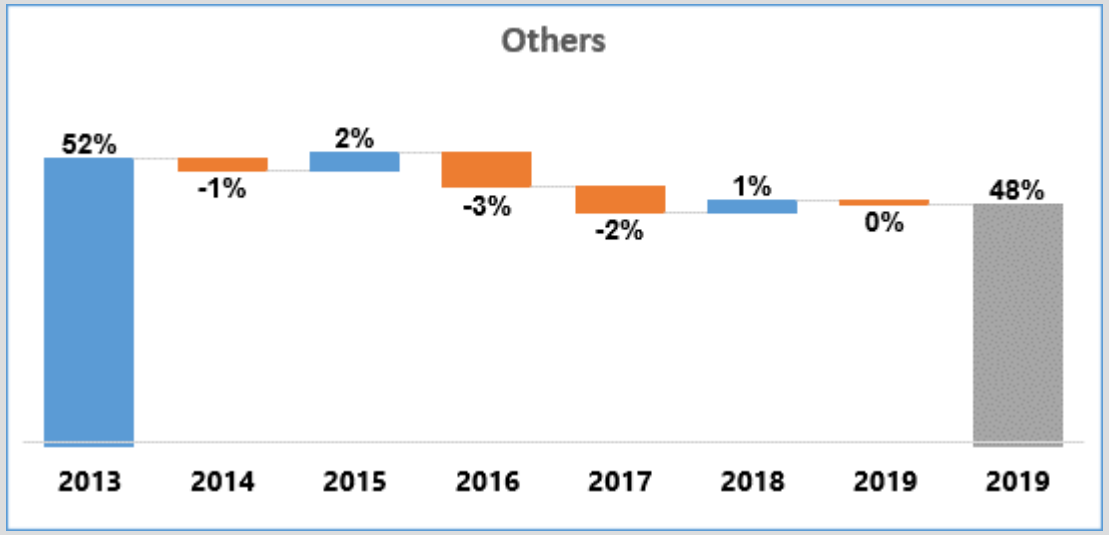
Income Statement – Shs '000	Jun-20	Jun-19	Change (%)
Gross earned premium and fund management fees	14,055,644	12,929,769	9%
Less: Reinsurance premium ceded	(2,373,654)	(1,805,116)	31%
Net earned revenue	**11,681,990**	**11,124,653**	**5%**
Investment income	3,636,795	2,724,043	34%
(Losses)/gains on financial 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%
Total income	**12,943,291**	**16,942,265**	**-24%**
Expenses			
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%
Total expenses	**15,108,557**	**14,469,047**	**4%**
(Loss)/profit before share of loss of associate	**(2,165,266)**	**2,473,218**	**-188%**
Share of loss of associate	(142,496)	(46,982)	203%
(Loss)/profit before tax	**(2,307,762)**	**2,426,236**	**-195%**
Income tax (expense)/credit	673,257	(753,159)	-189%
(Loss)/profit for the year	**(1,634,505)**	**1,673,077**	**-198%**
(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%
Total other comprehensive income/(loss)	**(2,601,951)**	**188,995**	**-1477%**
Comprehensive income/(loss) for the year	**(4,236,456)**	**1,862,072**	**-328%**
Basic and diluted (losses) / earnings per share	**(0.65)**	**0.66**	**-198%**

Appendix II: Life Market Share Leadership









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Appendix III: Property Highlights

Britam Centre

Grade B, 8 storey & 8,600 Sq m^2 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.