

IGI Holdings (IGIIL)

3Q2017 EPS Rs12.8, up 3x; 9M2017 EPS Rs26 (9M2016 EPS Rs11.0)

Better than expectations

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Earnings surge post restructuring of IGI Insurance

IGIIL: Financial Highlights							
Rsmn	3Q2017	3Q2016	YoY	QoQ	9M2017	9M2016	YoY
Operating revenue	2,812	2,731	3%	1%	8,018	8,055	0%
Operating expenses	1,561	1,154	35%	-16%	5,029	3,818	32%
Other income	(83)	906	NM	NM	278	1,050	-74%
General & admin expense	96	63	52%	-22%	324	216	50%
Financial charges	45	16	174%	7%	126	53	135%
Share of profit from associate	861	280	208%	90%	1,709	1,197	43%
Profit before Tax	1,737	680	155%	24%	3,695	2,074	78%
Taxation	170	199	-15%	-26%	448	726	-38%
Profit attributable to equity holder	1,567	481	226%	34%	3,247	1,347	141%
EPS	12.8	3.9			26.5	10.98	

Source: PSX, Topline Research

- IGIIL declared earnings of Rs1.6bn (EPS Rs12.8) as compared to earnings of Rs506mn (EPS Rs3.9) in the same period last year. In 9M2017, earnings stood at Rs3.2bn (EPS Rs26) vs. last year's earnings of Rs1.3bn (EPS Rs11) in same period last year. Earnings remained higher than expectations.
- Earnings were supported by improvement in share of profit from associates and lower effective tax rate post restructuring of IGIIL.
- Share of profit from associates increased to Rs861mn in 3Q2017 vs. Rs280mn in 3Q2016 as PKGS reported earnings of Rs3.1bn in 3Q2017, up 3x. Packages (PKGS) is an associated company of IGI insurance as it holds over 25% of PKGS.

Earnings surge post restructuring of IGI Insurance

- Effective tax rate of the company also reduced to 10% in 3Q2017 vs. 30% in 3Q2016. To recall, IGI insurance was merged into IGI Investment Bank (IGIBL) and a holding company was formed with the name of IGI Holdings (which is listed). After this restructuring, IGI Holdings now holds IGI General Insurance, IGI Life, IGI investment bank and IGI Securities. IGIL now being classified as a holding company, is subject to lower taxation on dividend income & investment income. Previously, IGI Insurance was being charged tax rate equivalent to corporate tax rate of 30% on dividend and investment income being an insurance company.
- In a notice sent to PSX, IGI Investments is considering to invest, from time to time, up to Rs1.3bn or additional 2.3% of PKGS ordinary shares (whichever is lower). IGI Investments is a 100% wholly owned subsidiary of IGI Holdings and is also an associated company of PKGS.
- Key risks for the stock includes 1) slowdown in insurance business, 2) fall in equity markets and 3) deterioration of Pakistan macros.

IGIL: Key Numbers					
	2012A	2013A	2014A	2015A	2016A
EPS	(2.9)	6.3	11.3	15.3	14.1
Earnings Growth	NM	NM	79%	10%	10%
PE at Rs347	NM	54.8	30.6	8.7	8.7
Dividend Yield	8%	7%	1%	2%	2%
ROE	NM	7%	12%	14%	11%
PBV	4.2	4.0	3.6	3.3	2.8

Source: Company Accounts, Topline Research

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