

Adamjee Insurance (AICL)

4Q2017 LPS of Rs1.2 vs. EPS of Rs1.9 in 4Q2016; 2017 EPS of Rs3.4, down 66%;
Final cash dividend of Rs1/share
Below expectations

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Impairment against investments leads to losses in 4Q2017

AICL: Financial Highlights

Rsmn	4Q2017	4Q2016	YoY	QoQ	2017	2016	YoY
Net Premium	7,785	6,506	20%	33%	24,844	20,529	21%
Net Claims	3,050	2,979	2%	12%	11,827	9,362	26%
Expenses	691	485	42%	-12%	2,883	2,266	27%
Net Commission	1,040	927	12%	37%	3,012	2,350	28%
Underwriting income	272	200	36%	16%	1,165	1,075	8%
Investment Income/loss	-370	592	NM	NM	1,499	3,526	-57%
General & admin expense	298	224	33%	86%	772	661	17%
Profit before Tax	-269	560	NM	NM	2,092	4,056	-48%
Taxation	144	44	230%	-46%	892	561	59%
Profit after Tax	-408	516	NM	NM	1,205	3,494	-66%
EPS	-1.2	1.5			3.4	10	

Source: PSX, Topline Research

- AICL disclosed 4Q2017 financial results, declaring loss of Rs408mn (LPS Rs1.2) vs. Rs516mn (EPS Rs1.5) in 4Q2016. This was mainly driven by loss against investments which clocked in at Rs370mn during 4Q2017 as against investment income of Rs592mn during the same period last year. We attribute this to bearish trend in equity markets in 2017 against which the company have booked impairment loss during 4Q2017, we believe. The benchmark KSE-100 index fell 15% in 2017. Loss against investments was higher than our expectations.
- Net premium of the company continued to post healthy growth of 20% YoY driven by rising motor sales & improving macros. On the other hand claims grew by 2% as claims ratio stood at 39% in 4Q2017 vs. 46% in 4Q2016.

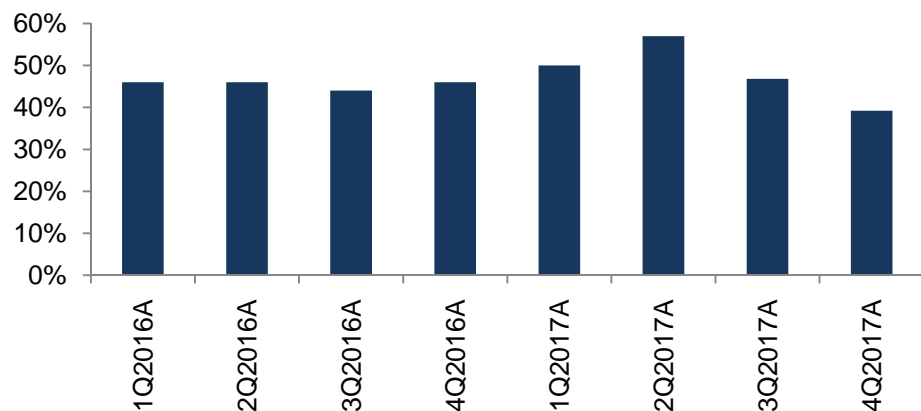
Impairment against investments leads to losses in 4Q2017

- Led by strong growth in revenues and lower claims, underwriting income of the company improved by 36% to Rs272mn.
- On the other hand, general & admin expense was up 33% to Rs298mn in 4Q2017 which remained slightly higher than expectations.
- In 2017, earnings were down 66% to Rs3.4/share mainly on account of lower investment income, down to Rs1.5bn vs. Rs3.6bn during the same period last year.
- Key risks for the stock includes 1) slowdown in insurance business, 2) fall in equity markets and 3) deterioration of Pakistan macros.

AICL: Key Numbers					
	2013A	2014A	2015A	2016A	2017A
EPS	5.6	5.4	5.6	9.7	3.4
Earnings Growth	215%	-4%	108%	75%	-64%
PE at Rs53	9.4	9.9	15.4	5.5	15.4
Dividend Yield	4%	5%	8%	8%	5%
ROE	15%	13%	14%	20%	7%
PBV	1.4	1.3	1.3	1.1	1.1

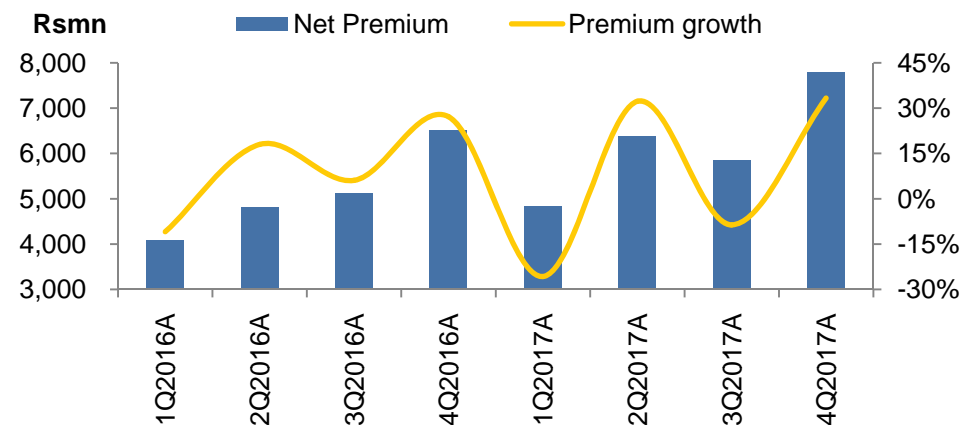
Source: Company Accounts, Topline Research

AICL: Quarterly Sales



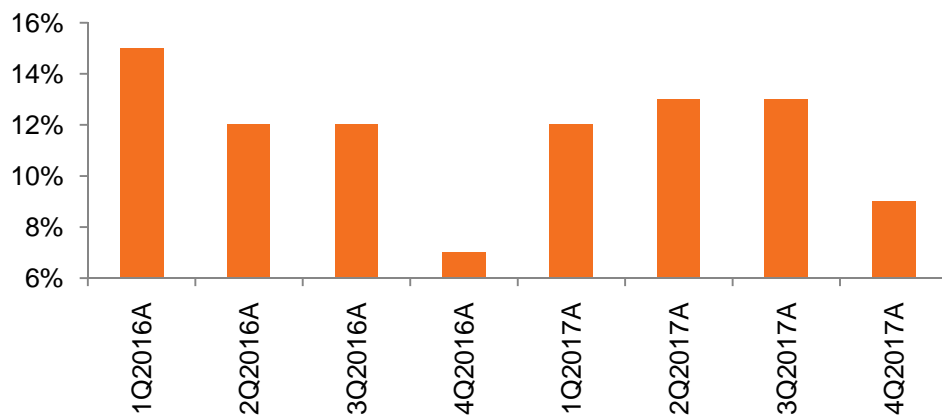
Source: Company Accounts, Topline Research

AICL: Quarterly Net Premium & Premium Growth



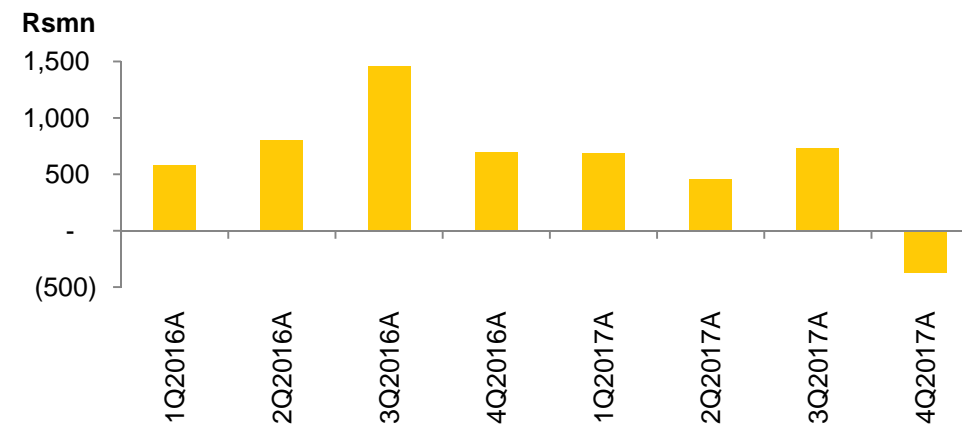
Source: Company Accounts, Topline Research

AICL: Quarterly Expense Ratio



Source: Company Accounts, Topline Research

AICL: Quarterly Investment Income



Source: Company Accounts, Topline Research

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