

Long Reign Good Health

HMO The Shining Light, As Premium Income Rise

AXA Mansard Insurance Plc. (**MANSARD**) recorded a marked YoY growth of 15.52% in H1:2020, as gross premium income rose to NGN22.73bn. This performance was occasioned by growth across all business segments, save for the Life business which recorded a marginal decline (0.43% YoY) to NGN3.94bn. The health management business stood out once more, rising by 45.20% YoY to NGN8.96bn. Likewise, premium income from the non-life business rose by 3.27% YoY to NGN9.95bn in the period. **While the half-year performance encourages optimism, the Q2:2020 result shed light on the economic implications of the lingering coronavirus pandemic for the firm.** This is observed in the decline (20.37% YoY) in premium written during the second quarter to NGN9.51bn (vs. NGN11.94bn in Q2:2020). **Looking ahead, we anticipate the slow growth in the non-life business segment to linger, as the dampening effect of coronavirus continues. Thus, we expect premium income growth to be capped at 10.00% or NGN45.77bn by 2020FY.**

Improved Underwriting Powers Margin

In H1:2020, **MANSARD** recorded a YoY rise of 15.18% in claims and benefit, as the total outlay settled at NGN9.84bn. Nonetheless, the loss ratio of the firm improved to 62.77% (vs. 70.70% in H1:2019), **indicating that the growth in claims payment was less than the rise in net premium income.** The claims and benefit expense incurred was derived from the HMO business, accounting for 63.37% of the total in the period. Nonetheless, the HMO business still contributed more to underwriting profit, as it accounted for 48.98% of the total. Underwriting expenses however dipped by 2.54% to NGN2.15bn (vs. NGN2.21bn in H1:2019). This was in line with the 8.41% YoY decline in acquisition expenses, which on average accounts for c.80.00% of the total underwriting expenses. This led to an improved underwriting performance, as evidenced by its combined ratio of 69.82% (vs 78.22% in H1:2019) also beating peer average of c.79.00% so far this period. This led to an 88.39% YoY rise in underwriting profit to NGN4.60bn (vs. NGN2.44bn in H1:2019) in the period.

Profit Soar Despite Rising Costs

Investment income for the period rose by 3.78% YoY to NGN2.76bn (vs. 2.66bn in H1:2019), as yield performance improved to 4.95% (vs. 4.81% in H1:2019) – this being a complete reversal from first quarter performance where yields dipped to 1.79%. We attribute some of this to the 22.06% YoY increase in rental income to NGN0.58bn. On the other hand, management expenses in H1:2020 maintained its trajectory from Q1:2020, recording an increase of 15.64% to NGN4.29bn (vs. NGN3.71bn in H1:2019). The rise fed off the increase in employee benefit and expenses, as wages and salaries grew by 30.92% YoY to NGN1.14bn (vs. NGN0.87bn in H1:2019) in the period. However, an improved underwriting performance and a rise in investment income jointly powered **MANSARD** to record a 154.25% YoY rise in profit after tax to NGN3.61bn. Thus, net margin improved to 15.86% (vs. 7.21% in H1:2019). **For FY2020, while we expect the bottom-line to feed off the improvement in the HMO business, our bottom-line expectation remains unchanged at NGN4.10bn (vs NGN2.91bn in FY2019)**

Mansard Cleans Up for The Tussle

MANSARD, considering its current position of NGN20.64bn in minimum paid-up capital, has met NAICOM's threshold (NGN18.00bn) for composite insurance businesses. However, in its bid to increase concentration on its the Insurance business, management has perfected a plan with Eustacia Limited (A subsidiary of Verod Capital) to divest its 60.00% stake in AXA Mansard Pensions Limited. **In our opinion, when implemented, this would have no significant drag on profit after tax, considering that the pension business contributes just c.3.00% to the firm's net profit. Albeit we anticipate that the divestment would provide c. NGN1.00bn in capital to drive more growth in the insurance segment.**

Recommendation

Although **MANSARD's** recent performance has birthed optimism, we maintain our expected earnings per share at NGN0.39, PE of 6.68x and our target price of NGN2.61. This gives an upside potential of 52.63% from its current price. Thus, we rate the ticker a **BUY**

Company	MANSARD
Valuation	
Trailing EPS	0.49
BVPS	3.34
P/E	2.99x
P/BV	0.43x
Target PE	6.68x
Dec-2020 Exp. EPS	0.39
Dec 2020 Target price	2.61
Current Price	1.71
Up/Downside Potential	+52.63%
Ratings	BUY
Key metrics	
ROE	15.64%
ROA	5.25%
Combined Ratio	69.82%
Loss Ratio	62.77%
Yr High	2.14
Yr Low	1.44
YTD return	-26.77%
Beta	0.58
Adjusted Beta	0.72
52-Week Avg. Volume	348,279
Shares outstanding	10.50bn
Market cap [NGN]	15.23bn
Financial year end	December
Most Recent Period (MRP)	H1:2020

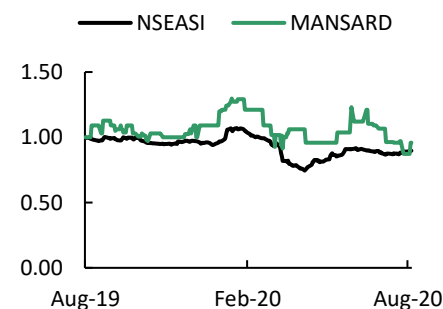


Chart 1: Sensitivity Analysis

Sensitivity Analysis of Dec-2020 Target Price to key model inputs						Min	1.86
EPS						Max	3.46
Target PE		0.35	0.37	0.39	0.41	0.43	
	5.32x	1.86	1.97	2.07	2.18	2.29	
	6.00x	2.10	2.22	2.34	2.46	2.70	
	6.68x	2.34	2.47	2.61	2.74	3.85	
	7.36x	2.58	2.72	2.87	3.02	5.01	
	8.04x	2.81	2.97	3.14	3.30	3.46	

Financial Highlights (NGN'bn) AXA MANSARD INSURANCE PLC H1:2020

Profit & Loss Account	H1:2020	H1:2019	y/y Growth
Gross Premium Written	30.54	29.36	4.04%
Gross Premium Earned	22.73	19.68	15.52%
Re-Insurance Costs	7.06	7.60	-7.07%
Net Premium Earned	15.67	12.08	29.73%
Fees and Commission Income	0.91	1.11	-17.59%
Claims Incurred	9.84	8.54	15.18%
Underwriting Expenses	2.15	2.21	-2.54%
Underwriting Profit	4.60	2.44	88.39%
Investment Income	2.76	2.66	3.78%
Other Income	1.34	0.19	617.58%
OPEX	4.29	3.71	15.64%
PBT	4.40	1.57	180.04%
PAT	3.61	1.42	154.25%
Balance Sheet	H1:2020	2019FY	y/y Growth
Cash and bank balances	18.39	17.91	2.65%
Financial Assets	37.29	37.29	0.00%
Trade, other Receivables & Prepayments	12.79	7.37	73.47%
Reinsurance assets	5.45	5.53	-1.37%
Investment properties	15.30	15.80	-3.19%
Fixed Assets	2.26	1.99	13.50%
Other Assets	10.25	6.40	60.29%
Total Assets	101.72	92.29	10.22%
Insurance contract liabilities	33.84	25.16	34.48%
Investment Contract Liabilities	9.08	8.43	7.74%
Trade payables	12.99	16.57	-21.61%
Other payables and Provisions	1.28	1.38	-7.07%
Borrowings	4.30	6.97	-38.28%
Other Liabilities	9.43	10.67	-11.64%
Total Liabilities	66.62	62.21	7.09%
Shareholders' fund	35.10	30.08	16.70%

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Movements in Price Target

Company Name: AXA Mansard Insurance Plc.

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
14-May-2020	1.71	2.88	2.61	BUY	BUY
18-August-2020	1.71	2.61	2.61	BUY	BUY

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Company	Disclosure
AXA Mansard Insurance Plc.	

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