

Strong Investment Drives Bottom-line

Recommendation: BUY **TP: 0.73** **CP: 0.54** **UPP: 35.19%**

Summary: AIICO sustained its growth momentum in H1:2022 as Gross Premium Written (GPW) improved by 21.35% YoY to NGN45.48bn. The growth was broad based as all segment of the business expanded except the health management segment which declined by 10.06% YoY.

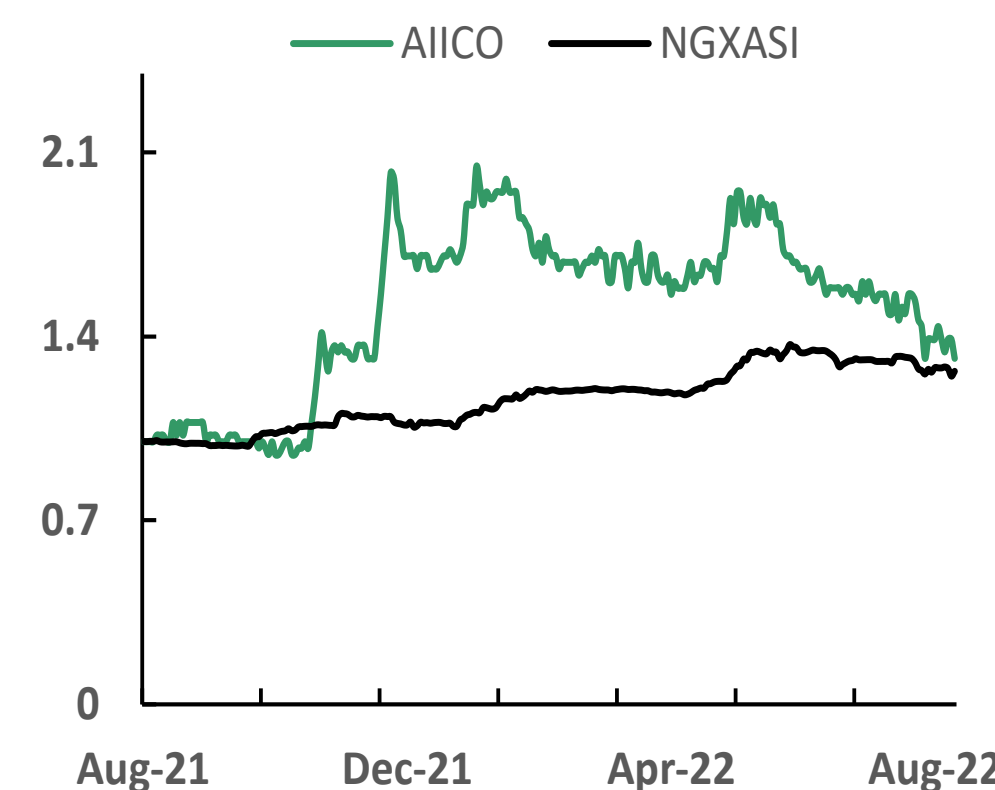
Meanwhile, net claims expense surged by 4.31% to NGN21.84bn with a bulk of it emanating from the life business. Similarly, actuarial provisioning for the life and annuity funds worsened to **-NGN7.70bn** (vs. NGN27.14bn in H1:2021). As such, underwriting profit fell drastically by 99.36% YoY to NGN0.20bn.

Nevertheless, AIICO recorded an impressive bottom-line performance in H1:2022 as profit before tax and profit after tax improved by 146.89% YoY and 51.54% YoY to NGN2.24bn and NGN4.94bn respectively. The performance was buoyed by an uptick in investment income (+35.53% YoY) and income from the completion of the sales of its subsidiary (AIICO Pensions). **Our outlook for the composite player remains positive as we expect that the uptick in yields in the fixed income environment to moderate the actuarial provisioning for the life and annuity funds and improve the investment income of the firm**

Positives: Solvency ratio improve to 3.01x in H1:2022 (from 2.22x in H1:2021)

Negative: Underwriting Margin deteriorated to 0.50% (vs. 92.82% in H1:2021)

Valuation		Stock Highlights	
Trailing EPS	0.18	Yr Hi	NGN0.84
BVPS	1.05	Yr Lo	NGN0.54
P/E	3.00X	YTD return	-21.43%
P/BV	0.52x	Beta	0.45
Target PE	5.32x	Adjusted Beta	0.63
Dec-2022 Exp. EPS	0.14	Shares outstanding	36.61bn
Dec 2021 Target price	NGN0.73	Market cap [NGN]	19.77bn
Current Price	NGN0.54	Financial year end	December
		Most Recent Period	H1:2022



Financial Highlight (NGN'bn)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Gross Premium Written (GPW)	45.48	37.48	21.35%
Gross Premium Income (GPI)	40.57	34.44	17.82%
Claims Expense	(21.84)	(20.94)	4.31%
Underwriting Expense	(5.79)	(4.73)	22.32%
Underwriting Profit	0.20	31.96	(99.36%)
Investment Income	8.02	5.92	35.53%
PBT	2.24	0.91	(146.89%)
PAT	4.92	3.25	51.40%

Balance Sheet	H1:2022	2021A	YtD Growth
Investment Assets	213.00	197.99	7.58%
Total Assets	241.60	222.38	8.64%
Share Capital	18.30	18.30	0.00%
Total Equity	42.88	38.37	11.75%
Contract Liabilities	132.03	119.78	10.23%
Total Liabilities	198.71	184.01	7.99%

Key Metrics

Profitability Ratio	H1:2022	H1:2021	3-yr Hist. Avg
ROA	2.04%	1.46%	2.69%
ROE	11.48%	8.48%	16.13%
GPI Margin	89.20%	91.87%	98.75%
Underwriting Margin	0.50%	92.82%	(10.76%)
Net Margin	12.14%	9.44%	9.14%
Investment Yield	3.77%	2.99%	6.58%
Expense Ratio	12.72%	12.62%	13.43%
Loss Ratio	48.01%	55.86%	53.14%
Combined Ratio	60.74%	68.48%	66.57%

Solvency Ratio	2022F	2021A	3-yr Hist. Avg
Solvency Margin	4.70x	2.90x	2.63x

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	0.20
EPS						Max	1.29
	0.73	0.04	0.09	0.14	0.19	0.24	
Target PE	5.22x	0.20	0.46	0.72	0.98	1.24	
	5.27x	0.20	0.46	0.73	0.99	1.26	
	5.32x	0.20	0.47	0.73	1.00	1.27	
	5.37x	0.20	0.47	0.74	1.01	1.28	
	5.42x	0.21	0.48	0.75	1.02	1.29	

Poor Underwriting Performance Drags Earnings

Recommendation: BUY **TP: 2.77** **CP: 1.85** **UPP: 49.51%**

Summary: MANSARD in its H1:2022 financial scorecard recorded growth in Gross Premium Written (GPW) by 20.94% YoY to NGN44.97bn. The performance was majorly supported by the non-life business (at 42.61%) although we note a faster growth in the life business (+67.53% YoY) which contributed 19.82% to GPW while the HMO contributed (37.57% YoY) to top-line.

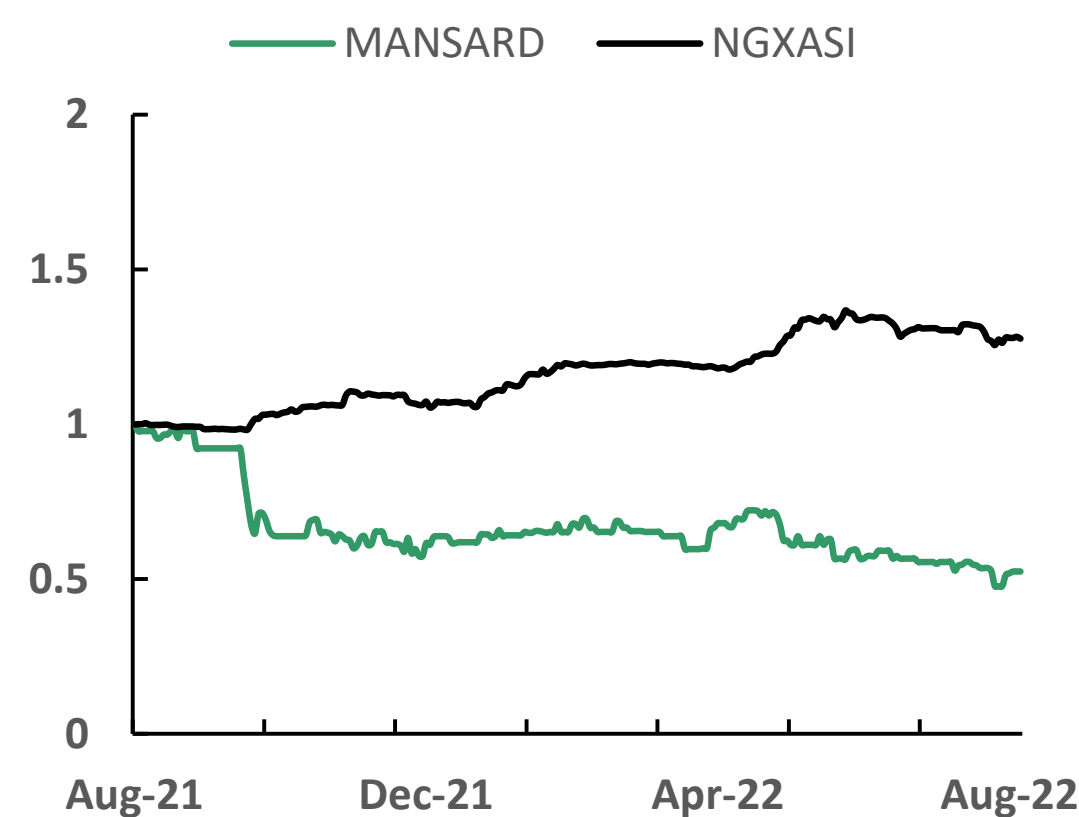
Combined ratio worsened to 41.68% (vs. 35.02% in H1:2021) due to surge in loss ratio (35.66%) as claims expenses spiked by 47.58% to NGN16.04bn with a bulk of it emanating from the claims paid on HMO business. This, and the significant provisions for actuarial reserves led to a decline in underwriting profitability (by 40.86% YoY to NGN3.88bn) in H1:2022.

Also, bottom-line took a substantial hit as after-tax-profit dropped by 61.94% to NGN0.87bn (vs. NGN2.29bn in H1:2021), despite a growth (of 21.71% YoY) in investment income as interest income on financial assets improved. The decline in the fair value of fixed income assets (51.28% YoY), rise in operating expenses (11.15% YoY) and underwhelming underwriting performance constituted a dragged to the bottom-line. **We maintain a positive outlook for MANSARD as the reversal of yields in the fixed income market is expected to moderate the actuarial provisioning for the life business.**

Positives: Earnings quality as a ratio of cash receipt stood at 3.99x owing to 27.38% YoY growth of operating cashflow.

Negative: Underwriting margin and net margin dipped to 11.19% and 2.51% respectively (vs. 25.34% and 8.83% in H1:2021).

Valuation		Stock Highlights	
Trailing EPS	0.26	Yr Hi	2.60
BVPS	3.82	Yr Lo	1.72
P/E	7.19x	YTD return	-18.53%
P/BV	0.48x	Beta	1.47
Target PE	6.05x	Adjusted Beta	1.31
Dec-2022 Exp. EPS	0.46	Shares outstanding	9.00bn
Dec 2021 Target price	NGN2.77	Market cap [NGN]	16.65bn
Current Price	NGN1.85	Financial year end	December
		Most Recent Period	H1:2022



Financial Highlight (NGN'Bn)

Profit and Loss Account	H1:2022	H1:2021	y/y Growth
Gross Premium Written (GPW)	44.97	37.18	20.94%
Gross Premium Income (GPI)	34.72	25.92	33.92%
Claims Expense	(16.04)	(10.87)	47.58%
Underwriting Expense	(2.71)	(2.15)	25.63%
Underwriting Profit	3.88	6.57	(40.86%)
Investment Income	2.94	2.41	21.71%
PBT	1.30	3.16	(58.88%)
PAT	0.87	2.29	(61.94%)

Balance Sheet	H1:2022	2021A	YtD Growth
Investment Assets	75.75	75.54	0.27%
Total Assets	119.78	104.06	15.10%
Share Capital	18.00	18.00	0.00%
Total Equity	35.61	34.39	3.55%
Contract Liabilities	51.32	36.93	38.98%
Total Liabilities	84.16	69.67	20.80%

Key Metrics

Profitability Ratio	H1:2022	H1:2021	3-yr Hist. Avg
ROA	0.73%	2.20%	3.85%
ROE	2.45%	6.66%	10.86%
GPI Margin	77.20%	69.72%	94.54%
Underwriting Margin	11.19%	25.34%	15.87%
Net Margin	2.51%	8.83%	7.89%
Investment Yield	3.88%	3.20%	7.01%
Expense Ratio	6.02%	5.80%	12.70%
Loss Ratio	35.66%	29.23%	43.40%
Combined Ratio	41.66%	35.02%	56.11%
Solvency Ratio	2022F	2021A	3-yr Hist. Avg
Solvency Margin	0.61x	0.89x	0.88x

Sensitivity Analysis of Dec-2022 Target Price to key model inputs

Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	2.51
EPS						Max	3.03
	2.77	0.42	0.44	0.46	0.48	0.50	
Target PE	6.01x	2.51	2.63	2.75	2.87	2.99	
	6.03x	2.52	2.64	2.76	2.88	3.00	
	6.05x	2.52	2.65	2.77	2.89	3.01	
	6.07x	2.53	2.65	2.78	2.90	3.02	
	6.09x	2.54	2.66	2.78	2.91	3.03	

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

CUSTODIAN Sustains its Growth Momentum

Recommendation: BUY **TP: 7.87** **CP: 6.80** **UPP: 15.77%**

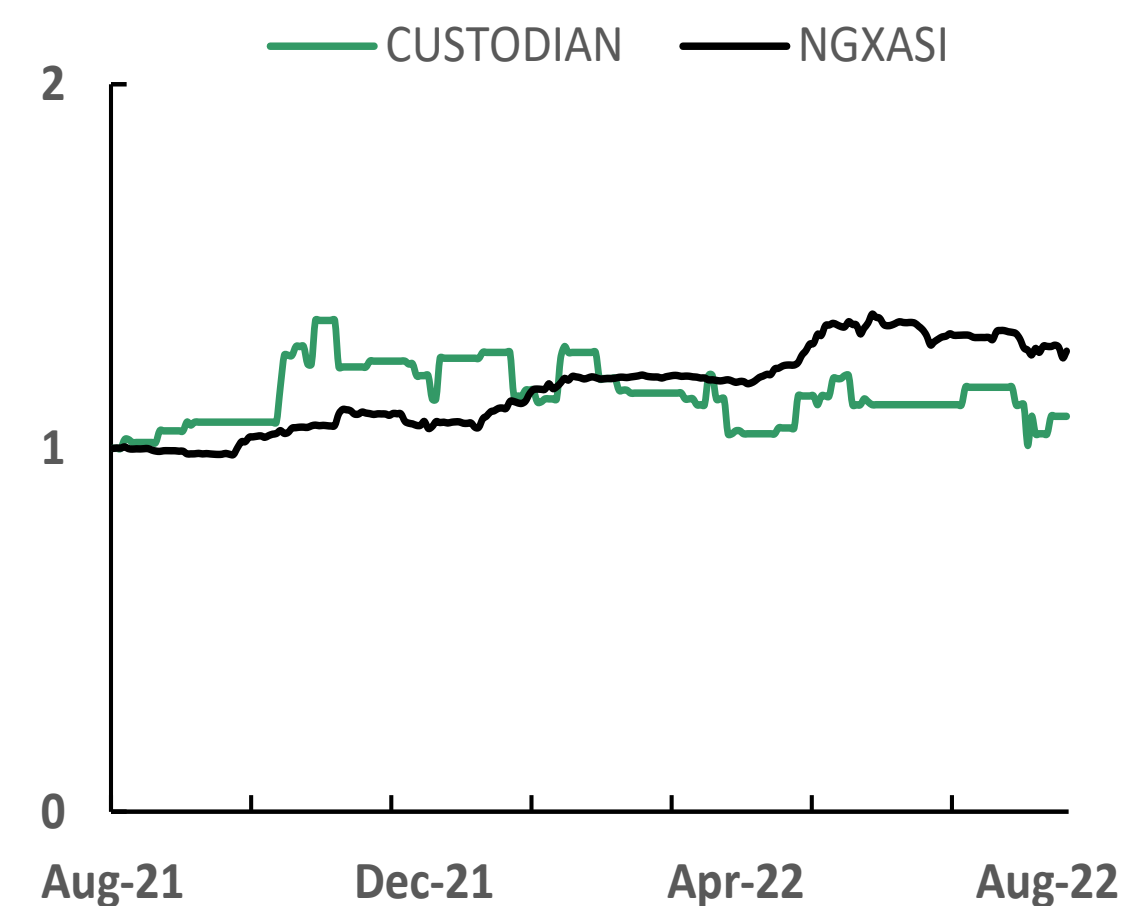
Summary: CUSTODIAN's top-line soared by 14.96% YoY to NGN48.50bn in H1:2022. Premium income from core insurance business which advanced 10.89% YoY to NGN36.52bn drove overall top-line performance. However, spike in claims expenses by 29.41% YoY to NGN10.48bn brought loss ratio to 22.15% (vs. 19.19% in H1:2021) which worsened the firm's combined ratio to 27.95%. However, the firm's underwriting profit improved to NGN13.11bn (vs. NGN12.76bn in H1:2021).

Meanwhile, investment income grew by 14.96% YoY to NGN48.50bn, causing investment yield to rise to 28.92% (vs. 28.10%). Thus, after-tax profit grew by 1.92% YoY to NGN4.72bn. **We remain optimistic for 2022FY based on increased premium income and investment income although we note high claims, OPEX and drop in the value of fixed income assets as constraints.**

Positives: Earnings assets rose to 82.15% Ytd (vs. 81.38% in 2021FY) due to growth on investment assets

Negative: Solvency capital dipped 0.39% Ytd to NGN62.91bn as solvency ratio declined to 2.50x (2.51x in 2021FY)

Valuation		Stock Highlights	
Trailing EPS	1.72	Yr Hi	8.00
BVPS	10.93	Yr Lo	6.30
P/E	3.94x	YTD return	-13.92%
P/BV	0.62x	Beta	0.78
Target PE	4.21x	Adjusted Beta	0.85
Dec-2022 Exp. EPS	1.87	Dividend Proposed	NGN0.10
Dec 2022 Target price	NGN7.87	Shares outstanding	5.88bn
Current Price	NGN6.80	Market cap [NGN]	40.00bn
		Financial year end	2022



Financial Highlight (NGN'Bn)

Profit and Loss Account	Q1:2022	Q1:2021	Y/Y Growth
Revenue	48.50	42.19	14.96%
Net Income	11.43	36.86	(68.99%)
Claims Expense	(10.48)	(8.10)	29.41%
Underwriting Expense	(2.74)	(2.46)	11.32%
Investment Income	48.50	42.19	14.96%
PBT	6.07	5.65	7.49%
PAT	4.72	4.63	1.92%
Balance Sheet	Q1:2022	2021A	Ytd Growth
Investment Assets	167.69	150.13	11.70%
Total Assets	204.12	184.47	10.65%
Share Capital	2.94	2.94	0.00%
Total Equity	66.40	64.26	3.32%
Contract Liabilities	105.00	85.04	23.47%
Total Liabilities	137.73	120.21	14.57%

Key Metrics

Profitability Ratio	H1:2022	H1:2021	3-yr Hist. Avg
ROA	2.31%	2.51%	5.94%
ROE	7.11%	7.21%	17.11%
Underwriting Margin	35.90%	38.74%	21.85%
Net Margin	9.74%	12.57%	12.85%
Investment Yield	28.92%	28.10%	58.68%
Expense Ratio	5.80%	5.84%	6.77%
Loss Ratio	22.15%	19.19%	19.54%
Combined Ratio	27.95%	25.03%	26.32%

Solvency Ratio	2022F	2021A	3-yr Hist. Avg
Solvency Ratio	2.67x	2.51x	4.32x

Sensitivity Analysis of Dec-2021 Target Price to key model inputs						Min	6.93
Earnings per share						Max	8.87
	7.87	1.71	1.79	1.87	1.95	2.30	
Target PE	4.05x	6.93	7.25	7.57	7.90	8.22	
	4.13x	7.06	7.39	7.72	8.05	8.38	
	4.21x	7.20	7.54	7.87	8.21	8.55	
	4.29x	7.34	7.68	8.02	8.37	8.71	
	4.37x	7.47	7.82	8.17	8.52	8.87	

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

Underwriting Profitability Buoy Earnings

Summary: NEM reported a solid growth in gross premium written (25.87% YoY to NGN20.25bn). The growth was largely driven by improvement on motor insurance (40.45%), fire insurance (33.88%) and general accidents insurance (21.77%).

On the other hand, claims expenses rose by 11.09% YoY to NGN4.31bn with claim payment from motor segment constituting a bulk of total claims expenses. However, despite the rise in net claims, there was a reduction in both loss and underwriting ratios to 21.29% and 27.29% (vs. 24.12% and 28.73% in H1:2021) respectively as the top-line grew faster than loss and underwriting expenses. Thus, the firm's operational efficiency improved as combined ratio reduced to 48.58% (vs. 52.85% in H1:2021). Consequently, underwriting performance advanced (15.37% YoY to NGN3.69bn).

The strong underwriting performance and the growth in investment income (+28.69% YoY) cumulatively buoyed bottom-line (up 25.73% YoY to NGN2.53bn), despite the increase (12.74% YoY) in operating expenses. **We maintain our outlook for the business, premised on an uptick in the gross premium written, and improvement in yield which will translate to higher investment income.**

Positives: Solvency ratio improved to 1.28x YtD (vs. 1.15x in 2021FY).

Negative: Earnings assets dropped to 59.80% YtD (vs. 61.44% in 2021FY) while underwriting margin stood at 20.13% (vs. 21.00% in H1:2021)

Recommendation: BUY

TP: 4.76

CP: 4.41

UPP: 7.97%

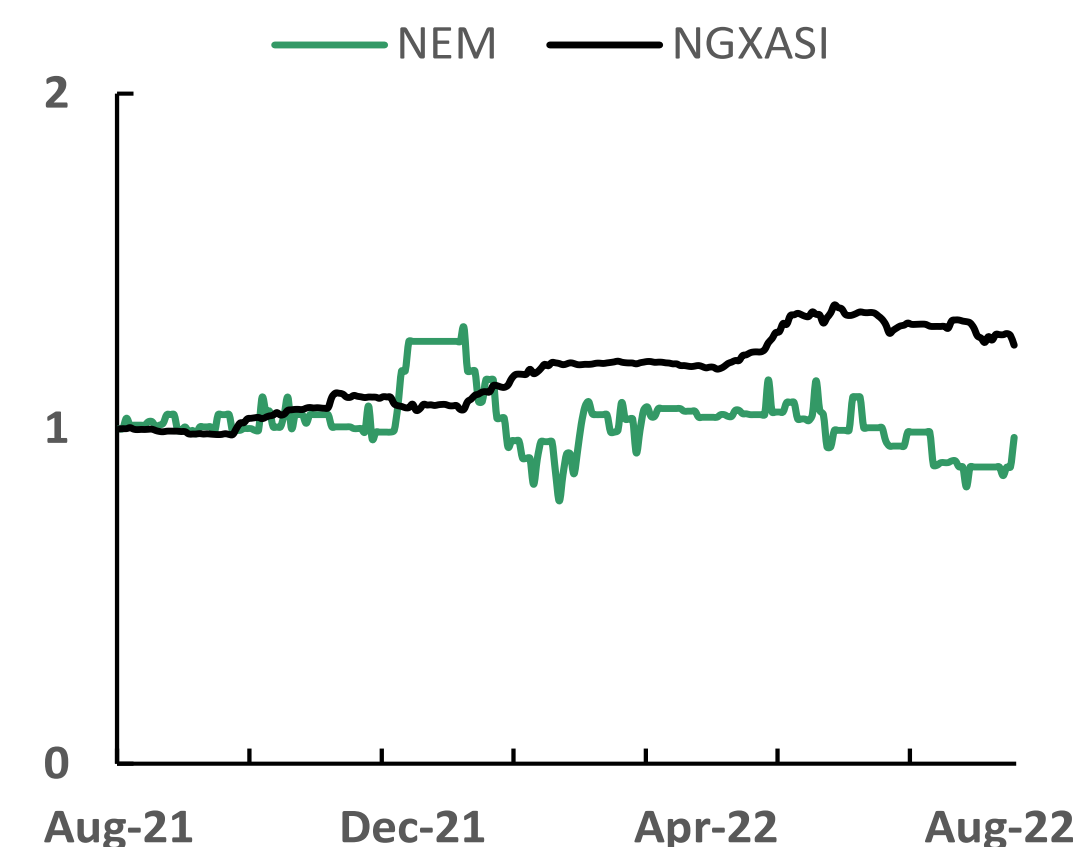
Financial Highlight (NGN'Bn)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Gross Premium Written (GPW)	20.25	16.09	25.87%
Gross Premium Income (GPI)	18.34	15.24	20.36%
Claims Expense	(4.31)	(3.88)	11.09%
Underwriting Expense	(5.53)	(4.62)	19.58%
Underwriting Profit	3.69	3.20	15.37%
Investment Income	0.78	0.61	28.69%
PBT	2.95	2.39	23.54%
PAT	2.53	2.02	25.73%

Balance Sheet	H1:2022	2021A	YtD Growth
Investment Assets	25.55	23.50	8.70%
Total Assets	42.72	38.26	11.68%
Share Capital	5.02	5.02	0.00%
Total Equity	24.31	22.91	6.10%
Contract Liabilities	15.09	12.22	23.52%
Total Liabilities	18.42	15.35	20.00%

Valuation	Stock Highlights
Trailing EPS	0.99
BVPS	4.57
P/E	4.47x
P/BV	0.97x
Target PE	4.96x
Dec-2022 Exp. EPS	0.96
Dec 2022 Target price	NGN4.76
Current Price	NGN4.41

Stock Highlights	Value
Yr Hi	4.50
Yr Lo	3.01
YTD return	-8.67%
Beta	-0.27
Adjusted Beta	0.16
Shares outstanding	5.02bn
Market cap [NGN]	22.12bn
Financial year end	December



Sensitivity Analysis of Dec-2022 Target Price to key model inputs

		Earnings per share					Min	Max
		0.86	0.91	0.96	1.01	1.06	4.35	5.15
Target PE	5.06x	4.35	4.60	4.86	5.11	5.36		
	5.01x	4.31	4.56	4.81	5.06	5.31		
	4.96x	4.27	4.51	4.76	5.01	5.26		
	4.91x	4.22	4.47	4.71	4.96	5.20		
	4.86x	4.18	4.42	4.67	4.91	5.15		

Key Metrics

Profitability Ratio	H1:2022	H1:2021A	3-yr Hist. Avg
ROA	5.93%	5.27%	12.36%
ROE	10.42%	8.80%	21.28%
GPI Margin	90.57%	94.72%	97.03%
Underwriting Margin	20.13%	21.00%	24.75%
Net Margin	13.82%	13.23%	16.97%
Investment Yields	3.07%	2.59%	5.19%
Expense Ratio	27.29%	28.73%	27.46%
Loss Ratio	21.29%	24.12%	23.11%
Combined Ratio	48.58%	52.85%	49.05%

Solvency Ratio	2022F	2021A	3-yr Hist. Avg
Solvency Ratio	1.54x	1.15x	1.16x

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

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We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

Target Price Estimate

While we believe that the fair value is underpinned by the future benefits stream and growth outlooks, which are primary drivers of value, the market might not align to the fair value estimate within the estimated investment horizon. Thus, we do not derive our target price from the fair value but from a trading perspective using the year projected earnings or book value and the respective target multiples. Notwithstanding, we are of the opinion that the variance between the two should not be too significant.

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BUY: Target Price of the stock is above the current market price by at least 10 percent

HOLD: Target Price of the stock ranges between -10 percent and 10 percent from the current market price.

SELL: Target Price of the stock is more than 10 percent below the current market price.

Movements in Price Target

Company Name: AICO Insurance Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
15-Aug-2022	0.54	0.73	-	HOLD	BUY
30-May -2022	0.69	0.73	-	HOLD	HOLD

Company Name: AXA Mansard Insurance Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
15-Aug -2022	1.85	2.77	-	BUY	BUY
30-May -2022	2.12	2.77	-	BUY	BUY

Company Name: Custodian Investment Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
15-Aug -2022	6.80	7.87	-	BUY	BUY
30-May -2022	7.00	7.87	-	BUY	BUY

Company Name: NEM Insurance Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
15-Aug -2022	4.41	4.76	-	BUY	BUY
30-May -2022	3.82	4.76	-	BUY	BUY

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Company	Disclosure
AICO Insurance Plc	
Custodian Investment Plc	
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