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On **August 7, 2019**, Anicom Holdings, Inc. announced earnings results for Q1 FY03/20.

Quarterly performance (cumulative)

Cumulative (JPYmm)	FY03/18				FY03/19				FY03/20				FY03/20 Est.	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Recurring revenue	7,752	15,563	23,814	32,339	8,711	17,286	26,261	35,829	9,989					42,400
YoY	10.1%	10.8%	11.7%	11.6%	12.4%	11.1%	10.3%	10.8%	14.7%					18.3%
Underwriting revenue	7,541	15,157	23,074	31,290	8,375	16,695	25,321	34,535	9,511					
YoY	10.1%	11.1%	11.4%	11.5%	11.1%	10.1%	9.7%	10.4%	13.6%					
Investment revenue	86	166	287	420	82	148	271	383	80					
Interest and dividend income	63	128	186	255	35	79	111	154	42					
Gains on sale of securities	22	37	100	165	46	69	159	228	38					
Other recurring revenue	124	238	451	628	254	442	669	910	397					
Recurring expenses	7,474	14,849	22,532	30,486	8,122	15,945	24,428	33,550	9,814					
YoY	11.8%	14.5%	14.8%	14.6%	8.7%	7.4%	8.4%	10.1%	20.8%					
% of recurring revenue	96.4%	95.4%	94.6%	94.3%	93.2%	92.2%	93.0%	93.6%	98.2%					
Underwriting expenses	5,366	10,596	16,058	21,771	5,913	11,428	17,496	24,071	7,005					
YoY	13.2%	15.2%	15.2%	14.8%	10.2%	7.9%	9.0%	10.6%	18.5%					
% of recurring revenue	69.2%	68.1%	67.4%	67.3%	67.9%	66.1%	66.6%	67.2%	70.1%					
Net premiums written	3,973	8,174	12,403	16,591	4,397	9,064	13,789	18,456	4,736					
YoY	11.1%	12.0%	11.0%	11.3%	10.7%	10.9%	11.2%	11.2%	7.7%					
% of recurring revenue	51.3%	52.5%	52.1%	51.3%	50.5%	52.4%	52.5%	51.5%	47.4%					
Lass adjustment expenses	248	495	756	1,004	258	499	761	1,003	263					
YoY	-0.4%	4.0%	4.4%	4.0%	4.0%	0.8%	0.7%	-0.1%	1.9%					
% of recurring revenue	3.2%	3.2%	3.2%	3.1%	3.0%	2.9%	2.9%	2.8%	2.6%					
Commissions and collection fees	623	1,258	1,939	2,660	741	1,490	2,254	3,077	869					
YoY	34.8%	36.3%	36.5%	33.3%	18.9%	18.4%	16.2%	15.7%	17.3%					
% of recurring revenue	8.0%	8.1%	8.1%	8.2%	8.5%	8.6%	8.6%	8.6%	8.7%					
Provision for outstanding losses and claims	115	198	222	212	96	111	231	196	259					
Provision for underwriting reserves	405	471	736	1,302	420	262	459	1,336	876					
Unearned premiums	347	561	844	1,199	335	414	650	1,231	570					
Catastrophe reserves	57	-90	-107	103	-84	-151	-190	104	306					
Eqv. to 3.2% of premiums revenue	241	485	738	1,001	268	802	1,613	1,105	306					
Amount of reversal	-184	-575	-845	-898	-352	-953	-1,803	-1,001	-					
Investment expenses	-	-	-	8	-	2	3	10	1					
% of recurring revenue	-	-	-	0.0%	-	0.0%	0.0%	0.0%	0.0%					
Operating and general admin. expenses	2,062	4,170	6,341	8,479	2,153	4,358	6,654	9,112	2,647					
YoY	8.4%	13.9%	16.3%	16.6%	4.4%	4.5%	4.9%	7.5%	22.9%					
% of recurring revenue	26.6%	26.8%	26.6%	26.2%	24.7%	25.2%	25.3%	25.4%	26.5%					
Other recurring expenses	45	82	131	227	55	156	273	356	160					
% of recurring revenue	0.6%	0.5%	0.6%	0.7%	0.6%	0.9%	1.0%	1.0%	1.6%					
Recurring profit	277	714	1,281	1,853	589	1,340	1,833	2,278	175					2,300
YoY	-22.6%	-33.4%	-24.6%	-21.9%	112.6%	87.7%	43.1%	22.9%	-70.3%					1.0%
RPM	3.6%	4.6%	5.4%	5.7%	6.8%	7.8%	7.0%	6.4%	1.8%					5.4%
Net income	193	501	914	1,320	428	953	1,291	1,610	104					1,620
YoY	96.9%	-20.9%	-13.3%	-15.8%	121.8%	90.2%	41.2%	22.0%	-75.7%					0.6%
Net margin	2.5%	3.2%	3.8%	4.1%	4.9%	5.5%	4.9%	4.5%	1.0%					3.8%
Recurring profit (ex. catastrophe reserves)	334	624	1,174	1,956	505	1,189	1,643	2,382	481					
YoY	-25.1%	-40.6%	-24.8%	-20.4%	51.2%	90.5%	39.9%	21.8%	-4.8%					

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Quarterly performance

Quarterly (JPY mm)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Recurring revenue	7,752	7,811	8,251	8,525	8,711	8,575	8,975	9,568	9,989			
YoY	10.1%	11.6%	13.3%	11.4%	12.4%	9.8%	8.8%	12.2%	14.7%			
Underwriting revenue	7,541	7,616	7,917	8,216	8,375	8,320	8,626	9,214	9,511			
YoY	10.1%	12.1%	12.0%	11.6%	11.1%	9.2%	9.0%	12.1%	13.6%			
Investment revenue	86	80	121	133	82	66	123	112	80			
Interest and dividend income	63	65	58	69	35	44	32	43	42			
Gains on sale of securities	22	15	63	65	46	23	90	69	38			
Other recurring revenue	124	114	213	177	254	188	227	241	397			
Recurring expenses	7,474	7,375	7,683	7,954	8,122	7,823	8,483	9,122	9,814			
YoY	11.8%	17.4%	15.4%	13.9%	8.7%	6.1%	10.4%	14.7%	20.8%			
% of recurring revenue	96.4%	94.4%	93.1%	93.3%	93.2%	91.2%	94.5%	95.3%	98.2%			
Underwriting expenses	5,366	5,230	5,462	5,713	5,913	5,515	6,068	6,575	7,005			
YoY	13.2%	17.4%	15.1%	13.6%	10.2%	5.4%	11.1%	15.1%	18.5%			
% of recurring revenue	69.2%	67.0%	66.2%	67.0%	67.9%	64.3%	67.6%	68.7%	70.1%			
Net premiums written	3,973	4,201	4,229	4,188	4,397	4,667	4,725	4,667	4,736			
YoY	11.1%	12.8%	9.1%	12.4%	10.7%	11.1%	11.7%	11.4%	7.7%			
% of recurring revenue	51.3%	53.8%	51.3%	49.1%	50.5%	54.4%	52.6%	48.8%	47.4%			
Lass adjustment expenses	248	247	261	248	258	241	262	242	263			
YoY	-0.4%	8.8%	5.2%	2.9%	4.0%	-2.4%	0.4%	-2.4%	1.9%			
% of recurring revenue	3.2%	3.2%	3.2%	2.9%	3.0%	2.8%	2.9%	2.5%	2.6%			
Commissions and collection fees	623	635	681	721	741	749	764	823	869			
YoY	34.8%	37.7%	36.7%	25.6%	18.9%	18.0%	12.2%	14.1%	17.3%			
% of recurring revenue	8.0%	8.1%	8.3%	8.5%	8.5%	8.7%	8.5%	8.6%	8.7%			
Provision for outstanding losses and claims	115	83	24	-10	96	15	120	-35	259			
Provision for underwriting reserves	405	66	265	566	420	-158	197	877	876			
Unearned premiums	347	214	283	355	335	79	236	581	570			
Catastrophe reserves	57	-147	-17	210	-84	-67	-39	294	306			
Eqv. to 3.2% of premiums revenue	241	244	253	263	268	534	810	-507	306			
Amount of reversal	-184	-391	-270	-53	-352	-601	-849	801	-			
Investment expenses	-	-	-	8	-	2	1	7	1			
% of recurring revenue	-	-	-	0.1%	-	0.0%	0.0%	0.1%	0.0%			
Operating and general admin. expenses	2,062	2,108	2,171	2,138	2,153	2,205	2,296	2,458	2,647			
YoY	8.41%	19.91%	21.28%	17.28%	4.41%	4.60%	5.76%	14.97%	22.94%			
% of recurring revenue	26.60%	26.99%	26.31%	25.08%	24.72%	25.71%	25.58%	25.69%	26.50%			
Other recurring expenses	45	37	49	96	55	101	117	83	160			
% of recurring revenue	0.6%	0.5%	0.6%	1.1%	0.6%	1.2%	1.3%	0.9%	1.6%			
Recurring profit	277	437	567	572	589	751	493	445	175			
YoY	-22.6%	-38.8%	-9.6%	-15.0%	112.6%	71.9%	-13.1%	-22.2%	-70.3%			
RPM	3.6%	5.6%	6.9%	6.7%	6.8%	8.8%	5.5%	4.7%	1.8%			
Net income	193	308	413	406	428	525	338	319	104			
YoY	96.9%	-42.4%	-1.9%	-19.4%	121.8%	70.5%	-18.2%	-21.4%	-75.7%			
Net margin	2.5%	3.9%	5.0%	4.8%	4.9%	6.1%	3.8%	3.3%	1.0%			
Recurring profit (ex. catastrophe reserves)	334	290	550	782	505	684	454	739	481			
YoY	-25.1%	-52.1%	7.8%	-12.8%	51.2%	135.9%	-17.5%	-5.5%	-4.8%			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Key indicators

Cumulative	FY03/18				FY03/19				FY03/20				FY03/20 Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Number of policies in force	650,550	666,917	682,513	698,566	713,896	729,842	741,641	753,332	766,774				813,000
YoY	8.9%	9.3%	9.6%	9.9%	9.7%	9.4%	8.7%	7.8%	7.4%				7.9%
YoY change	53,307	56,567	59,613	62,896	63,346	62,925	59,128	54,766	52,878				59,668
Number of newly acquired policies	34,667	70,414	106,954	143,365	37,726	75,852	112,753	150,625	40,204				164,620
YoY	14.9%	16.0%	16.1%	15.8%	8.8%	7.7%	5.4%	5.1%	6.6%				9.3%
YoY change	4,486	9,704	14,797	19,516	3,059	5,438	5,799	7,260	2,478				13,995
Deaths and cancellations	19,787	39,167	60,111	80,469	22,396	44,576	69,678	95,859	26,762				104,952
YoY	4.7%	7.8%	8.9%	8.5%	13.2%	13.8%	15.9%	19.1%	19.5%				9.5%
% of policies in force (monthly basis)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.2%				12.9%
Number of payout cases	723	1,507	2,278	3,006	773	1,599	2,423	3,204	795				3,488
YoY	6.4%	7.1%	6.1%	6.5%	6.9%	6.1%	6.3%	6.6%	2.8%				8.9%
Number of hospitals accepting Anicom	6,116	6,147	6,178	6,265	6,304	6,353	6,378	6,417	6,448				6,400
YoY	1.9%	2.3%	2.5%	3.0%	3.1%	3.4%	3.2%	2.4%	2.3%				-0.3%
Earned premiums	7,193	14,596	22,230	30,090	8,040	16,281	24,671	33,303	8,941				8,941
Claims paid (incl. loss adjustment expenses)	4,337	8,867	13,382	17,808	4,751	9,675	14,782	19,657	5,259				5,259
Combined ratio	95.7%	96.2%	95.6%	94.4%	93.2%	94.9%	93.9%	93.5%	95.8%				92.3%
E/I loss ratio	60.3%	60.7%	60.2%	59.2%	59.1%	59.4%	59.9%	59.0%	58.8%				56.9%
Expense ratio (earned premium basis)	35.4%	35.5%	35.4%	35.2%	34.1%	35.5%	34.0%	34.5%	37.0%				35.4%
Quarterly	FY03/18				FY03/19				FY03/20				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Number of policies in force	650,550	666,917	682,513	698,566	713,896	729,842	741,641	753,332	766,774				
QoQ increase	14,880	16,367	15,596	16,053	15,330	15,946	11,799	11,691	13,442				
Number of newly acquired policies	34,667	35,747	36,540	36,411	37,726	38,126	36,901	37,872	40,204				
YoY	14.9%	17.1%	16.2%	14.9%	8.8%	6.7%	1.0%	4.0%	6.6%				
QoQ increase	2,975	1,080	793	-129	1,315	400	-1,225	971	2,332				
Deaths and cancellations	19,787	19,380	20,944	20,358	22,396	22,180	25,102	26,181	26,762				
YoY	4.7%	11.2%	10.8%	7.6%	13.2%	14.4%	19.9%	28.6%	19.5%				
% of policies in force (monthly basis)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.2%	1.2%				
Number of payout cases	723	783	771	728	773	826	824	781	795				
YoY	6.4%	7.7%	4.3%	7.5%	6.9%	5.4%	6.8%	7.3%	2.8%				
Earned premiums	7,193	7,403	7,634	7,860	8,040	8,241	8,390	8,632	8,941				
Claims paid (incl. loss adjustment expenses)	4,337	4,530	4,515	4,426	4,751	4,924	5,107	4,875	5,259				
Combined ratio	95.7%	96.7%	94.4%	90.8%	93.2%	93.4%	95.1%	92.6%	95.8%				
E/I loss ratio	60.3%	61.2%	59.1%	56.3%	59.1%	59.8%	60.9%	56.5%	58.8%				
Expense ratio (earned premium basis)	35.4%	35.5%	35.3%	34.5%	34.1%	33.7%	34.2%	36.1%	37.0%				

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Q1 FY03/20 results (out August 7, 2019)

- ▷ Recurring revenue: JPY10.0bn (+14.7% YoY)
- ▷ Recurring expenses: JPY9.8bn (+20.8% YoY)
- ▷ Recurring profit: JPY175mn (-70.3% YoY)
- ▷ Net income: JPY104mn (-75.7% YoY)

Earnings summary

Controlled the expense ratio being mindful of the recurring profit target. New policies increased and initiatives for preventive insurance progressed

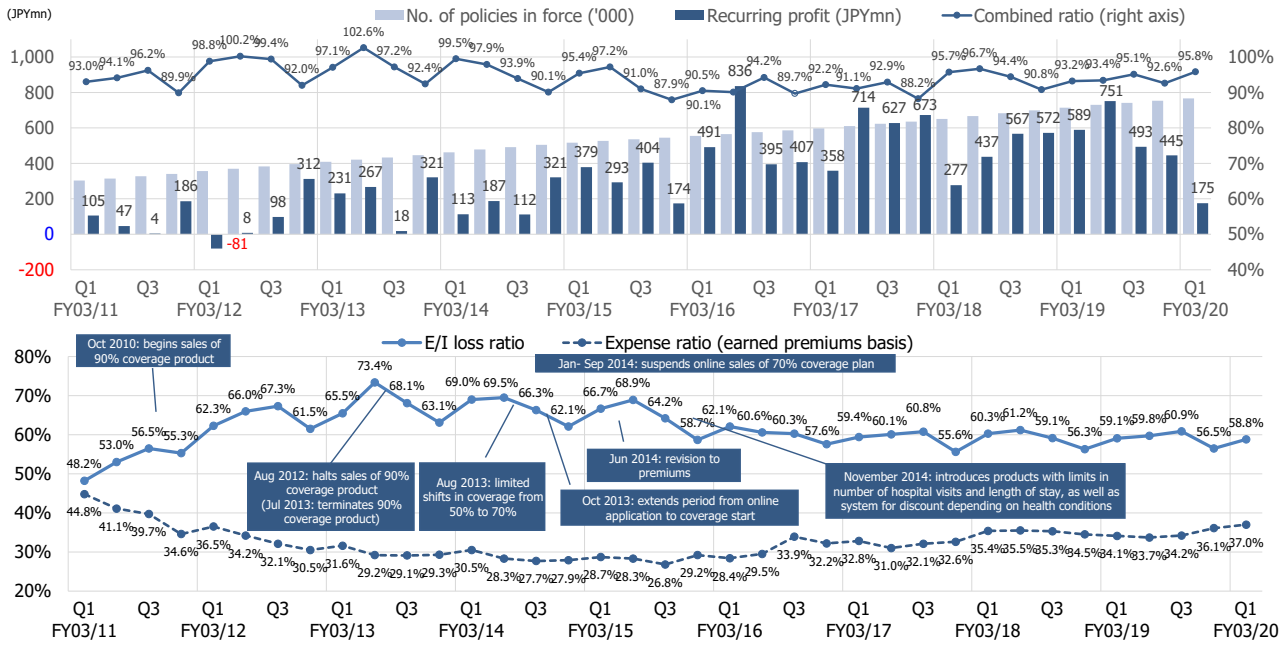
In Q1 FY03/20, due to marketing activities aimed at improving profitability of the company's pet insurance business (one of management's highest priorities), the number of new policies sold fell short of the company forecast, but the number of policies in force totaled 766,774 (+13,442 from end FY03/19), generating recurring revenue of JPY10.0bn (+14.7% YoY).

Recurring profit was JPY175mn (-70.3% YoY). The combined loss ratio (loss ratio + expense ratio) increased by 2.6pp YoY to 95.8%, breaking down as follows: (1) 0.3pp YoY improvement in the loss ratio, which was caused by improvement in the policy portfolio due to efforts to increase the number of new policies and insurance premium revisions accompanying product alterations; and (2) 2.9pp YoY increase in the expense ratio to 37.0%, due to aggressive investments aimed at business growth.

In Q1 FY03/20, the company stepped up efforts to attract new policies, which, combined with stable renewal rates and product alterations, helped to raise the number of policies in force, as well as underwriting revenue. Revised profit (an indicator of pet insurance companies' real profits) was down YoY to JPY369mn, but Anicom expects to reach its target in 2H. Other recurring revenue from genetic testing and animal hospital operation showed a steady increase, resulting in solid consolidated recurring revenue and profit.

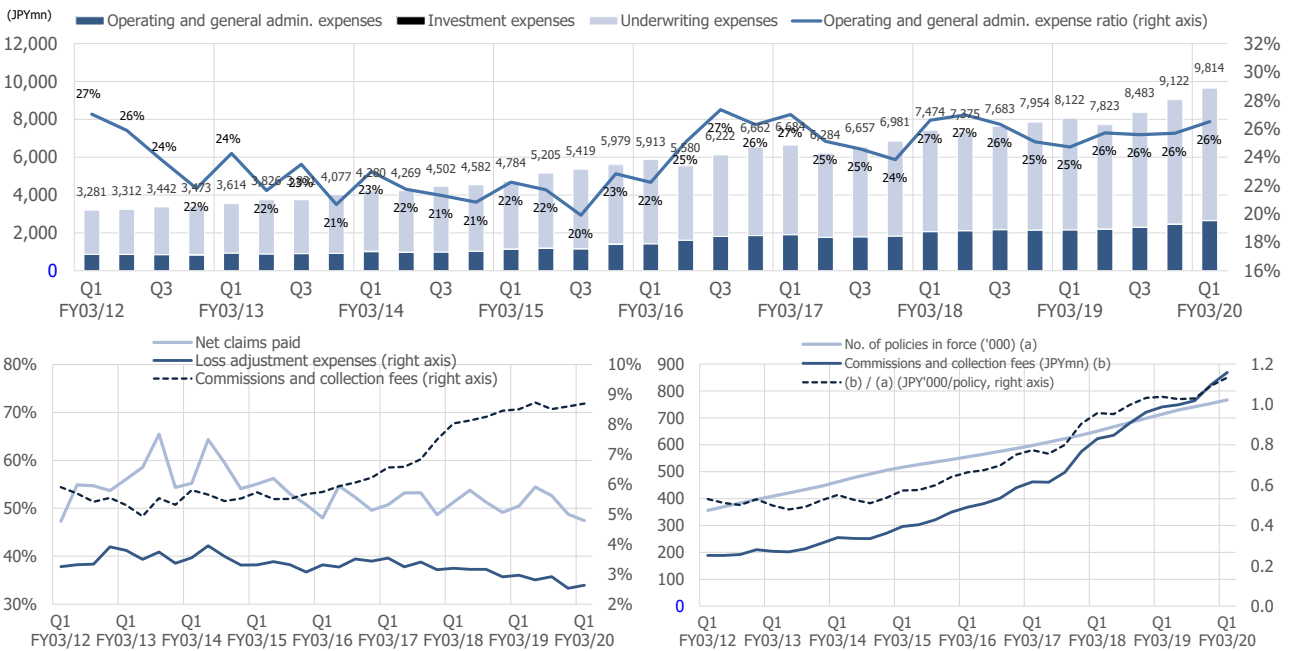
- ▷ Increase in new policies: New policies were up in both the newborn and general categories, finishing at 40,200 (+6.6% YoY). The renewal rate of existing policies was stable at around 87%, leading to a steady rise in the number of policies in force.
- ▷ E/I loss ratio: The loss ratio, a recurring expense parameter, fell 0.3pp YoY. This was due to product portfolio improvement caused by an increase in new policies and the appearance of impact from revised premium rates that accompanied product alterations conducted in December 2018. The E/I loss ratio tends to improve in 1H and drop in 2H.
- ▷ Expense ratio: The expense ratio was up 2.9pp to 37.0% because of aggressive investment to grow the business.
- ▷ Progress with priority measures (1): Reducing insurance payouts and cost improvement
 - Sales enhancement in the newborn channel supported by a strategy centered on genetic testing: Acquired new pet shop agencies on the strength of pet health checks and genetic testing services
 - Progress with use of IT in marketing: Put SEM/SEO marketing into action to strengthen web channels
- ▷ Progress with priority measures (2): Grow new businesses and accelerate shift to profitability
 - Genetic testing business: Increased testing of animals in pet shops at the time of sale, with over 30,000 tests performed in April–June 2019
 - Promoting healthy lifestyles for pets: Applications for pet health checks increased to more than 6,000 per month in line with the company's forecast.
- ▷ The number of animal hospitals accepting Anicom pet insurance increased by 31 from end FY03/19 to 6,448.

Quarterly performance



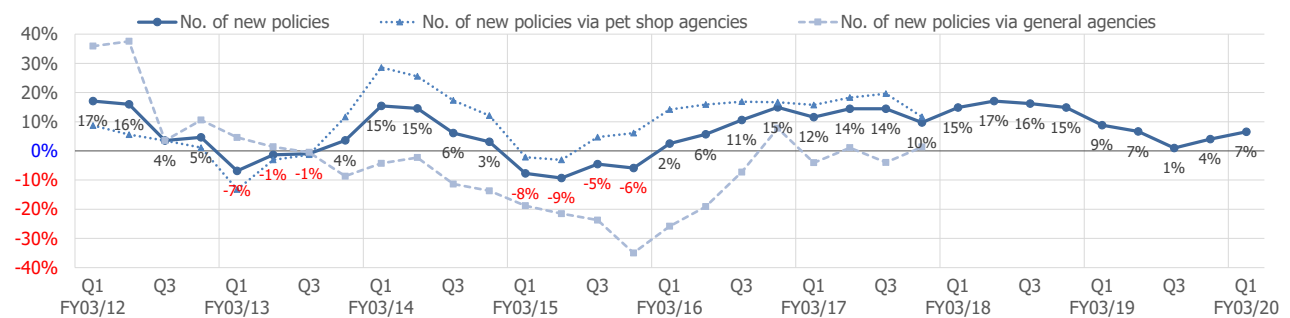
Source: Shared Research based on company data

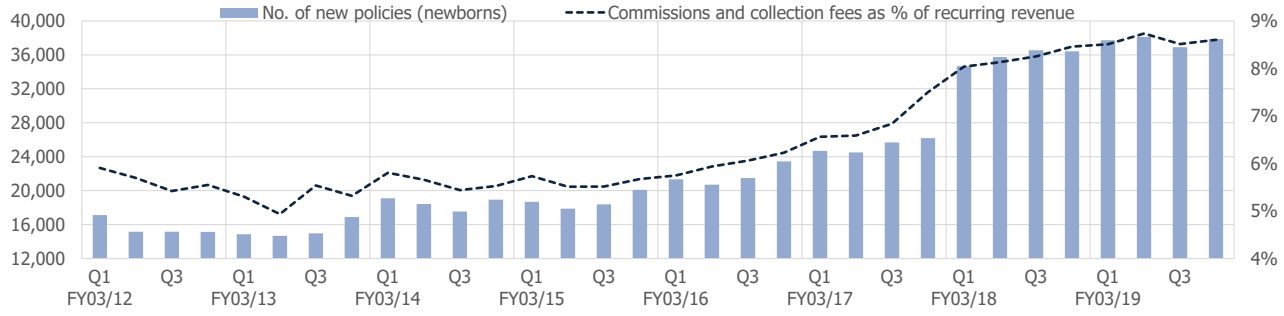
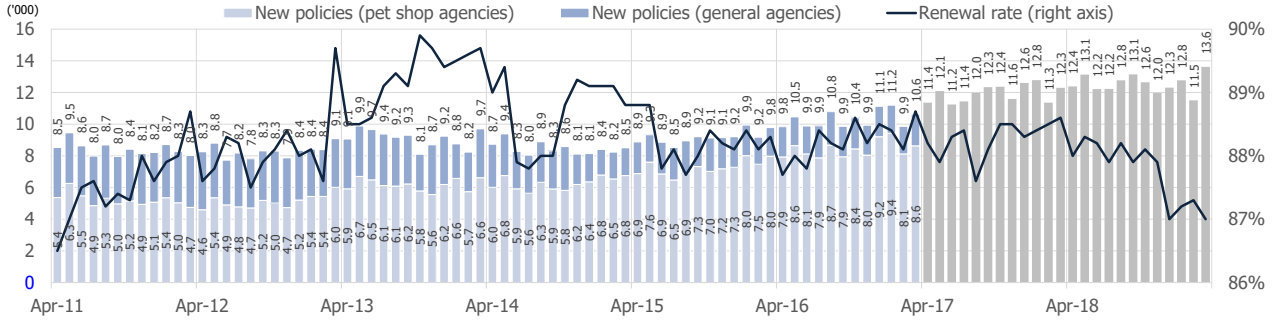
Recurring expenses (top) and cost structure (bottom)



Source: Shared Research based on company data

New policies





Source: Shared Research based on company data

This note is the most recent addition to the [full report](#).

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