Oman Insurance Sector, *structural tailwinds at play …*

31 March 2022

Company	Rating
Oman Qatar Insurance (OQIC)	Accumulate
National Life Insurance (NLIF)	Accumulate
Oman United Insurance (OUIC)	Accumulate

- **Low insurance penetration rate among the emerging markets provides ample growth opportunities**
- **GWP likely to recover from 2022, driven by mandatory health insurance, improving economic activities, and business sentiments amid favorable demographics**
- **Hardening of the reinsurance market may encourage insurers for higher retentions**
- **Loss ratio likely to normalize on prudent underwriting and better claim management**
- **Investment income, a major earnings contributor, continues to improve on decent investment yield and growing investment book**

We re-initiate coverage on Oman Insurance Sector with three names in focus: Oman Qatar Insurance, National Life Insurance, and Oman United Insurance. While the sector remained under pressure in 2021, due to higher death claims, we expect a sustainable recovery in terms of higher GWP, better loss ratio, and growing investment income. The much-needed regulatory enforcement (mandatory health insurance for private-sector employees as well tourists) could play an important role in the sector's recovery. In addition, favorable demographics, coupled with improving economic activities, upbeat business sentiments, and rising general awareness about insurance products post-pandemic, paint an optimistic outlook for the sector. We have used a combination of two valuation methodologies (DDM and relative P/B) with equal weights assigned to both. We will be expanding our coverage to include more insurance companies with time.

- **Low insurance penetration provides future growth visibility.** The Oman Insurance market has one of the lowest penetration rates (GWP/GDP: ~1.9%), with significant upside potential, driven by the structural reforms, growing population, and likely improvement in disposable income for locals due to Omanization. Further, rising awareness about the importance of insurance in the aftermath of COVID-19, and the growing digitalization of insurance products would drive the penetration higher.
- **Mandatory health insurance likely to play a pivotal role in the sector's turnaround.** The Omani government, in July last year, announced compulsory health insurance (Dhamani scheme) for all the employees (including dependents) working in the private sector, as well as for inbound tourists. This will likely cover over 5mn people (including ~2mn private sector employees and their family members and ~3mn estimated visitors) in a phased manner. Stricter enforcement should expand the medical insurance segment significantly, and drive the sector's top-line going forward, given its healthy GWP share.
- **Better claim management and steadily higher investment income to drive earnings.** Post challenging FY21, the sector is likely to witness a steady recovery in earnings with the loss ratio likely to normalize gradually near to its pre-pandemic year on efficient claim management, and decent investment income on prudent investment book**.** The expansion in the investment book is positive for the sector as it provides a cushion to the bottom line.

We expect all the above three companies to benefit from the likely recovery in sector dynamics with OQIC and NLIF to continue outpacing the industry growth, while OUIC continues to focus on profitable clientele. Amongst our coverage, Oman United Insurance offers a solid and consistent dividend yield.

Name	Last Px (OMR)	Target Price (OMR)	Upside / (Downside) (%)	Current P/B (x)	P/B'22e, (x)	ROA'22e, (%)	ROE'22e, (%)	Cash Div Yield, %
Oman Qatar Insurance Co	0.213	**0.243**	14.1%	1.0	0.9	3.7%	13.4%	2.3%
National Life & General Insu	0.338	**0.391**	15.7%	1.4	1.3	5.4%	15.7%	0.0%
Oman United Insurance Co	0.388	**0.455**	17.2%	1.3	1.2	3.8%	13.5%	9.3%
Average				**1.2**	**1.1**	**4.3%**	**14.2%**	**3.9%**

Source: Bloomberg, U Capital Research, valued as of 31 March 2022

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Oman Insurance Sector

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Valuation

We have used DDM and P/B multiple with equal weightage assigned to derive the target price for each insurance company. For DDM, we have used a 5-year explicit forecast period (FY22-26e) and assumed a 2% terminal growth rate. We have then calculated the present value of future dividends using the cost of equity (Ke) and added the present terminal value to arrive at a target price for the company.

For the relative valuation, we have considered the average P/B multiple of relevant peers. Then we have adjusted these multiples by giving a premium or discount, wherever required, to reflect our assessment of each insurance company's future financial performance, and recent as well as expected movement in their valuation multiples. The adjusted P/B multiple is then multiplied by the forecasted FY22e BVPS.

Valuation

	OQIC	NLIF	OUIC
(Currency)	*OMR*	*OMR*	*OMR*
DDM (50% weight)			
PV of Free Cash Flow (mn)			
Year 1	0.7	5.0	3.3
Year 2	0.8	4.5	3.0
Year 3	1.0	5.7	3.0
Year 4	1.2	5.2	2.7
Year 5	1.2	5.7	2.5
Terminal	28.2	112.0	49.3
Total PV of Excess Returns	19.4	80.3	35.3
Assumptions			
Risk Free Rate (%)	5.4%	5.4%	5.4%
Adjusted Beta	0.7	1.0	1.0
Risk Premium (%)	4.0%	4.0%	4.0%
Cost of Equity (COE) (%)	8.2%	9.2%	9.2%
Equity value (mn)	24.3	106.3	49.9
Outstanding Shares (mn)	100.0	265.0	100.0
Target Price	***0.243***	***0.401***	***0.499***
P/B based Relative Valuation (50% weight)			
Target P/B multiple for 2022e	1.05	1.40	1.30
BVPS 2022e	0.231	0.272	0.316
Target Price	***0.243***	***0.380***	***0.411***
Weighted Average Target Price	**0.243**	**0.391**	**0.455**
Current Market Price	*0.213*	*0.338*	*0.388*
Upside/(Downside), %	13.9%	15.6%	17.2%
Recommendation	Accumulate	Accumulate	Accumulate

Source: Company Filings, Bloomberg, U Capital Research

Risks to Valuation

Key downside risks to our valuations include:

- Slower growth in market share, GWP, or decline in premium rates or stringent regulatory framework.
- Higher-than-expected loss ratio and weaker-than-expected dividend payment, which may impact our forward looking estimates and thereby rating.

Key upside risks to our valuations include:

- Unexpected rise in premium rates, faster-than-expected gain in market share, lower-than-expected loss ratio, better underwriting, and above-expected dividends.
- Better-than-expected improvement in operating efficiencies.

Sensitivity Analysis

Our DDM TP for **OQIC** is not sensitive to +/- 0.25% changes to terminal growth or in CoE assumptions (changes ~+/-2%). Our P/B-based TP is slightly sensitive to +/-0.10x changes in the target multiple, affecting our TP by ~+/-5% with every change.

OQIC

CoE \ Terminal growth	1.50%	1.75%	2.00%	2.25%	2.50%
7.70%	0.245	0.249	0.254	0.259	0.265
7.95%	0.240	0.244	0.248	0.253	0.258
8.20%	0.235	0.239	**0.243**	0.247	0.252
8.45%	0.231	0.234	0.238	0.242	0.246
8.70%	0.227	0.230	0.233	0.237	0.241

P/B Multiple \ Book Value (OMR)	0.03	0.13	0.23	0.33	0.43
0.85x	0.134	0.177	0.220	0.262	0.305
0.95x	0.136	0.184	0.231	0.279	0.326
1.05x	0.138	0.190	**0.243**	0.295	0.348
1.15x	0.139	0.197	0.254	0.312	0.369
1.25x	0.141	0.203	0.266	0.328	0.391

Our DDM TP for **NLIF** is not sensitive to +/- 0.25% changes to terminal growth or in CoE assumptions (changes ~+/-2%). Our P/B-based TP is slightly sensitive to +/-0.10x changes in the target multiple, affecting our TP by +/-3.5% with every change.

NLIF

CoE \ Terminal growth	1.50%	1.75%	2.00%	2.25%	2.50%
8.74%	0.393	0.399	0.405	0.412	0.419
8.99%	0.386	0.392	0.398	0.404	0.411
9.24%	0.380	0.385	**0.391**	0.397	0.403
9.49%	0.374	0.379	0.384	0.390	0.395
9.74%	0.369	0.373	0.378	0.383	0.388

P/B Multiple \ Book Value (OMR)	0.07	0.17	0.27	0.37	0.47
1.20x	0.244	0.304	0.364	0.424	0.484
1.30x	0.247	0.312	0.377	0.442	0.507
1.40x	0.251	0.321	**0.391**	0.461	0.531
1.50x	0.254	0.329	0.404	0.479	0.554
1.60x	0.258	0.338	0.418	0.498	0.578

Our DDM TP for **OUIC** is not sensitive to +/- 0.25% changes to terminal growth or in CoE assumptions (changes ~+/-2%). Our P/B-based TP is slightly sensitive to +/-0.10x changes in the target multiple, affecting our TP by +/-3.5% with every change.

OUIC

CoE \ Terminal growth	1.50%	1.75%	2.00%	2.25%	2.50%
8.74%	0.458	0.465	0.472	0.480	0.488
8.99%	0.450	0.456	0.463	0.470	0.478
9.24%	0.443	0.448	**0.455**	0.462	0.469
9.49%	0.436	0.441	0.447	0.453	0.460
9.74%	0.429	0.434	0.440	0.446	0.452

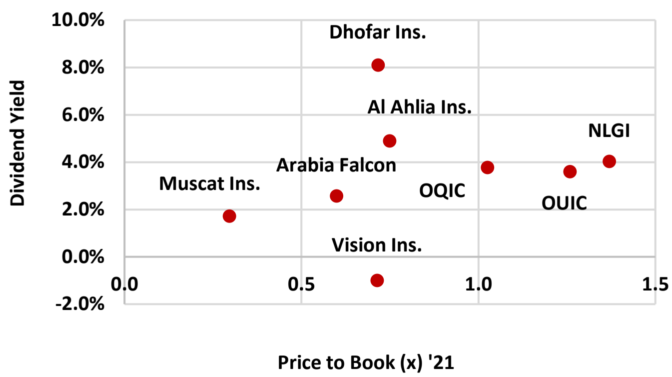
P/B Multiple \ Book Value (OMR)	0.12	0.22	0.32	0.42	0.52
1.10x	0.313	0.368	0.423	0.478	0.533
1.20x	0.319	0.379	0.439	0.499	0.559
1.30x	0.325	0.390	**0.455**	0.520	0.585
1.40x	0.331	0.401	0.471	0.541	0.611
1.50x	0.336	0.411	0.486	0.561	0.636

Peer Group Valuation

Name	Mkt Cap (OMR mn)	Last Px (SAR)	Px Change 1M, %	Px Change 3M, %	Px Change YTD, %	P/B'21, (x)	ROA'21, (%)	ROE'21, (%)	Div Yield' 21, (%)
Insurance									
DHOFAR INSURANCE	23.3	0.19	8	-1	-1	0.7	1.9%	9.7%	8.1%
NATIONAL LIFE & GENERAL INSU	89.6	0.34	-1	-1	-1	1.4	4.0%	11.2%	0.0%
OMAN QATAR INSURANCE CO	21.3	0.21	0	0	0	1.0	3.8%	15.1%	2.3%
VISION INSURANCE SAOC	10.5	0.11	-2	14	14	0.7	-1.0%	-3.8%	4.8%
ARABIA FALCON INSURANCE CO	11.9	0.12	0	0	0	0.6	2.6%	9.1%	10.4%
MUSCAT INSURANCE CO SAOG	5.2	0.47	0	0	0	0.3	1.7%	4.5%	na
AL AHLIA INSURANCE CO SAOC	30.2	0.30	-1	-16	-16	0.7	4.9%	9.6%	16.6%
OMAN UNITED INSURANCE CO	38.8	0.39	2	3	3	1.3	3.6%	12.8%	9.3%
Average						**0.8**	**2.7%**	**8.5%**	**7.4%**
Median						**0.7**	**3.1%**	**9.6%**	**8.1%**

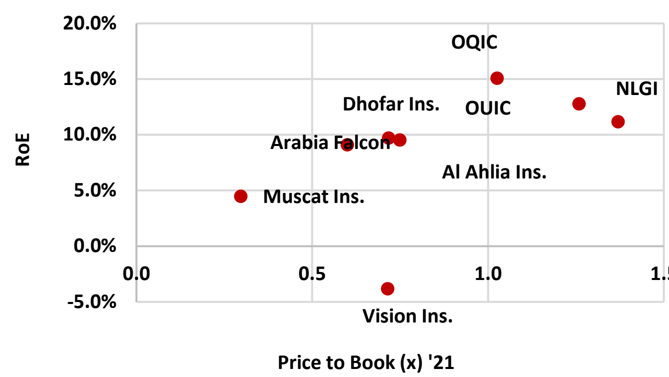
Source: Bloomberg, U Capital Research, values as of 31 March 2022, na – not available

Fig. 1: Insurance - Price to Book & Dividend Yield



Source: Bloomberg, U Capital Research, as of 31 March 2022

Fig. 2: Insurance - Price to Book & RoE



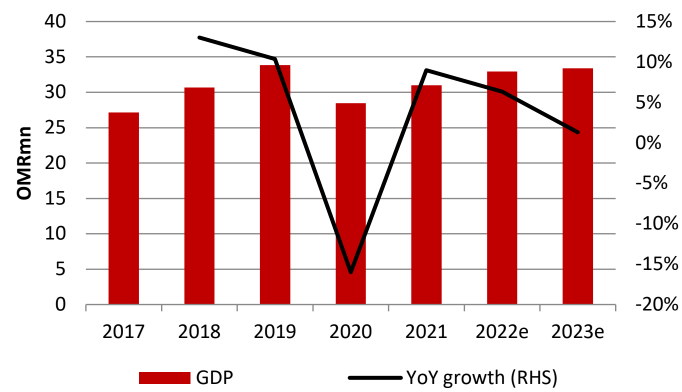
Source: Bloomberg, U Capital Research, as of 31 March 2022

Macro-economic & Sector Overview

Economic growth shifting into a higher gear; the insurance industry rebuilding the engines of growth

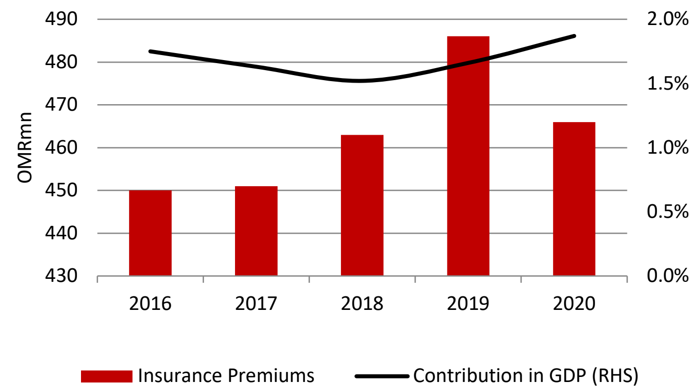
As per IMF's World Economic Outlook (WEO), global growth is projected to expand by 4.4% in 2022. In line with this, IMF expects Oman's gross domestic product (GDP) to grow at 6.3% in 2022, primarily aided by higher oil prices. However, as we go forward, the IMF assesses this rate to slow down before picking up again from 2024. In our opinion, this growth seems achievable due to Omani's government's focus on non-oil sectors, as a part of vision 2040, to be the core contributors to GDP.

Fig. 2: Oman's economy to be on the growth track



Source: IMF, U Capital Research

Fig. 3: Insurance contribution to GDP increased



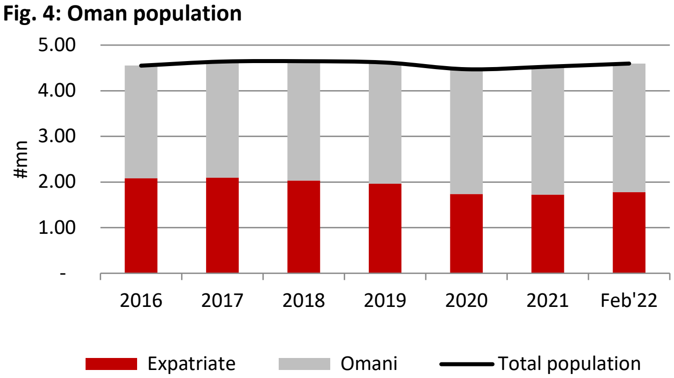
Source: IMF, CMA, U Capital Research

The insurance industry plays an essential role in the sustainable growth of an economy, as it turns out accumulated capital into productive investments. The diversification strategy from the oil sector to non-oil sectors, specifically tourism, logistics, manufacturing, fisheries, and mining, for the Omani economy's development will help to grow the allied sectors, such as insurance. Thus, we believe the insurance penetration as a percentage of GDP in Oman to increase steadily going forward. Moreover, mandatory health insurance, higher awareness of insurance products, and increased disposable income will further support the insurance sector's growth.

Increase in population along with high disposable income to boost the overall insurance demand

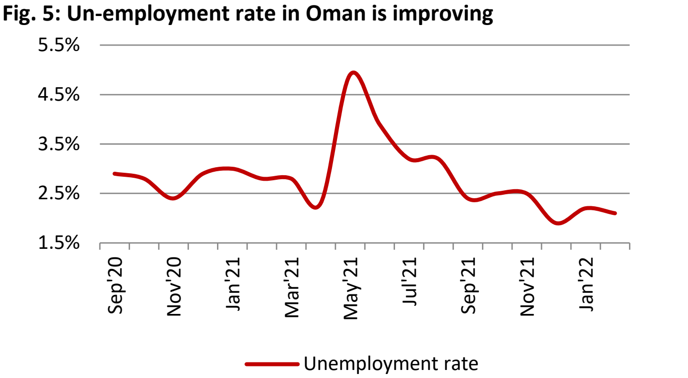
Amid the outbreak of COVID-19, the total population in Oman decreased by 4.2% YoY to 4.47mn, as the expatriate population plummeted at a significant rate of 11.4% YoY. However, with the COVID-19 situation getting eased from 2021, the population increased to 4.48mn (+0.2% YoY), primarily supported by growth in the local population. Further, this uptrend has continued in 2022 also, and by Feb 2022, the total population grew to 4.60mn (+2.7% from 2021), led by growth in both local and expatriates. Going ahead, the IMF expects the population to grow at an average rate of 3.5% to reach 5.3mn by 2026e, largely driven by the recovery in expats population post expected sustainable economic recovery amid higher oil prices.

Fig. 4: Oman population



Source: NCSI, U Capital Research

Fig. 5: Un-employment rate in Oman is improving



Source: NCSI, U Capital Research

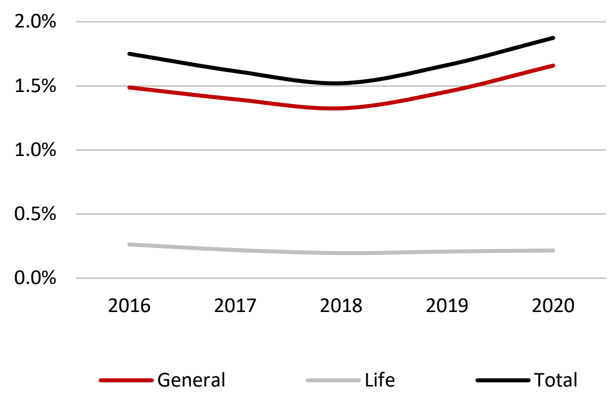
With the Sultanate of Oman setting specific quotas for various industries to achieve its ongoing Omanization goals, we believe this will create employment opportunities for the citizens; thus, will lead to higher disposable income for the locals. Thus, the unemployment (2.1% in Feb 2022) situation in Oman is currently improving, after increasing to 4.9% in mid of 2021. Hence, in our opinion, Omanization shall help to improve the local population's disposable income. Accordingly, higher disposable income for locals coupled with likely improvement in the total population should drive the demand for insurance products.

A low insurance penetration rate offers ample growth opportunities

In the recent past, the insurance penetration rate (GWP/GDP) has improved. However, the penetration rate in Oman is still one of the lowest compared to other emerging countries. The penetration rate in 2020 surged to ~1.9% vs. ~1.7% in 2019. The general insurance sector drove this increase (2020: +1.7% vs. 2019: +1.5%). On the other hand, the life segment penetration remained at the back foot and registered little movement (2020: +0.2% and 2019: +0.2%). Going forward, in our opinion, the penetration rate is expected to improve on structural changes such as mandatory health insurance, increased awareness & realization of the importance of having insurance products, increase in disposable income, and improvement in the economic situation.

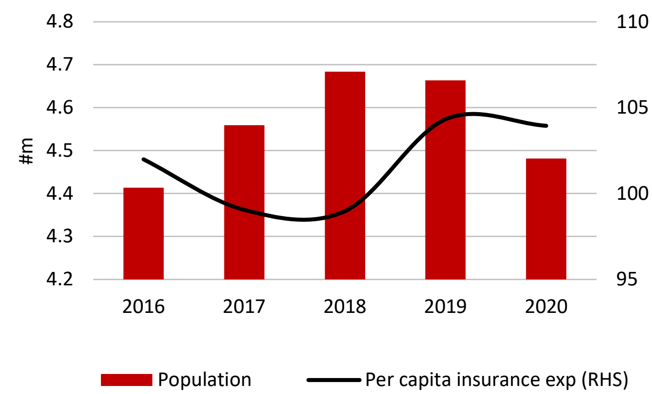
Moreover, looking at low penetration from another angle indicates that it can provide insurance players ample growth opportunities. With improved local population and disposable income, the per capita insurance expense has also increased in Oman. For 2020, the per capita insurance expenses expanded to OMR 103.9 compared to OMR 102.0 in 2016. Going forward, per capita insurance expenses should improve along with the expected improvement in the penetration rates.

Fig. 6: Penetration rates remain low



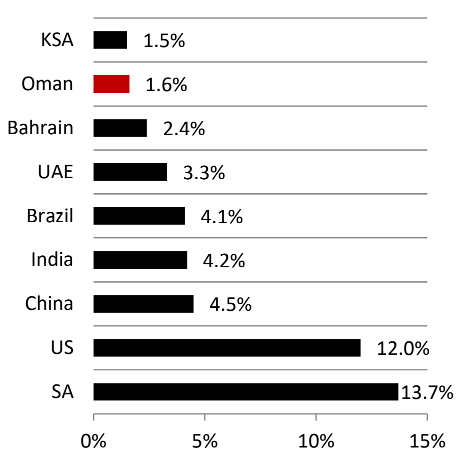
Source: CMA, U Capital Research

Fig. 7: Per capita insurance expenses slipped in 2020



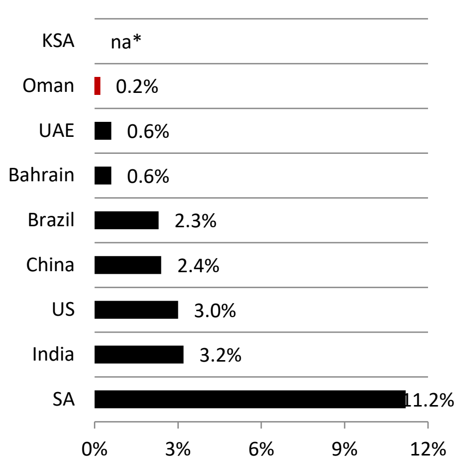
Source: CMA, U Capital Research

Fig. 8: Global total insurance penetration



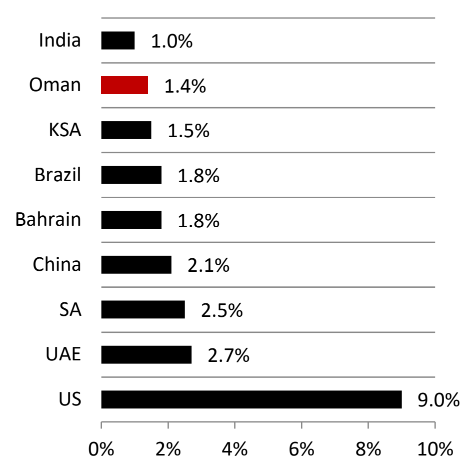
Source: SwissRe, U Capital Research

Fig. 9: Global life insurance penetration



Source: SwissRe, U Capital Research,* ***Not available***

Fig. 10: Global non-life insurance penetration



Source: SwissRe, U Capital Research

Mandatory health insurance – a game-changer moment for the domestic insurance sector

The introduction of mandatory medical insurance for employees working in the private sector in Oman is a key positive for future growth in the insurance sector. As a part of the Oman government's comprehensive reform plan, in July 2021, the Capital Market Authority (CMA) revealed the launch of the first phase of the mandatory health insurance system (Dhamani). As per the scheme, the private sector employers are obliged to provide health insurance coverage to their employees (local and expatriates as well as their dependents). Also, it will be mandatory for tourists visiting Oman to have health insurance. As per top officials of the CMA, the scheme will be fully rolled out across Oman in a phased manner in the next few years. The Dhamani scheme aims to cover more than five million people, and the private sector is expected to cover close to two million employees and their family members. Moreover, three million tourists and visitors coming to Oman are projected to be covered under the scheme in the medium term. Additionally, residential/nationals above 70 years of age are now eligible to buy insurance products.

An increase in insurance awareness can work as a growth catalyst

During the COVID-19 breakdown, people realized the importance of having health and life insurance, which gives financial protection in difficult times. During COVID-19, many people were under financial stress as they either lost their job or faced pay cuts. In such a challenging situation, many had to bear the financial burden of COVID-19 hospitalization bills. However, we believe this turned out to be an eye-opener for people who had not invested in insurance products. They realized the importance of having an insurance umbrella to cover them on their rainy days. We believe the majority of the population will turn to health and life insurance and consider it a necessity. This increase in awareness is positive for the sector, which will increase the size of the overall insurance market.

Investment in digital technology to mitigate complex challenges

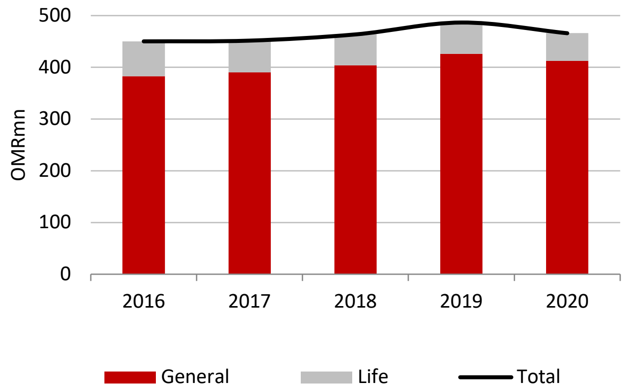
The world embraces digital technology in day-to-day life, and the insurance industry is nowhere an exception to this change. The adoption of digital platforms will help insurance companies in serving future client demands more efficiently. Moreover, it will assist companies in analyzing the financial performance of products and have a perspective on all the micro and macro indicators of the insurance industry, such as the age bracket of people opting for health insurance products. As people embrace mobile use, digital technology can enable clients to upload/download documents, process claims, buy new policies, pay premiums online. Consequently, insurance players have a dual advantage in digital adoption; firstly, a decrease in overall administration expenses, and secondly, this will lead to a faster settlement ratio, which may help them to retain/renew their existing clients thus overall improving better underwriting.

GWP likely to improve on economic recovery and much needed regulatory push

Gross written premiums (GWP) of the insurance sector in 2020 shrunk by 4.3% YoY to OMR 466mn (2019: OMR 487mn). This drop was mainly driven by the life insurance segment, which decreased by 11.4% YoY to OMR 54mn. The general insurance segment also registered a decline, albeit at a slower pace of 3.2% YoY to OMR 412mn. During the year, the share of general insurance in total GWP was 88.5% (2019: 87.5%), while the life insurance segment contributed 11.5% (2019: 12.5%). From 2016-20, the general insurance segment GWP grew at a CAGR of 1.9%. However, the life segment GWP declined at a CAGR of 5.6%. Overall, the sector's GWP was nearly flat, expanding at a CAGR of a meager 0.9%, underpinned by structural weakness in the Omani economy amid low oil prices, and lack of any regulatory push till date.

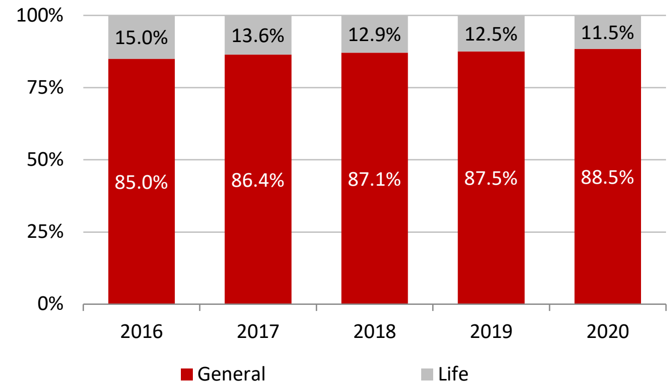
Going forward, the outlook looks promising, supported by likely improvement in the economic growth leading to higher employment levels as well as disposal income which should drive the demand for discretionary products such as insurance. Further, likely improvement in penetration rate driven by regulatory enforcement (mandatory health insurance, travel insurance, among others), and better awareness of insurance products should help the sector to witness a sustainable recovery in GWP (likely to be mid-single-digit CAGR over the coming five years).

Fig. 11: GWP remains flat



Source: CMA, U Capital Research

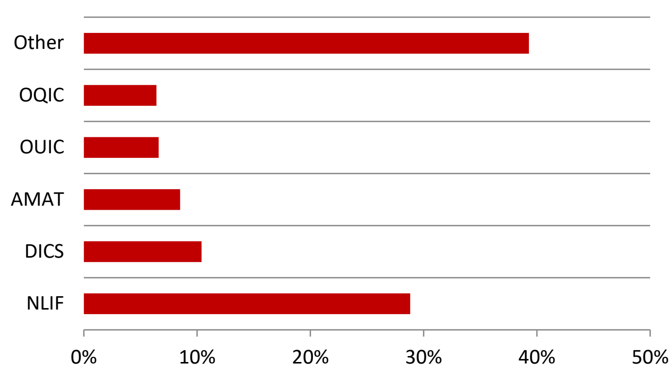
Fig. 12: General insurance has the lion's share in total GWP



Source: CMA, U Capital Research

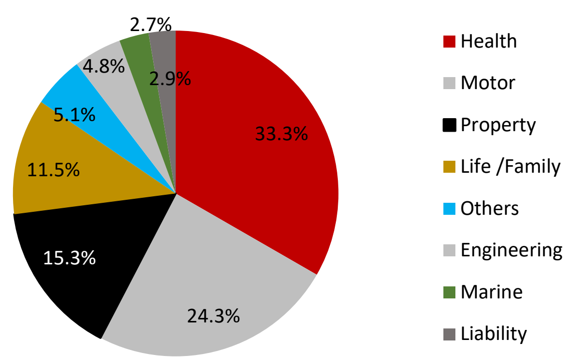
In 2020, health insurance had the lion's share in total GWP at 33.3% (2017: 29.8%), and motor insurance was in the second position with 24.3% (2017: 33.9%). In 2020, NLIF was a leading company with a 28.8% share in total GWP in Oman: DICS being the second, with 10.4%.

Fig. 13: NLIF is at the top in total GWP



Source: CMA, U Capital Research

Fig. 14: Breakdown of GWP for 2020



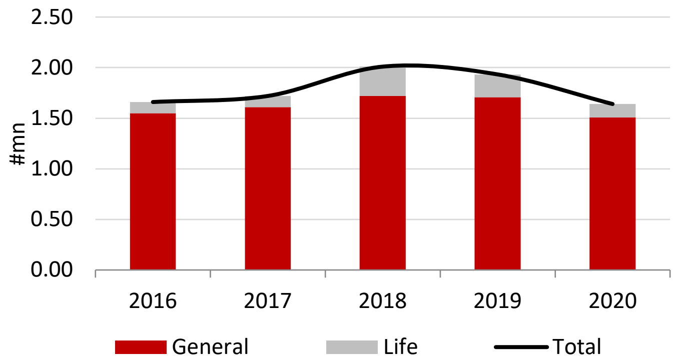
Source: CMA, U Capital Research

Number of policies issued to come on a growth path

After registering a surge in the number of policies issued in 2018 & 2019, the insurance sector reported a decline in 2020. The total number of policies issued dropped by 15.1% YoY to 1.6mn (2019: 1.9mn). This drop was primarily due to a 41.2% reduction in life insurance policies. In 2020, the general insurance policy also shrunk by 11.7% YoY to 1.5mn. The motor insurance business had relatively less pain in 2020, with 1.4mn policies sold (2019: 1.6mn), a reduction of 9.3% YoY.

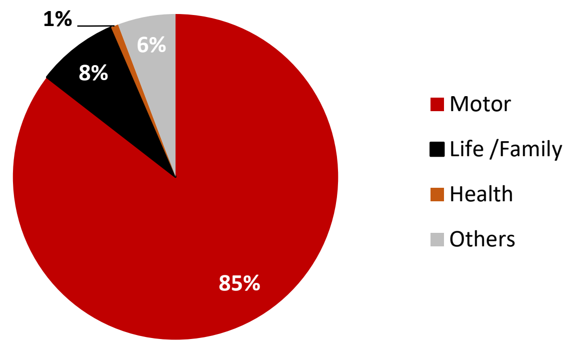
After witnessing degrowth across most of the business segments amid the covid imposed restrictions over the past couple of years, we expect the volume to start improving as the situation has now largely normalized. Moreover, SMEs, which might have suffered losses during the COVID period and took stringent actions of laying off to cut down costs, are expected to recover post opening of the economy in the Sultanate. Moreover, the implementation of mandatory health insurance, recovery in the tourism sector, and likely increase in the demand for automobiles remains the key volume driver for the sector. Accordingly, we expect the number of policies to reach its pre-pandemic levels over the medium term.

Fig. 15: Policies issued declining since 2018



Source: CMA, U Capital Research

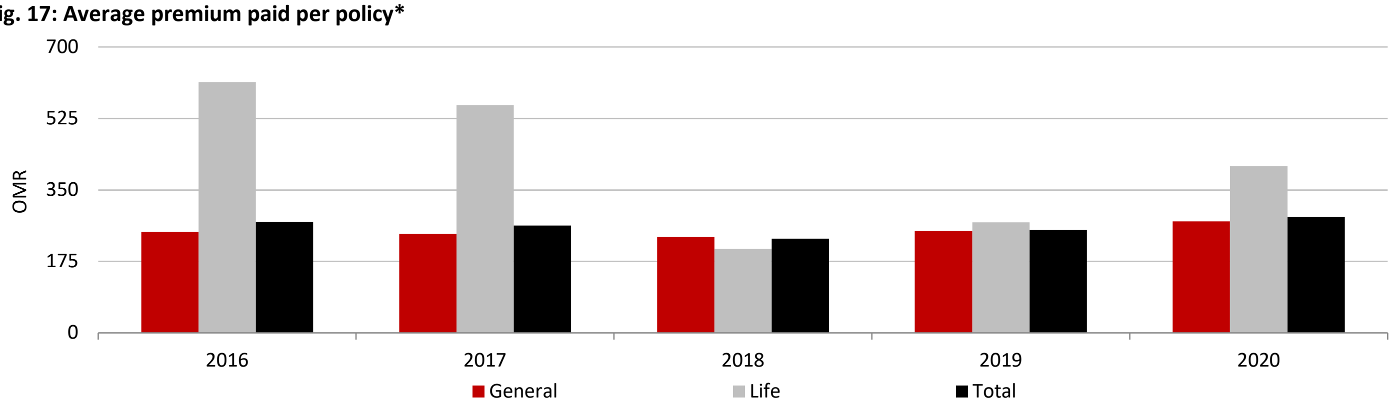
Fig. 16: Breakdown of policies issued in 2020



Source: CMA, U Capital Research

Historically, the average insurance premium remained largely flat, owing to the stiff competition and weak demand with the life insurance premium declining over the years, offsetting a slight improvement in the general segment's average premium. Going forward, we expect the premium rates to continue to remain broadly stable in the coming years. In Mar'22, the CMA instructed all insurance companies to add natural calamities coverage at the conclusion or renewal of insurance policies for homes, properties, and establishments. We believe insurance companies might start charging an additional premium to cover natural calamities.

Fig. 17: Average premium paid per policy*



Source: CMA, U Capital Research. * As per our calculations

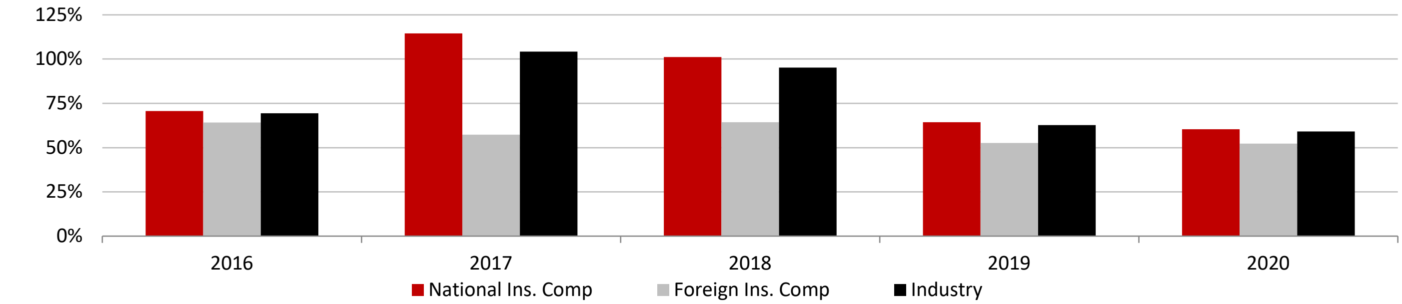
Hardening of reinsurance market with structural changes

Reinsurance companies have had a tough time in the last 2 years, on the verge of a steep rise in loss ratio, especially in Oman. After 15 years of the soft reinsurance market, the reinsurance companies have tightened their reinsurance treaties, majorly the facultative treaty. Due to Sultanate's repeated exposure to unstable climatic conditions and losses incurred from natural catastrophic insurance in addition to prevailing uncertainties, the international reinsurance companies have not only increased reinsurance rates but also are going cautiously selective in accepting risks. Besides, numerous restrictions, such as new exclusion clauses, penalizing insurers with poor data quality, stricter scrutinization, increasing deductibles, etc. Therefore, given the positive economic outlook, we may see domestic insurance companies start retaining more business to reduce the reinsurance costs and thereby improve their underwriting profits in the coming years.

Loss ratio likely to improve on better claim management

The sector's loss ratio improved significantly to 59.2% (the previous five-year average of 78.1%) in FY20, the lowest level in the last five years, on the back of low claims due to i) fewer motor insurance claims amid the travel restriction, ii) deferral medical claims. Analysis from companies under our coverage showed that this trend reversed in 2021 as COVID-19 related death claims in the life insurance portfolio surged significantly. Furthermore, medical and motor claims also soared amid the lifting of restrictions on movement. Going forward we believe that the sector's combined loss ratio should start normalizing, aided by a cautious underwriting strategy and efficient claim management.

Fig. 18: Loss ratio improved in 2020

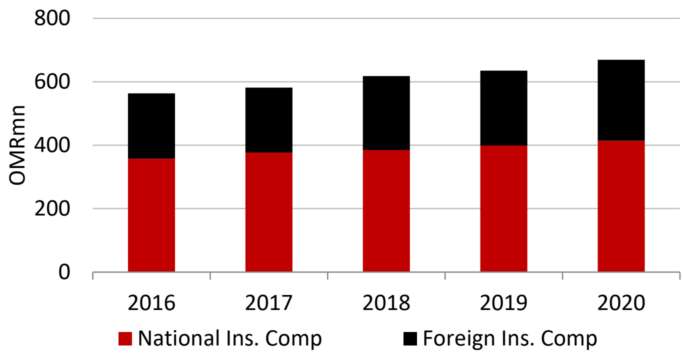


Source: CMA, U Capital Research

Investment income continues to support bottom-line

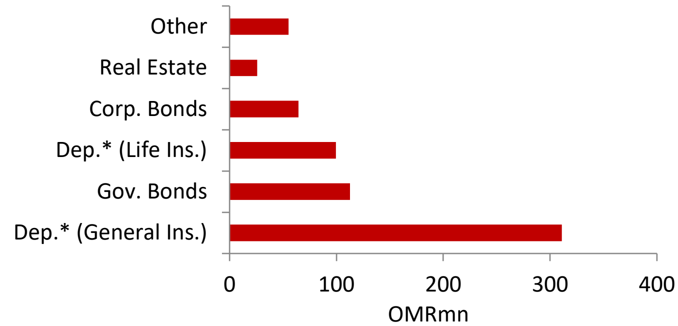
The investments book of insurance companies in Oman has shown a consistent improvement since 2016, helped by prudent investment strategies. As per the 2020 investment breakdown, the sector's investments were in conservative assets, as 61.4% of the investment book was primarily concentrated in banking deposits (general and life). Going forward, the sector's investment book is expected to increase (despite a likely slowdown in 2021 on higher claims), due to the likely normalization of the loss ratio.

Fig. 19: Investment of insurance companies



Source: CMA, U Capital Research

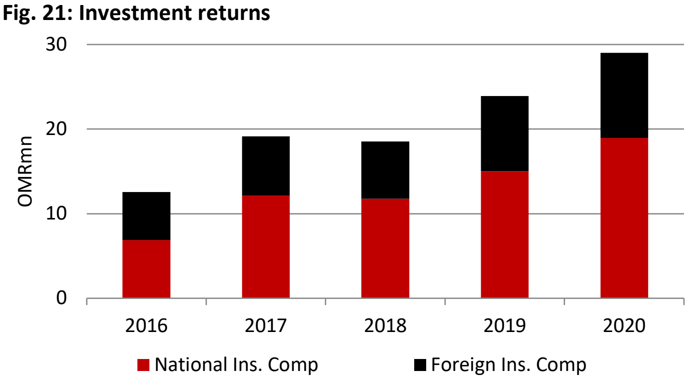
Fig. 20: Breakdown of investments – 2020



Source: CMA, U Capital Research, *Deposits

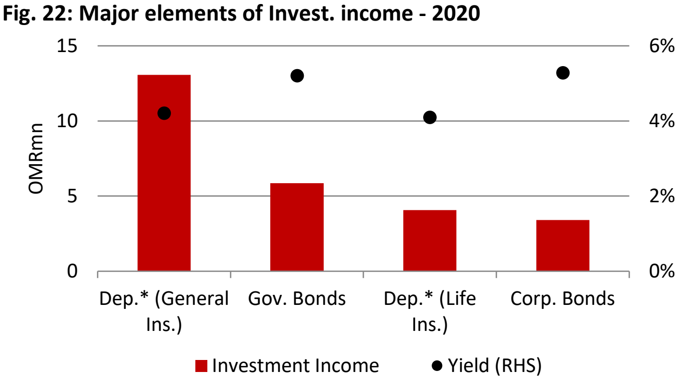
The investment performance was encouraging as the return from these investments grew at a CAGR of 23.3% from 2016 to 2020. Local players outpaced foreign companies and generated strong investment income (CAGR of 28.9%) during the same period. The top four investments generated a yield between 4.2% to 5.3%. Going forward, we expect investment income continues to improve, driven by an expanded investment portfolio, and likely better investment yield amid the rising interest rate environment. Accordingly, this should continue to drive the sector's earnings going forward.

Fig. 21: Investment returns



Source: CMA, U Capital Research

Fig. 22: Major elements of Invest. income - 2020

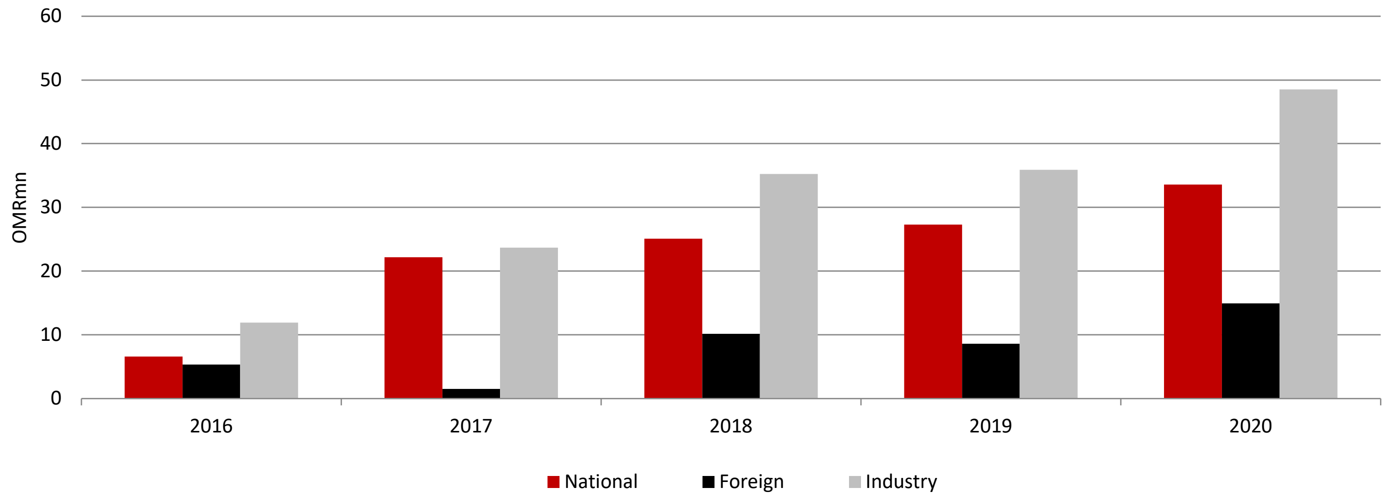


Source: CMA, U Capital Research, *Deposits

Profitability to remain in an upward trend in the foreseeable future

The sector's profitability remained in an upward trend consistently during 2016-20, with 2020 being an exceptionally strong year, mainly due to lower claims. However, in 2021, most companies might have witnessed pressure on earnings given likely higher claims. Nonetheless, we expect the sector's earning performance is likely to improve in the coming years, driven by (i) healthy GWP growth, (ii) normalization of the loss ratio, (iii) enhanced cost efficiencies, and (iv) better investment returns.

Fig. 23: Net Profit continued to improve over the years



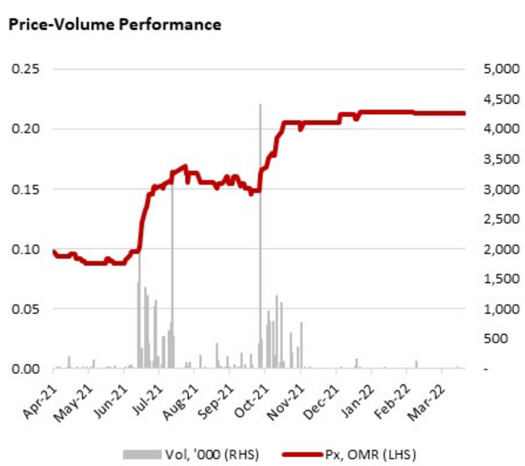
Source: CMA, U Capital Research

Oman Qatar Insurance (OQIC)

Target Price: OMR 0.243
Upside/ (Downside): 13.9%

Recommendation	**Accumulate**
Bloomberg Ticker	OQIC OM
Current Market Price (OMR)	0.21
52wk High / Low (OMR)	0.220/0.090
12m Average Vol. (000)	137.4
Mkt. Cap. (USD/OMR Mn)	55/21
Shares Outstanding (mn)	100.0
Free Float (%)	26%
3m Avg Daily Turnover (OMR'000)	0.4
6m Avg Daily Turnover (OMR'000)	14.3
P/E'22e (x)	6.9
P/B'22e (x)	0.9
Dividend Yield '22e (%)	3.6%
Price Performance:	
1 month (%)	-
3 month (%)	(0.5)
12 month (%)	119.6

Source: Bloomberg, valued as of 31 March 2022



Source: Bloomberg

- **Growing general insurance company; a market leader in engineering insurance**
- **Strong underwriting will help to grow the bottom line in the future**
- **A steady increase in retention ratio will help its book to grow**
- **Current valuation levels do not seem to fully incorporate the near-term positives**

We re-initiate coverage on Oman Qatar Insurance Company with an **Accumulate** rating and a target price of OMR 0.243 per share, implying an **upside of 13.9%**. Currently, the stock trades at 0.9x P/B, based on our FY22e BVPS. We believe this multiple does not fully factor in the positives in store for the company's growth prospects and hence we value the company at a higher multiple of 1.05x P/B FY22e. With the reopening of the economy and resultant improvement in business conditions (a favorable case for the property and general insurance) and the mandatory health insurance (likely in 2022e), Oman's insurance sector is bound to do well and so is the company given its decent GWP market share of ~7% which is further likely to strengthen around 8% by FY26e. Further, the company's strong underwriting policy has resulted in one of the highest underwriting margins of ~44% in FY21 in the industry and we believe OQIC will continue to effectively manage its risk.

Investment Thesis

Valuation and risks: Our target price is based on blended valuation methodologies – (i) DDM Valuation and (ii) Relative Valuation (using P/B multiple). The downside risks to our valuation include less than expected growth in GWP, loss of any major accounts amid the pandemic, a decline in premium rates, higher than expected claims, and regulatory investment limits in various products. Key upside risks to our valuation include unexpected rise in premium rates, faster than expected gain in market share, lower than expected loss ratio, better underwriting, and above-expected dividends.

Good fundamentals: (i) OQIC is a market leader in the engineering segment of the industry, with a 22.7% share in FY21, in terms of GWP. We believe the company will continue to lead in this segment by focusing more on a higher retention ratio thus clocking higher growth. The company is also taking steps to grow its profitable motor business by focusing on tie-ups, affinity schemes, etc., and thus will be able to grow volume in this space. However, the company may face stiff competition in motor, life, and health business, in particular, which may limit the market share gains; (ii) one of the highest underwriting profit margins of ~44% amongst its local peers; (iii) decent combined ratio and (iv) steady dividends, are the key positives for the company.

Financials & valuation summary:

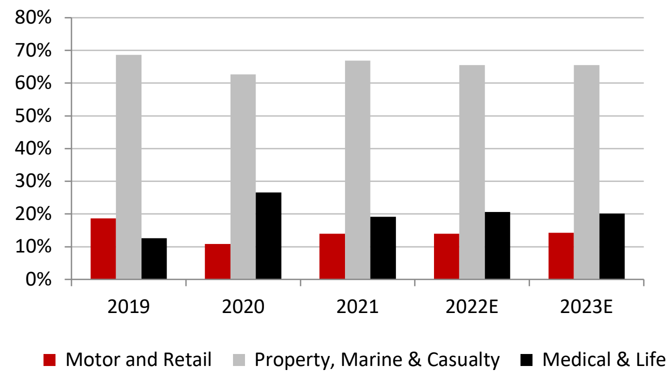
	FY19	FY20	FY21	FY22e	FY23e	FY24e
Gross Written Premiums (OMR mn)	28.9	31.3	31.4	36.5	40.5	43.9
Net Underwriting (OMR mn)	2.9	2.8	2.8	3.2	3.3	3.7
Net Profit (OMR mn)	1.3	2.1	3.1	3.1	3.2	3.6
Combined Ratio	101.3%	94.8%	98.2%	96.3%	96.7%	95.5%
ROA	1.6%	2.3%	4.2%	3.7%	3.7%	3.9%
ROE	7.8%	11.7%	15.1%	13.4%	13.2%	13.6%
DPS (OMR/share)	0.005	0.005	0.005	0.008	0.010	0.013
Dividend Yield	5.4%	5.3%	2.3%	3.6%	4.5%	5.9%
P/E (x)	7.1x	4.5x	6.8x	6.9x	6.7x	5.9x
P/BV (x)	0.6x	0.5x	1.0x	0.9x	0.8x	0.8x

Source: Company Reports, U Capital Research **P/E and P/B from 2021 onwards calculated on price of 31 March 2022*

GWP likely to continue improving led by engineering segment…

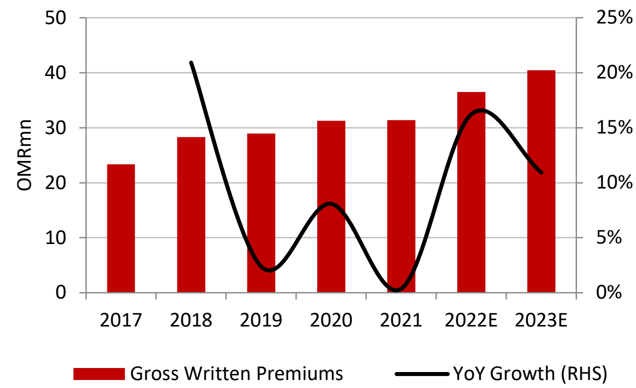
Gross written premium (GWP) of OQIC grew at a CAGR of 7.6% during 2017-21 and reached OMR 31.4mn by FY21, led by the engineering division (Property, Marine & Casualty). It enjoys the highest GWP market share in the engineering business in the industry. The company's key strength lies in writing energy and construction accounts of large ticket sizes. The division has been contributing >60% of the business at least since 2019 and is expected to be in the same line given the completion of underdeveloped projects that was on halt due to Covid restrictions. Accordingly, we expect the segment's market share to increase from 22.7% in FY21 to 26.5% by FY26e.

Fig. 24: Engineering division remains the largest GWP contributor



Source: Company Reports, U Capital Research

Fig. 25: GWP likely to pick up from 2022 onwards



Source: Company Reports, U Capital Research

…further supported by Motor & Medical divisions

Despite the stiff market competition, we expect the contribution from the Motor and Retail segment to increase from 14% in FY20 to 15% in FY26e given the company's efforts to increase its volume growth through marketing and branding activities. Moreover, we expect a stable contribution from the Medical and Life business, as we believe the dominating players will rule this segment in this intensely competitive environment. However, the market share should steadily increase given the new norm of having mandatory health insurance for all residents and tourists while simultaneously granting eligibility to residentials/nationals above 70 years of age to buy health insurance products.

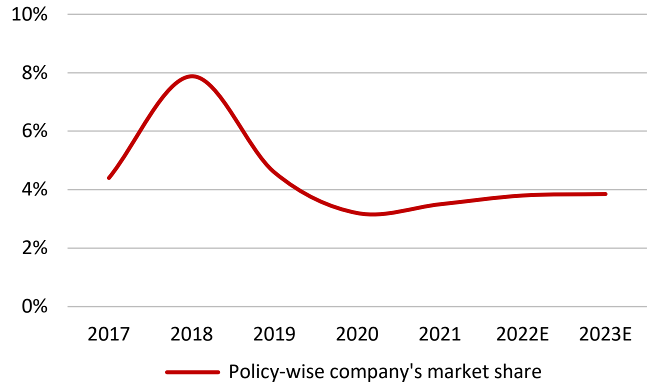
Capturing the positivity across all the segments, we expect the GWP to rebound sharply in FY22e with an increase of 16.2% YoY vis-à-vis a negligible growth of 0.4% YoY in FY21. Also, we expect GWP to grow at a CAGR of 9.9% over 2021-26e and reach OMR 50.3mn by FY26e.

Volume to remain a key growth driver amid steady premium rates going forward

As per our calculations, OQIC's average premium has grown notably during 2017-21, much higher than the growth registered by the industry. Going forward, we see limited scope for growth in the premium rate for the company given the higher base than the industry. Further, other major attributors to lower premiums in FY22e would be cut-throat competition amongst the industry players and no-claim bonus offers given to the insurance buyers, leading to a discount in premiums for FY22e.

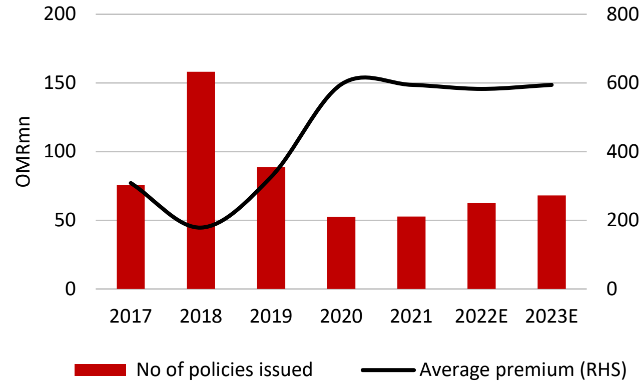
Meanwhile, owing to its focus on digitalization and automation in processes, the company may attract new business opportunities, which in turn would lead to faster issuing of policies to the potential customers and thus a gradual increase in the company's market share. Hence, the number of policies (~8% CAGR during 2021-26e to reach 79,120 by FY26e from 52,810 in FY21) would be the major growth catalyst while premium rates would likely remain stable (~1% CAGR during the same period).

Fig. 26: OQIC's market share to increase but not as high as in 2018



Source: Company Reports, U Capital Research

Fig. 27: Avg. premium rates to be on an increasing trend

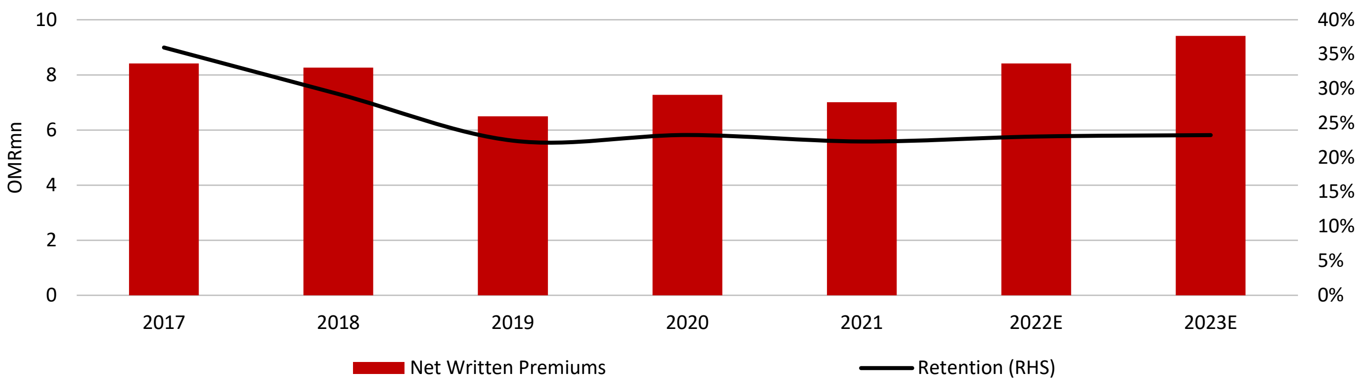


Source: Company Reports, U Capital Research

Improving retention ratio

OQIC has one of the lowest retention ratios amongst its peers of ~22% in FY21, as it has major exposure in the property and construction division which usually has a low retention rate of ~18%. Going forward, given the expected higher growth in the motor and medical portfolio (having much higher retention ratios) along with the company's focus on retaining a large ticket size engineering portfolio, the company's retention ratio should improve from 22.3% in FY21 to 24.0% by FY26e, and thus may lead to better growth in the future.

Fig. 28: Improving retention ratio



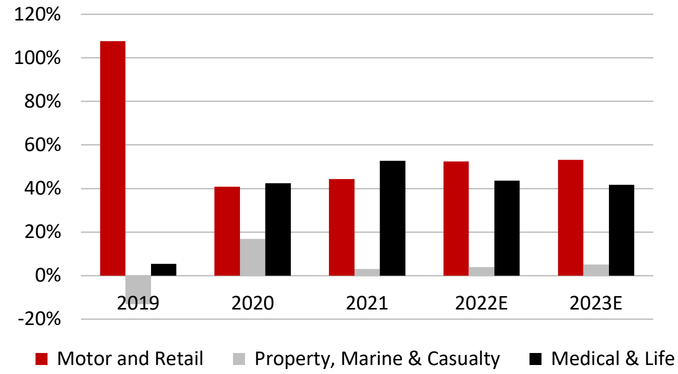
Source: Company Reports, U Capital Research

The loss ratio is likely to increase, although to remain below the FY19 level

OQIC's loss ratio has been on an increasing trend till 2019, but a sharp decline was observed in FY20 and FY21 due to a decrease in the number of claims incurred in the motor and property segment, partly offset by higher claims in medical and life division, owing to the Covid-19 pandemic. Going ahead, with the reopening of the economy on easing restrictions and completion of under-developed projects, we expect the Motor segment to lead in terms of rising no. of claims, followed by the property segment, respectively. However, the loss ratio is still likely to remain below its FY19 levels, due to higher retention of profitable businesses.

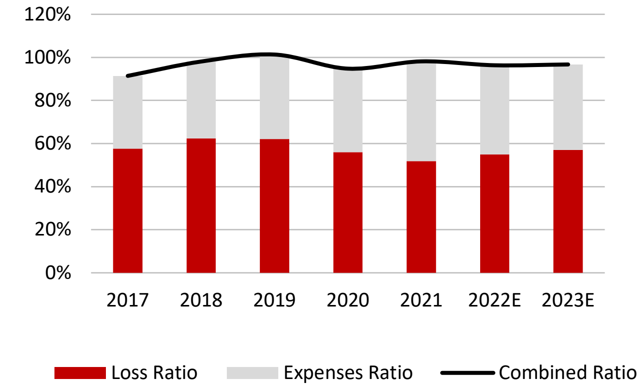
Meanwhile, the expense ratio increased drastically to 46.3% in FY21, owing to the double-digit fall in net earned premium. Going ahead, although the company will be incurring higher advertisement and branding expenses like affinity schemes, corporate tie-ups, digitalization expenses; due to higher NEP, we expect the expense ratio to gradually normalize to its historical levels of 34-35% by FY26e. Accordingly, the company's combined ratio is likely to improve gradually in the coming years.

Fig. 29: Motor and retail segments will face high NCI going forward



Source: Company Reports, U Capital Research

Fig. 30: Healthy combined ratio consistently

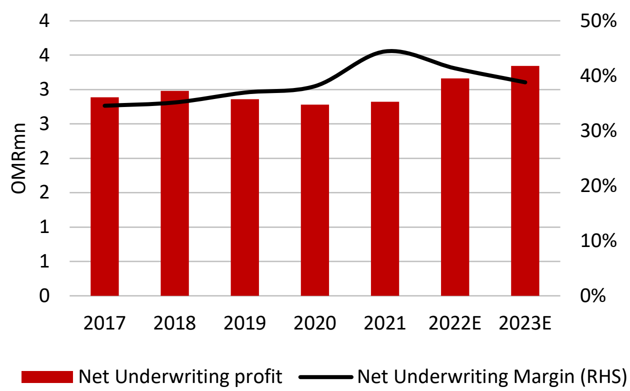


Source: Company Reports, U Capital Research

Strong focus on underwriting to drive the bottom-line

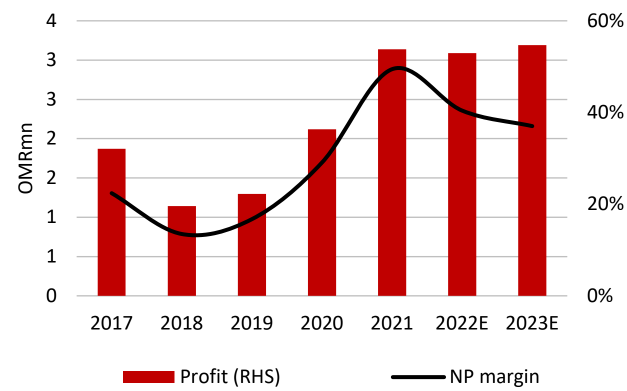
OQIC has one of the highest underwriting profit margins in the industry, soaring to 44.4% in FY21, reflecting strong underwriting and prudent risk management. However, we don't expect the underwriting margins to sustain at this level, due to the likely increase in claims in the coming years. Nonetheless, the margins are expected to still remain above the pre-pandemic levels in the coming years. Consequently, we expect the underwriting profit to grow at a CAGR of 8.4% from 2021-26e compared to a negative CAGR of 0.6% over 2017-21. This would translate to higher net profit in the medium term, resulting in higher ROE of 13.7% by FY26e (vs. 7.8% in 2019).

Fig. 31: Underwriting profit to increase while margin to moderate



Source: Company Reports, U Capital Research

Fig. 32: Net profit should improve over the medium term

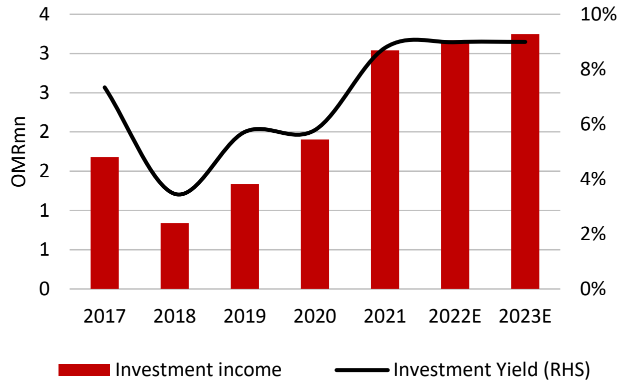


Source: Company Reports, U Capital Research

Investment income acted as a savior to the company's bottom line during the pandemic

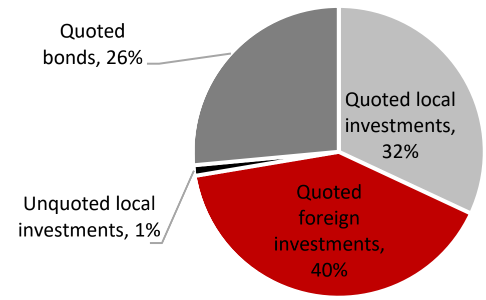
The company has been efficiently managing its investment portfolio over the past couple of years with the majority of the surplus funds resulting from a decrease in claims parked in several instruments, like Bank Deposits, Equities, and Bonds. As of FY21, the company's major investments were parked in quoted foreign and local equities. This has resulted in higher investment income (CAGR of 16.0% over 2017-21), owing to the appreciation of the market value of equity shares in the last 2 years. After a steep surge in average investment yield, we expect the growth in investment income to slow down in the future years, mainly due to higher claims, which may limit the growth in the investment portfolio of the company.

Fig. 33: Investment yield likely to remain stable



Source: Company Reports, U Capital Research

Fig. 34: Investment bifurcation in FY21



Source: Company Reports, U Capital Research

Adequate solvency ratio in place

OQIC's solvency ratio sees mostly an uptrend since 2017. At the end of FY21, as per our calculations, the company maintained a solvency ratio of ~296%, reflecting an exceptionally strong balance sheet. Going forward, we believe that the company's solvency ratio to remain above the minimum regulatory requirement of 100% (Source: Oman Insurance) and is likely to reach ~270% by FY26e. Thus, going ahead, we believe that OQIC is not in a dire need of additional capital to grow its business.

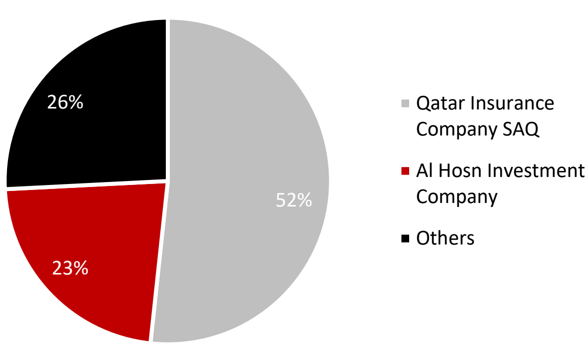
Assigning higher multiples in comparison to historical

OQIC is a growing general insurance company with expertise in fire, engineering, and energy division. The company is steadily gaining market share (6.6% of the total sector GWP) over the years. OQIC also has one of the best net underwriting margins in the industry. Having a major tilt towards property, casualty, and marine division, the company has been able to maintain a stable loss ratio and thus a healthy combined ratio. Going forward, in addition to focusing on its retention ratio, we expect OQIC to gain market share, helped by the improving economy, the mandatory health insurance, and its marketing efforts, which will lead to overall sustainable growth in the coming years. Thus, owing to a healthy combined ratio, increasing market share, growth opportunities for the company in an under-penetrated insurance market in Oman, and best-in-class underwriting business operations, we believe the company should trade at a higher P/B multiple than the historical P/B. Using the blended valuation method of DDM and P/B multiple (1.05x), our target price stands at OMR 0.243, implying an upside potential is 13.9% from the current CMP of OMR 0.213.

About OQIC

Established in 2004, Oman Qatar Insurance Company (OQIC), is a subsidiary of Qatar Insurance Company. The company operates in the Sultanate of Oman. OQIC provides insurance services, such as personal, car, travel, home, life, health, marine, corporate travel, fleet, and other insurance products and services. The company operates in majorly 3 divisions: Motor and retail; Property, marine, and casualty; and Medical and Life. OQIC's major contributor to its top line is Property, Marine, and Casualty division and is also gaining the highest market share in the engineering business in the industry.

Fig. 35: OQIC's Shareholding Structure



Source: Bloomberg, 31 March 2022

Key financials

In OMR'000, except stated otherwise	FY19	FY20	FY21	FY22	FY23e	FY24e
Income Statement						
Gross written premiums (GWP)	28,942	31,281	31,394	36,487	40,476	43,885
Insurance premium ceded to reinsurers, earned	-22,444	-24,002	-24,384	-28,077	-31,063	-33,451
Net written premium	6,498	7,279	7,010	8,410	9,413	10,434
Net earned premium (NEP)	**7,745**	**7,293**	**6,348**	**7,646**	**8,620**	**9,630**
Claims paid	-20,744	-10,797	-17,920	-20,779	-21,474	-23,849
Reinsurers' share of claims	16,222	5,975	13,185	15,554	16,087	17,981
Net underwriting result	**2,862**	**2,780**	**2,821**	**3,162**	**3,346**	**3,705**
Investment income	1,336	1,905	3,039	3,170	3,247	3,550
General and administrative expenses	-2,319	-2,024	-2,256	-2,412	-2,554	-2,726
Profit before taxation	**1,596**	**2,369**	**3,315**	**3,635**	**3,755**	**4,245**
Income tax	-301	-249	-176	-545	-563	-637
Profit for the year	**1,295**	**2,120**	**3,139**	**3,089**	**3,192**	**3,609**
Balance Sheet						
Cash and cash equivalents	897	3,554	2,511	1,421	2,923	4,055
Bank deposits	16,628	17,040	15,687	16,323	16,650	16,983
Financial investments	10,641	12,751	15,063	17,087	18,356	19,893
Premiums and insurance balances receivable	13,008	5,637	7,034	8,602	9,337	10,532
Reinsurers' share of insurance contract liabilities	37,697	50,618	34,615	39,066	40,150	43,479
Other receivables and prepayments	417	449	357	435	483	524
Total Assets	**79,661**	**90,430**	**75,508**	**83,133**	**88,096**	**95,693**
Liabilities arising from insurance contract	46,251	58,419	41,635	47,202	48,571	52,662
Due to reinsurers	4,100	5,009	7,284	7,079	7,770	8,301
Other liabilities and accruals	12,767	8,860	5,815	5,760	6,430	7,059
Total Liabilities	**63,119**	**72,288**	**54,734**	**60,042**	**62,771**	**68,022**
Share capital	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	885	1,802	3,774	5,782	7,697	9,681
Total Equity	**16,542**	**18,142**	**20,774**	**23,092**	**25,326**	**27,671**
Total Liabilities and Shareholders' equity	**79,661**	**90,430**	**75,508**	**83,133**	**88,096**	**95,693**
Cash Flow Statement						
Net cash from operating activities	1,079	4,068	(2,357)	(585)	1,091	1,028
Net cash from investing activities	-3,278	(693)	2,018	267	1,369	1,367
Net cash from financing activities	-205	(719)	(705)	(772)	(957)	(1,263)
Cash & cash equivalent at period end	**897**	**3,554**	**2,511**	**1,421**	**2,923**	**4,055**
Key Ratios						
Net underwriting margin	37.0%	38.1%	44.4%	41.4%	38.8%	38.5%
Pre-tax margin	20.6%	32.5%	52.2%	47.5%	43.6%	44.1%
NP margin	16.7%	29.1%	49.4%	40.4%	37.0%	37.5%
Loss Ratio	62.1%	56.0%	51.8%	54.9%	57.1%	58.3%
Expenses Ratio	39.2%	38.8%	46.3%	41.4%	39.6%	37.2%
Combined Ratio (COR)	101.3%	94.8%	98.2%	96.3%	96.7%	95.5%
Retention ratios	22.5%	23.3%	22.3%	23.0%	23.3%	23.8%
ROA	1.6%	2.3%	4.2%	3.7%	3.7%	3.9%
ROE	7.8%	11.7%	15.1%	13.4%	13.2%	13.6%
EPS (OMR)	0.013	0.021	0.031	0.031	0.032	0.036
BVPS (OMR)	0.165	0.181	0.208	0.231	0.253	0.277
DPS (OMR)	0.005	0.005	0.005	0.008	0.010	0.013
Dividend Yield (%)	5.4%	5.3%	2.3%	3.6%	4.5%	5.9%
Cash Dividend payout (%)	38.6%	23.6%	15.9%	25.0%	30.0%	35.0%
P/E (x)	7.10x	4.48x	6.82x	6.89x	6.67x	5.90x
P/BV (x)	0.56x	0.52x	1.03x	0.92x	0.84x	0.77x
Price as at period end*	0.092	0.095	0.214	0.213	0.213	0.213

Source: Company Reports, U Capital Research

*Current market price is used for the years forecasted

National Life & General Insurance (NLIF)

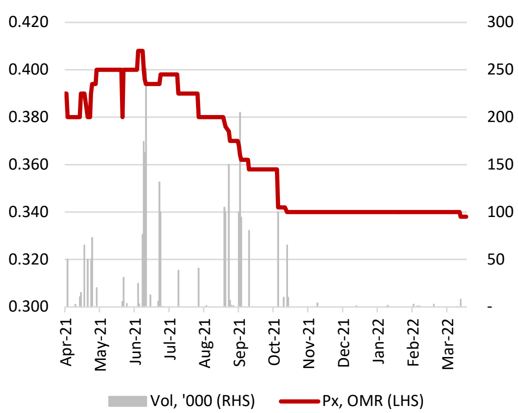
Target Price: OMR 0.391/share
Upside: 15.6%

Recommendation	**Accumulate**
Bloomberg Ticker	NLIF OM
Current Market Price (OMR)	0.34
52wk High / Low (OMR)	0.410/0.310
12m Average Vol. (000)	10.3
Mkt. Cap. (USD/OMR Mn)	233/90
Shares Outstanding (mn)	265.00
Free Float (%)	27%
3m Avg Daily Turnover (OMR'000)	0.1
6m Avg Daily Turnover (OMR'000)	0.6
P/E'22e (x)	8.3
EV/EBITDA'22e (x)	1.3
Dividend Yield '22e (%)	5.9%

Price Performance:	
1 month (%)	(1)
3 month (%)	(1)
12 month (%)	(14)

Source: Bloomberg, valued as of 31 March 2022

Price-Volume Performance



Source: Bloomberg

- **NLIF to be a key beneficiary of the mandatory health insurance requirements, given its leadership position in Oman**
- **Steady loss ratio along with one of the lowest expense ratio to aid recovery in underwriting margin from the current level**
- **A favorable geographical mix offers additional growth opportunities**
- **Strong underlying performance and healthy investment income to continue to drive the bottom-line**

We re-initiate coverage on National Life and General Insurance (NLIF) and assign an **ACCUMULATE** rating with a target price of OMR 0.391 per share, offering an upside of 15.6%. The stock trades at a P/B of 1.25x, based on our FY22 estimates, offering a healthy dividend yield of 5.9%. Being the market leader in the health insurance segment, we believe that the company is well placed to benefit from the likely mandatory health insurance, starting from 2022. Moreover, the company is spreading its wings in other GCC countries such as the UAE, and Kuwait (all are witnessing a strong recovery in economic activities amid high oil prices), which may provide further growth opportunities. Overall, robust underwriting operations, along with a healthy investment income are expected to drive earnings growth in the future.

Investment Thesis

Valuation and risks: Our target price is based on blended valuation methodologies – (i) DDM Valuation and (ii) Relative Valuation (using P/B multiples). Key downside risks to our valuation include (i) slower-than-expected gain in market share from mandatory health insurance (ii) unfavorable changes in regulatory frameworks (iii) a higher-than-expected loss ratio. Key upside risks to our valuation include (i) higher than estimated premium rates, (ii) a better operating efficiency matrix, and (iii) the above-estimated improvement in loss ratios.

Strong fundamentals: (i) Given its strong market position in key operating markets, NLIF continues to gain a healthy market share in both medical and motor segments (ii) steadily expanded the GWP with the help of a robust broker network and customer relationships. Moreover, the mandatory health insurance is likely to drive the GWP growth further (iii) decent presence in other key GCC countries and aiming for organic and inorganic growth (iv) focus on digital solutions to help cross-sell and thereby push the revenue higher. Moreover, it will help the company to keep operating expenses under control, driving the profitability (v) steadily growing investment income backed by a prudent investment allocation strategy.

	FY19	FY20	FY21	FY22e	FY23e	FY24e
Gross Written Premiums (OMR mn)	148.6	134.0	146.5	157.6	167.8	176.8
Net Underwriting (OMR mn)	20.1	26.5	16.4	20.7	22.7	24.5
Net Profit (OMR mn)	10.2	15.0	7.5	10.8	12.4	13.9
Combined Ratio (COR)	98.7%	91.7%	100.8%	98.1%	97.5%	97.0%
ROA	5.8%	8.2%	4.0%	5.4%	5.8%	6.2%
ROE	18.1%	23.8%	11.2%	15.7%	16.4%	16.8%
DPS (OMR/share)	0.025	0.035	-	0.020	0.020	0.025
Dividend Yiels	8.2%	9.9%	0.0%	5.9%	5.9%	7.4%
P/E (x)	7.9x	6.3x	12.1x	8.3x	7.3x	6.5x
P/BV (x)	1.4x	1.4x	1.4x	1.3x	1.1x	1.0x

Source: Company Reports, U Capital Research

**P/E and P/B from 2021 onwards calculated on price of 31 March 2022*

GWP continues to expand, largely driven by the mandatory health insurance in Oman

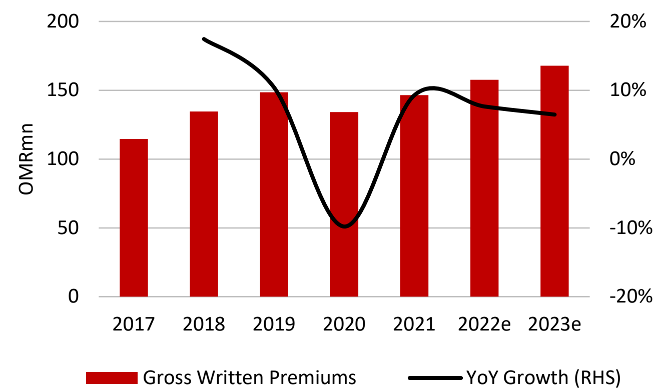
NLIF continues to maintain its leadership position in the Omani insurance market on a GWP basis (~29% share), distantly followed by Dhofar Insurance Company (~10%) in FY20. The company's GWP grew at a CAGR of 6.3% to OMR 147mn during FY17-21, driven by the life insurance segment (~87% of the total GWP of the company). From FY22e, the likely implementation of mandatory health insurance for all private-sector employees and their dependents, and in-bound tourists will benefit NLIF significantly, given its leadership position share in the medical insurance market.

NLIF is a well-established player in the UAE medical insurance market too and has retained a market share of ~4% in the health insurance segment. Also, the company has achieved the status of one of the top players in group medical insurance in Abu Dhabi within five years of commencement of service in the region. The company plans to increase the pricing of the group life portfolio, on the back of higher claims in this segment, which will help NLIF to mitigate the risk (as experienced in FY21) and push GWP higher.

On the motor insurance side (~15% market share), the company aims to be a market leader in the motor segment in the mid-term, which is likely to supplement the company's overall GWP growth. Moreover, initiatives such as revising motor insurance prices higher and using a loyalty program to retain customers shall enable the company to push motor GWP higher. Apart from this, there are different innovative products in the pipeline which can enhance the customer base and support overall GWP growth.

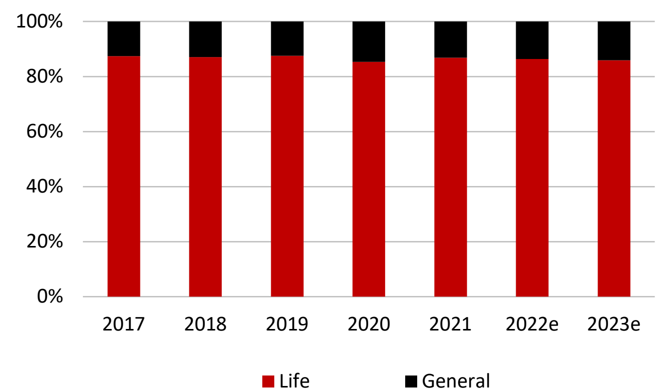
Overall, the company's strategy is to seek growth opportunities through both organic and inorganic avenues. As a part of its organic growth strategy, the company aims to open more branches in Oman in the coming years and has applied for a license for branch operations in Qatar. We believe this strategy to gain more business will lead to a higher top line.

Fig. 36: GWP is likely to continue to move higher



Source: Company Reports, U Capital Research

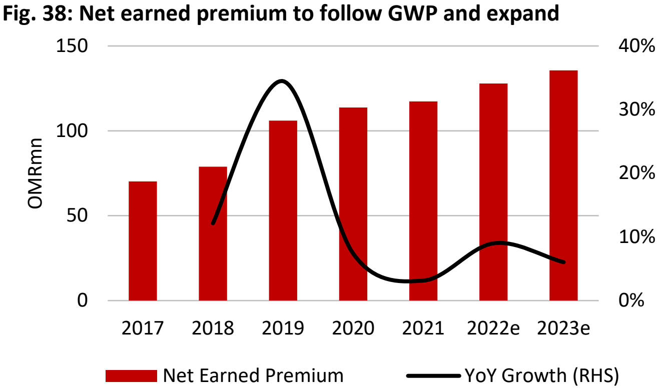
Fig. 37: GWP breakdown by major segments



Source: Company Reports, U Capital Research

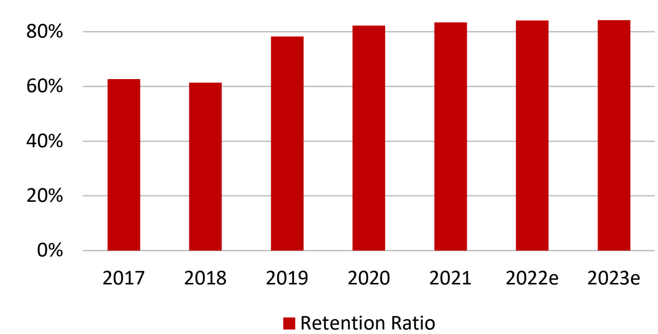
Moreover, since FY18, the company has reported a significant improvement in retention ratio. In FY19 the ratio increased to 78.3% compared to 61.3% in FY18. We expect the retention ratio to remain robust going forward and ensure the company's healthy growth in net earned premium. Maintaining a leadership position in Oman in the medical and motor business is at the core of NLIF's plans along with establishing itself as one of the top medical insurance companies in the UAE.

Fig. 38: Net earned premium to follow GWP and expand



Source: Company Reports, U Capital Research

Fig. 39: Retention ratio is healthy



Source: Company Reports, U Capital Research

Increasing its presence across the Middle East…

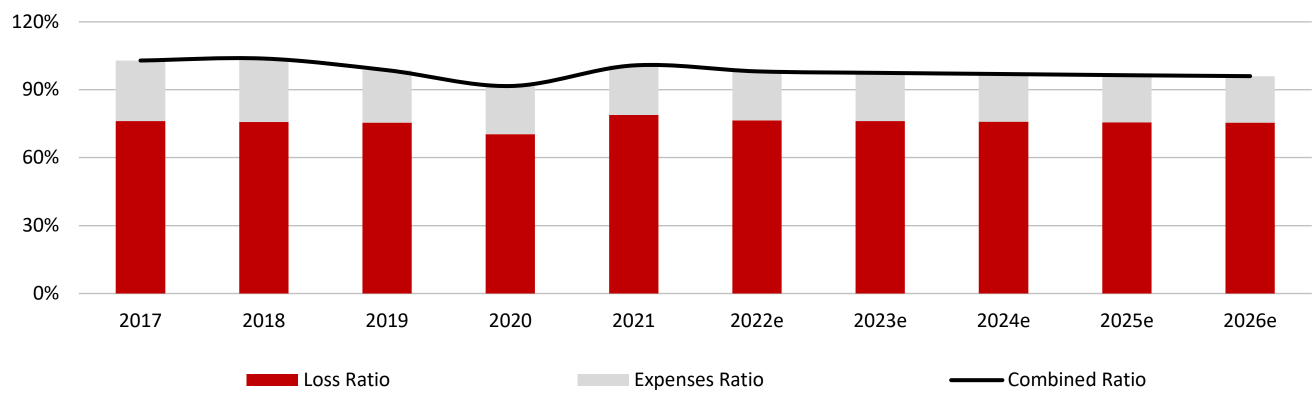
NLIF is increasing its presence in Kuwait (from 1.4% contribution in FY18 to 3.8% in FY21) while decreasing in UAE (from 57.0% in FY17 to 51.8% in FY21). Going ahead, with an increased presence in Kuwait, Oman, and other Middle East countries, the company will diversify its geographic-based risk and thus will shield the company from specific geography-related claims, such as the current cyclone in Oman, and this will translate to overall less impact on its books.

Loss ratio is likely to improve near to its historical levels

Before the pandemic, the loss ratio of NLIF used to be ~75%; however, in FY20, the net loss ratio improved to 70.4% due to significant lower claims on postponed planned surgeries (which were not critical) and lesser vehicles on the road amid the COVID restrictions. However, as the economy backs to normalcy and travel restrictions ease, the company's loss ratio in FY21 jumped to 78.9% (above its historical levels) on higher claims (which were deferred last year). Nevertheless, we see this as an exception and believe that the loss ratio will gradually improve and reach its historical levels. While better awareness and the importance of a healthy lifestyle to benefit the medical loss ratio going forward, a change in preference for online shopping can reduce traffic on the road, resulting in fewer accidents and a reduction in motor insurance claims. Further, the high levels of vaccination rates in the countries in which the company operates shall help reduce COVID-19 claims considerably and aid in keeping the loss ratio under control. Moreover, NLIF aims to increase the re-insurance rate in the health segment which shall help it to lessen the death claims impact.

The company has one of the lowest expense ratio in the domestic market, which we believe, is likely to improve further, backed by efficient claim management. In the last few years, the company has invested in digital technologies such as robotic process automation, artificial intelligence chatbots, a unified mobile application for motor and medical insurance services, etc., which could allow it to bring operating expenses down further. Overall, likely improvement in loss ratio and controlled expense ratio should drive the underwriting profits going forward.

Fig. 40: Combined ratio to improve going forward

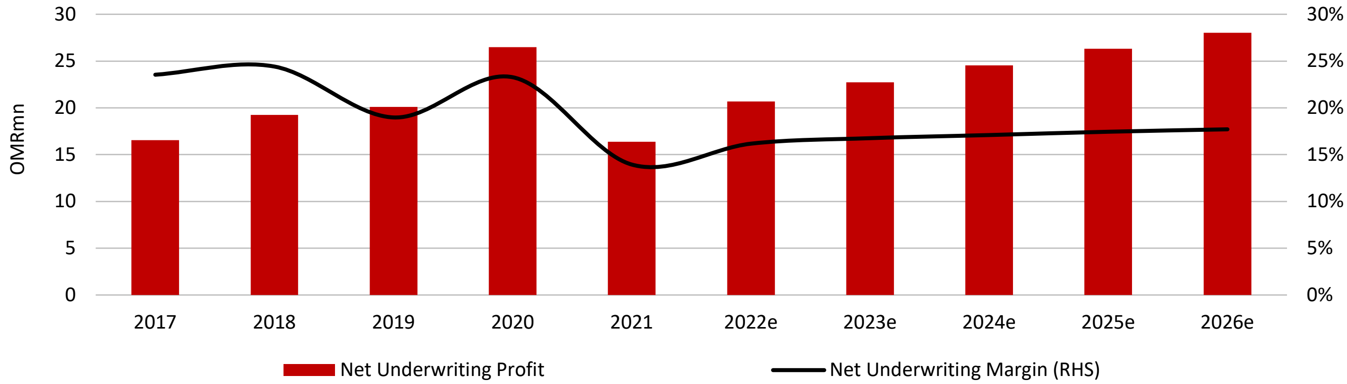


Source: Company Reports, U Capital Research

Improving net underwriting income on the back of better claim management

Historically, NLIF has reported a steady increase in underwriting profits. FY20 was a good year for the company, mainly due to lower claims on pandemic-imposed restrictions. However, the trend reversed as the claims paid increased by 11.6% YoY, majorly led by the motor, and medical segments. Accordingly, the company's net underwriting result (NUR) dropped 38.2% YoY to OMR 16.4mn. Nonetheless, likely improvement in loss ratio on the back of efficient claim management, and controlled expense ratio should drive the underwriting profits going forward. Accordingly, we expect the net underwriting income to grow at a CAGR of 11.4% (FY21-26e) to reach OMR 28mn by FY26e.

Fig. 41: Net underwriting profits to show sustainable recovery in the coming years

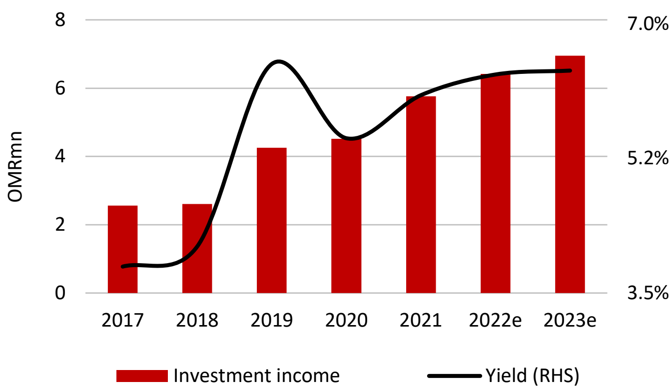


Source: Company Reports, U Capital Research

Investment income to maintain uptrend

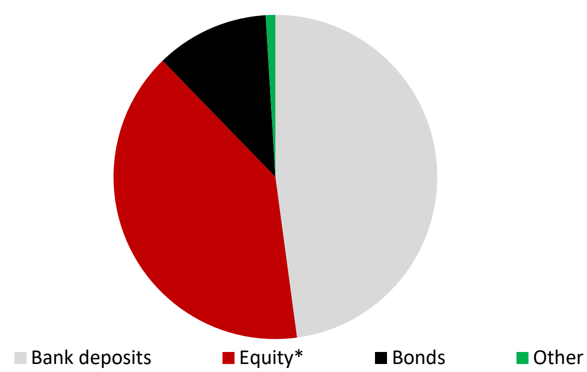
Investment income represents a large share (~77% in FY21) of the company's profitability. By FY21, the investment income expanded at a CAGR of 22.5% and reached OMR 6mn from OMR 3mn in FY17. Going forward we forecast investment income to grow at a relatively slower pace in the coming years, due to NLIF's conservative investment strategy as reflected in its portfolio mix; deposits:48%, equity:40%, bonds:11%, and others:1%. This conservative portfolio enables the company to generate steady investment income, even during challenging times as seen in FY20. Going forward, investment income is likely to benefit from the expected increase in interest rates globally. Moreover, the company is strategically diverting investments in bonds from fixed deposits, which shall enhance the investment income. Apart from this, portfolio diversification into overseas equity markets aids the overall returns for the company.

Fig. 42: Investment income to support profit



Source: Company Reports, U Capital Research

Fig. 43: FY21 investment breakdown

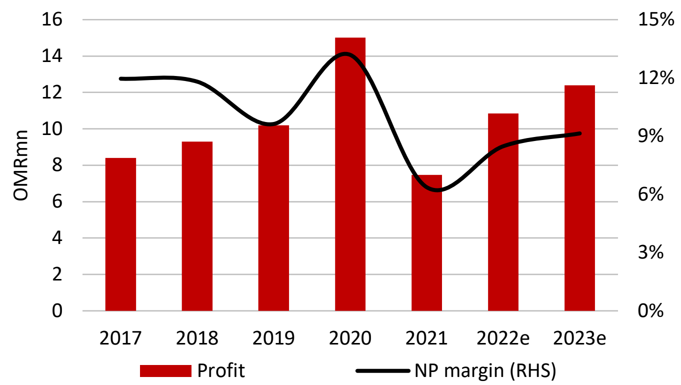


Source: Company Reports, U Capital Research, *FVOCI & FVTPL investment

Net income is expected to remain healthy supported by robust top-line and control expenses

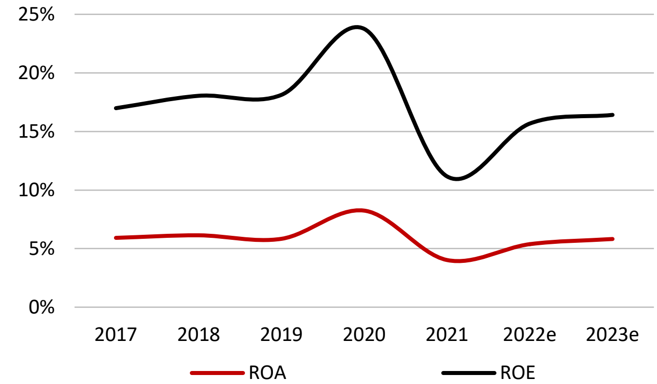
Higher GWP coupled with a healthy loss ratio and relatively controlled underwriting expenses should drive net income in the coming years. This would be further supported by steadily growing investment income. Overall, we estimate net income to grow at a CAGR of 18.0% over FY21-26e and reach OMR 17mn. Consequently, both RoE (16.4% in FY23e vs. 11.2% in FY21) and RoA (5.8% in FY23e vs. 4.0% in FY21) are likely to improve in the coming years.

Fig. 44: Net income to resume the northward journey



Source: Company Reports, U Capital Research

Fig. 45: RoE & RoA to improve

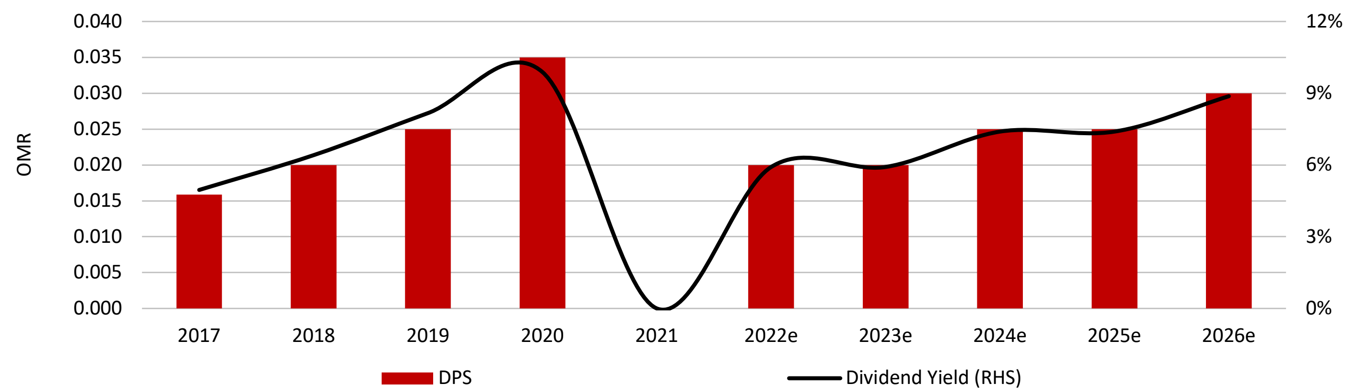


Source: Company Reports, U Capital Research

NLIF likely to resume dividend distribution from FY22

FY21 was a challenging year for NLIF as profit halved compared to last year. Accordingly, the management decided to retain profit to strengthen the company's capital. However, FY21 being an exceptional year, we expect the company to resume dividend payment from FY22 driven by improvement in the earnings amid the likely economic growth recovery backed by higher oil prices, as well as favorable regulatory reforms (mandatory health insurance).

Fig. 46: NLIF to resume dividend payment in FY22



Source: Company Reports, U Capital Research

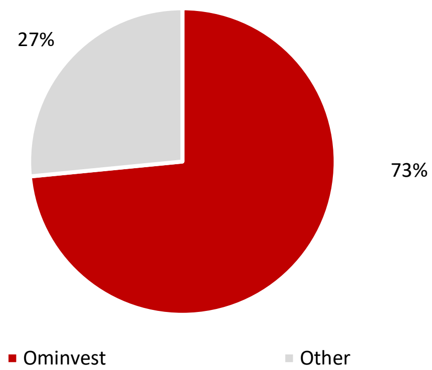
Assign ACCUMULATE rating with notable upside

Being the most significant player in health insurance, we believe that NLIF's GWP is expected to get a required boost from mandatory health insurance. This will help the company to continue maintaining its leadership position in Oman. From a geographical presence, the company targets other GCC countries to expand the business, which shall help GWP grow further. To bring claims under control and increase profitability, the management is taking different initiatives such as increasing reinsurance for life insurance portfolios, raising pricing in group life portfolios, launching new products, among others. Apart from this, increased exposure to digital technology shall improve cost efficiency and push profitability higher. Moreover, we believe the investment income is likely to support net profit amid the increasing interest rate scenario. Accordingly, we allocate an ACCUMULATE rating on the stock with a fair value of OMR 0.391 per share, with an upside of 15.6%. The stock is currently trading at a P/B of 1.25x, based on our FY22 estimates, offering a healthy dividend yield of 5.9%.

About National Life and General Insurance

Founded in 1983, National Life & General Insurance Company is Oman based Insurance Company that provides insurance products and services. The company offers life, health, fire, liability, marine, motor fleet, money back, home, travel, accident, and other insurance products. National Life & General Insurance serves customers in Oman. As of FY21, the company has 21 branches (4 more in the process) in Oman and 2 branches in UAE (Dubai and Abu Dhabi) which offer life and general insurance business.

Fig. 47: NLIF's Shareholding Structure



Source: Bloomberg, 31 March 2022
Disclaimer: NLIF is a sister concern company of U Capital.

Key financials

In OMR'000, except stated otherwise	FY19	FY20	FY21	FY22e	FY23e	FY24e
Income Statement						
Gross written premiums (GWP)	1,48,599	1,34,028	1,46,459	1,57,649	1,67,841	1,76,776
Insurance premium ceded to reinsurers	-32,310	-23,851	-24,295	-24,996	-26,523	-27,840
Net insurance premium revenue	1,16,289	1,10,177	1,22,164	1,32,653	1,41,317	1,48,937
Movement in unexpired premium (UPR)	-10,304	3,625	-4,787	-4,720	-5,666	-5,415
Net earned premium (NEP)	**1,05,985**	**1,13,802**	**1,17,377**	**1,27,933**	**1,35,651**	**1,43,522**
Claims paid	-1,13,343	-1,04,778	-1,16,929	-1,22,794	-1,29,760	-1,36,733
Reinsurers' share of claims	33,421	24,700	24,312	24,988	26,515	27,831
Net underwriting result	**20,112**	**26,485**	**16,362**	**20,691**	**22,733**	**24,533**
Investment income	4,253	4,516	5,766	6,418	6,954	7,533
General and administrative expenses	-11,443	-12,388	-12,400	-13,189	-13,874	-14,436
Profit before taxation	**11,677**	**17,531**	**8,646**	**12,762**	**14,586**	**16,341**
Income tax	-1,475	-2,525	-1,173	-1,914	-2,188	-2,451
Profit for the year	**10,202**	**15,006**	**7,474**	**10,848**	**12,398**	**13,890**
Balance Sheet						
Cash and cash equivalents	19,004	10,234	14,431	14,945	14,610	14,822
Bank deposits	37,349	41,596	47,393	50,237	52,749	55,386
Investments carried at fair value through OCI	31,709	37,034	38,111	42,752	48,023	53,955
Premiums and insurance balances receivable	63,519	43,156	49,383	52,024	52,870	53,033
Reinsurers' share of outstanding claims	6,020	5,867	11,162	12,015	12,791	13,472
Reinsurance shares of actuarial risk reserve	13,545	10,308	6,353	6,839	7,281	7,668
Total Assets	**1,88,218**	**1,75,826**	**1,95,417**	**2,07,827**	**2,18,137**	**2,28,832**
Gross outstanding claims	21,705	23,171	28,718	34,683	35,247	35,355
Gross actuarial risk reserve	58,403	51,542	57,251	63,059	63,779	65,407
Short term loan	2,000	-	7,500	7,500	7,500	7,500
Total Liabilities	**1,29,315**	**1,08,405**	**1,28,989**	**1,35,852**	**1,39,064**	**1,42,495**
Share capital	26,500	26,500	26,500	26,500	26,500	26,500
Retained earnings	13,865	18,826	15,357	18,259	22,531	26,816
Total Equity	**58,903**	**67,420**	**66,427**	**71,975**	**79,073**	**86,338**
Total Liabilities and Shareholders' equity	**1,88,218**	**1,75,826**	**1,95,417**	**2,07,827**	**2,18,137**	**2,28,832**
Cash Flow Statement						
Net cash from operating activities	13,290	18,128	5,054	7,777	7,228	9,388
Net cash from investing activities	(8,735)	(18,151)	994	(1,888)	(2,189)	(2,476)
Net cash from financing activities	(3,345)	(8,733)	(1,852)	(5,375)	(5,375)	(6,700)
Cash & cash equivalent at period end	**19,004**	**10,234**	**14,431**	**14,945**	**14,610**	**14,822**
Key Ratios						
Net underwriting result	19.0%	23.3%	13.9%	16.2%	16.8%	17.1%
Profit before taxation	11.0%	15.4%	7.4%	10.0%	10.8%	11.4%
NP margin	9.6%	13.2%	6.4%	8.5%	9.1%	9.7%
Loss Ratio	75.4%	70.4%	78.9%	76.5%	76.1%	75.9%
Expenses Ratio	23.2%	21.3%	21.9%	21.7%	21.4%	21.1%
Combined Ratio (COR)	98.7%	91.7%	100.8%	98.1%	97.5%	97.0%
Retention ratios	78.3%	82.2%	83.4%	84.1%	84.2%	84.3%
ROA	5.8%	8.2%	4.0%	5.4%	5.8%	6.2%
ROE	18.1%	23.8%	11.2%	15.7%	16.4%	16.8%
EPS (RO)	0.038	0.057	0.028	0.041	0.047	0.052
BVPS (RO)	0.222	0.254	0.251	0.272	0.298	0.326
DPS (RO)	0.025	0.035	-	0.020	0.020	0.025
Dividend Yield (%)	8.2%	9.9%	0.0%	5.9%	5.9%	7.4%
Cash Dividend payout (%)	64.9%	61.8%	0.0%	48.9%	42.7%	47.7%
P/E (x)	7.95x	6.25x	12.06x	8.31x	7.27x	6.49x
P/BV (x)	1.38x	1.39x	1.36x	1.25x	1.14x	1.04x
Price as at period end*	0.306	0.354	0.340	0.340	0.340	0.340

Source: Company Reports, U Capital Research *Current market price is used for the years forecasted

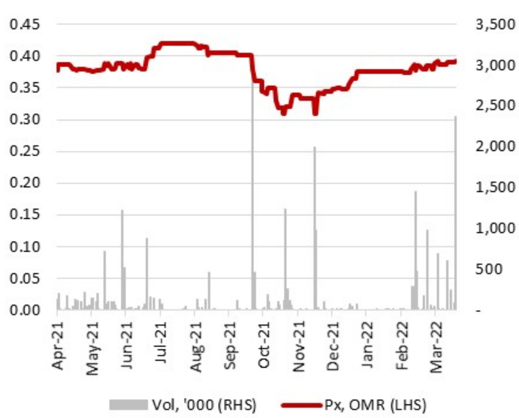
Oman United Insurance Company

Target Price: OMR 0.455
Upside/ (Downside): 17.2%

Recommendation	**Accumulate**
Bloomberg Ticker	OUIC OM
Current Market Price (OMR)	0.39
52wk High / Low (OMR)	0.420/0.310
12m Average Vol. (000)	101.5
Mkt. Cap. (USD/OMR Mn)	101/39
Shares Outstanding (mn)	100.0
Free Float (%)	65%
3m Avg Daily Turnover (OMR'000)	47.9
6m Avg Daily Turnover (OMR'000)	39.3
P/E'22e (x)	9.1
EV/EBITDA'22e (x)	1.2
Dividend Yield '22e (%)	9.0%
Price Performance:	
1 month (%)	2.1
3 month (%)	3.2
12 month (%)	(5.4)

Source: Bloomberg, valued as of 31 March 2022

Price-Volume Performance



Source: Bloomberg

- **Limited GWP expansion, given its focus on quality clients rather than approaching market share**
- **Healthy underwriting margin on the back of a prudent and selective underwriting approach**
- **One of the best-combined ratios in the industry**
- **A steady and consistent dividend distribution policy may attract fixed income-seeking investors**

We re-initiate coverage on Oman United Insurance Company (OUIC) with an **Accumulate** rating on the stock, with a target price of OMR 0.455 per share, implying an upside of 17.2%. Currently, the stock trades at 1.2x P/B, based on our FY'22 estimates. We believe that the company will continue to look to maintain profitability by adopting a conservative approach (focusing on quality clients rather than on market shares and growing top-line), which may result in slightly lower top-line growth compared to the overall industry growth rate. However, this approach may enable the company to efficiently manage the claims, thereby generating healthy underwriting margins. However, stiff competition and a challenging reinsurance market remain a concern for the company. Overall, we believe that investors, looking for stable investment return with a low-risk appetite, can look to invest in this stock, given an attractive dividend yield of ~9%.

Investment Thesis

Valuation and risks: Our target price is based on blended valuation methodologies – (i) DDM Valuation (ii) Relative Valuation (P/B multiples). The downside risks to our valuation include less than expected growth in GWP, loss of any major accounts amid the pandemic, a decline in premium rates, higher than expected claims, and regulatory investment limits in various products. Key upside risks to our valuation include unexpected rise in premium rates, faster than expected gain in market share, lower than expected loss ratio, better underwriting, and above-expected dividends.

Pure dividend play: The company has shown a strong and consistent track record of paying the dividend, driven by (i) healthy earnings performance, despite a decline in market share over the years, owing to prudent underwriting and investment strategies (ii) ability to retain its key clients even during the tough environment, such as Covid-19 and "Shaheen" cyclone (iii) efficient claim management ability(iv) a conservative investment portfolio leading to rise in investment income. Going forward, we expect the distribution to remain stable, and provides a robust and steady dividend yield of over 9% during our forecasted period.

Financials & valuation summary:

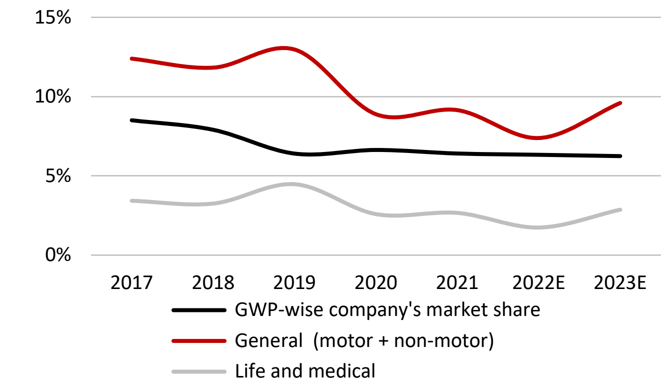
	FY19	FY20	FY21	FY22e	FY23e	FY24e
Gross Written Premiums (OMR mn)	31.2	30.9	30.5	32.7	34.6	36.4
Net Underwriting (OMR mn)	8.0	8.1	6.4	6.7	7.2	7.7
Net Profit (OMR mn)	3.4	4.3	4.0	4.3	4.6	4.9
Combined Ratio	83.1%	82.8%	94.6%	95.6%	94.9%	94.3%
ROA	3.2%	4.0%	3.6%	3.8%	3.9%	3.9%
ROE	11.6%	14.0%	12.8%	13.5%	14.3%	14.7%
DPS (OMR/share)	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Dividend Yield	9.6%	8.8%	9.3%	9.0%	9.0%	9.0%
P/E (x)	9.2x	9.4x	9.5x	9.1x	8.4x	7.9x
P/BV (x)	1.1x	1.3x	1.2x	1.2x	1.2x	1.1x

Source: Company Reports, U Capital Research **P/E and P/B from 2021 onwards calculated on price of 31 March 2022*

Declining market share should not be seen as a concern

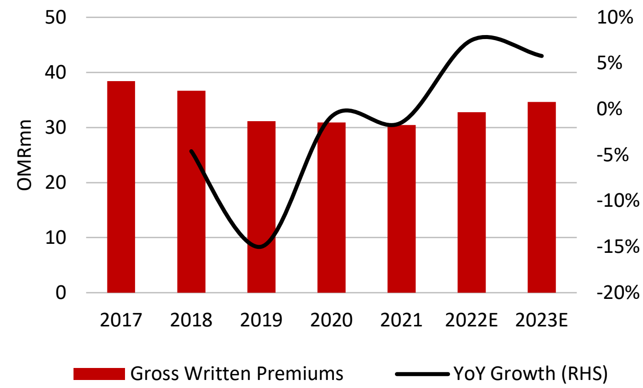
OUIC's GWP has shown a negative CAGR of -3.9% from FY17-21, underperforming the industry, which grew at a CAGR of ~1% during the same period. Accordingly, the company's overall market share declined from 8.5% in 2017 to 6.4% in 2021, majorly due to its life and medical segments. This decline could be attributable to its prudent underwriting strategies, wherein the company becomes selective in retaining and renewing some of its less profitable accounts to improve its underwriting performance.

Fig. 48: Market share moving downwards



Source: Company Reports, U Capital Research

Fig. 49: Gross Written Premium to increase at a slower pace



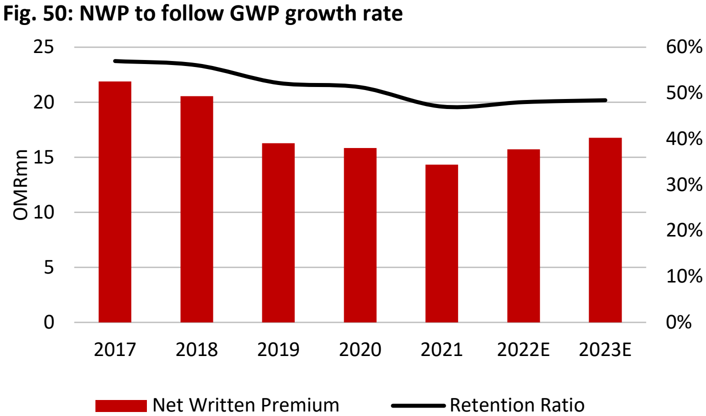
Source: Company Reports, U Capital Research

Going ahead, the company's focus will be to grow its retail business, comprising of individual insurance and their properties through the expansion of branches and agencies network and using modern technologies to service the customers while keeping the expenses in check. In addition, the recent regulatory reforms (including mandatory health insurance starting 2022) and improving economic activities and business sentiments on higher oil prices should further support the company's GWP performance. Accordingly, the company's top line is expected to grow at a CAGR of ~5% over 2021-26e, although, it would still underperform the broader sector, which is likely to grow at a CAGR of over 6%. Consequently, the company's market share may decline further to ~6% by 2026. Nonetheless, we do not see this as a concern for the company as the company's selective and conservative approach would be fruitful in terms of better core underwriting operations going forward.

Hardening reinsurance market may slightly impact the underwriting margins in the near term

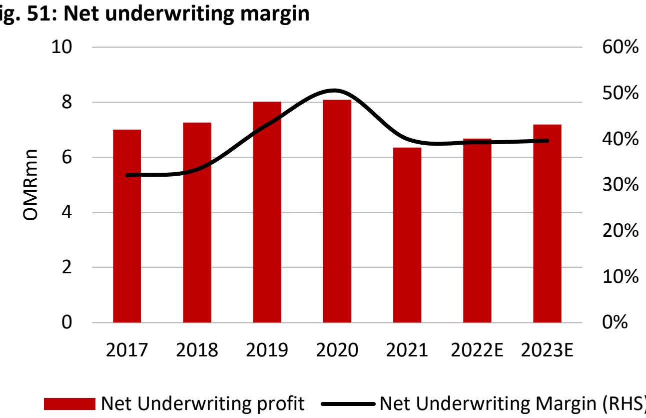
The reinsurance market seems to be hardened after the increase in claims from catastrophe insurance throughout the world. Specifically in Sultanate, the international reinsurance companies have suffered due to the increase in loss ratios last year (mainly due to COVID and the "Shaheen" cyclone), resulting in the limited increase in reinsurance treaties capacity, which in turn is leading to higher reinsurance cost for the insurance companies. Thus, going ahead, we believe the underwriting margin will remain under pressure, although not heavily, as the company may aim to retain higher business to reduce its reinsurance cost and gradually improve its underwriting margin, starting from next year.

Fig. 50: NWP to follow GWP growth rate



Source: Company Reports, U Capital Research

Fig. 51: Net underwriting margin

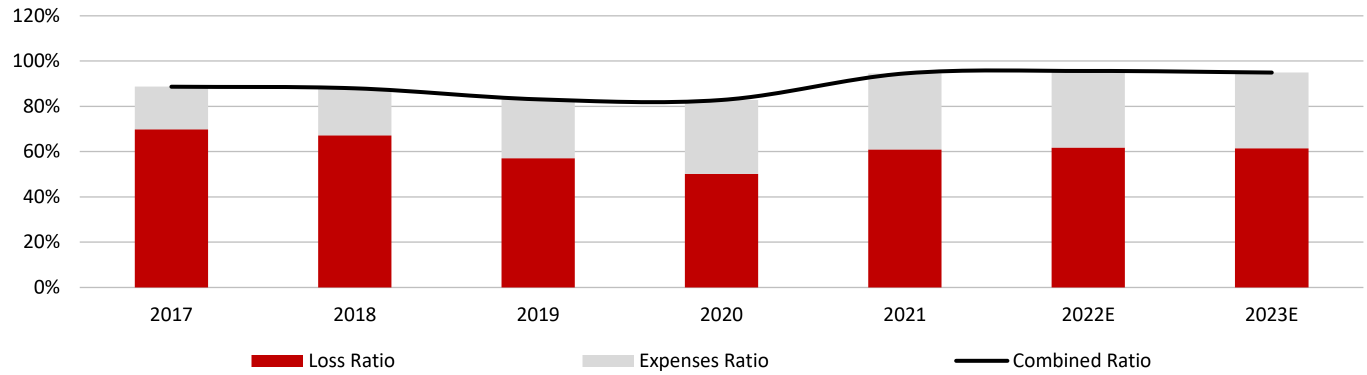


Source: Company Reports, U Capital Research

One of the best-in-class combined ratio

Since FY'17, the company's combined ratio has followed a decreasing trend and reached 82.8% in FY'20. This shows that the company has one of the best underwriting policies in the industry and is able to generate sufficient cash out of its underwriting business. However, due to the rise in Covid-19 claims, the company's loss ratio increased from 50.1% in FY'20 to 60.9% in FY'21, resulting in a higher combined ratio of 94.6% in FY'21.

Fig. 52: Combined ratio to improve with the decline in loss and expense ratio



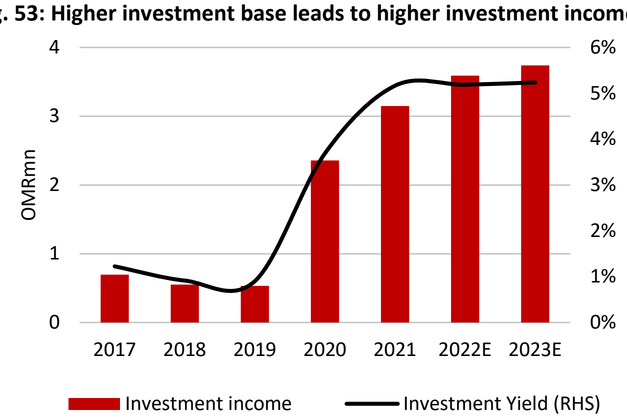
Source: Company Reports, U Capital Research

Going forward, we expect the loss ratio to increase slightly in FY'22e to 61.8%, although later improving to 60.5% by FY'26e. Further, the expense ratio is estimated to be in the range of 32-34% over the forecasted period. That said, the combined ratio should decrease from 95.6% in FY'22e to 92.9% in FY'26e, indicating the company's ability to generate healthy underwriting profitability.

Investment income to continue moving northward…

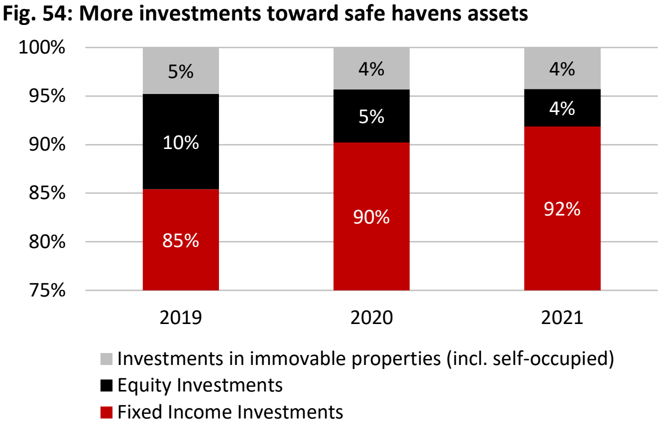
The company's prudent underwriting approach has also been reflected in its investment portfolio mix with more than 92% of its surplus parked in less risky and liquid fixed investments. As a part of its approach, over the years, the company has gradually reduced its exposure to relatively risky assets such as equity and shifted to fixed income assets. Despite its conservative investment approach and unfavorable factors such as the COVID pandemic and low oil prices, the company was able to able increase its investment income at a CAGR of ~46% over 2017-21. Going forward, with the local economy gradually picking up coupled with a positive state budget amid higher oil prices, the company aims to cautiously increase its allocation towards the local equity market, which may generate higher investment income and thereby drive the earnings.

Fig. 53: Higher investment base leads to higher investment income



Source: Company Reports, U Capital Research

Fig. 54: More investments toward safe havens assets

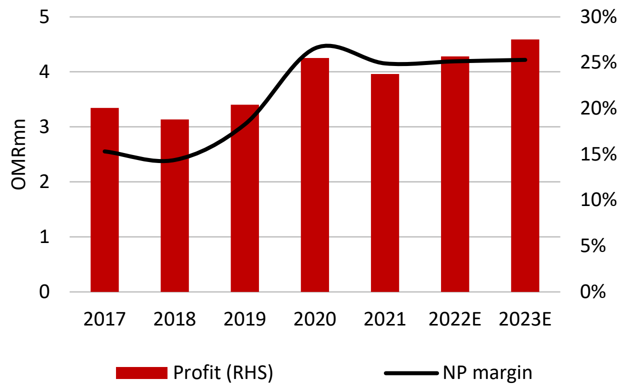


Source: Company Reports, U Capital Research

…which would ensure steadily higher earnings

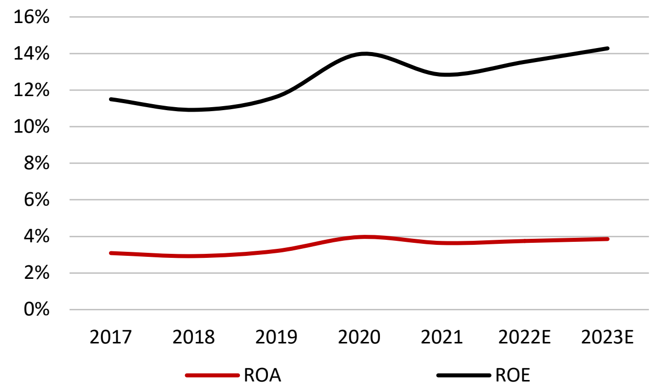
As moderate growth is expected in top-line and number of claims, coupled with robust investment income, we expect net profit to grow at a CAGR of 7.1% over 2021-26e in comparison to a CAGR of 4.3% in 2017-21. Also, we expect the net profit margin to improve from 24.9% in FY'21 and 26.3% in FY'26e, mainly due to the growth of the retail portfolio. Resulting, we expect ROA and ROE to reach 4.0% and 15.1% respectively by FY'26e from 3.6% and 12.8% in FY'21.

Fig. 55: Net profit and margins to improve in the coming years



Source: Bloomberg, U Capital Research

Fig. 56: ROE to improve while ROA to remain stable

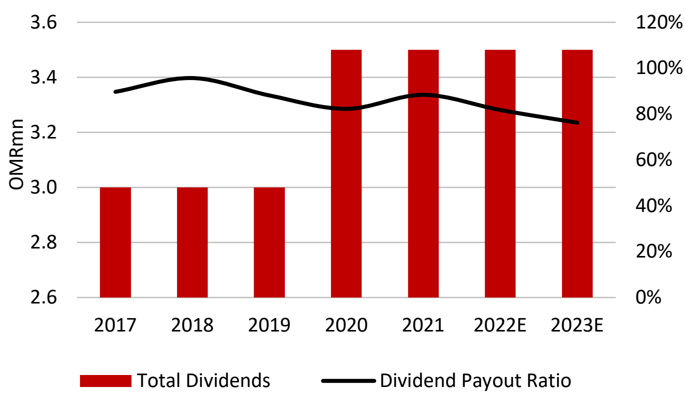


Source: Bloomberg, U Capital Research

Offering a high dividend yield with a prudent dividend distribution policy

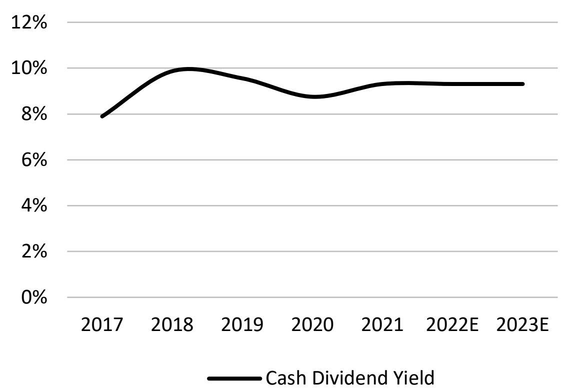
OUIC follows a prudent dividend distribution policy and has a strong track record to reward its shareholders with a consistent dividend payment over the last twelve years. Historically, the company's dividend payout was above 82% with a robust dividend yield of ~8-9% consistent over the last 5 years. Despite the higher payout, the dividend per share on an absolute basis has increased only once during the previous years. Hence, on a conservative basis, we expect the company to maintain its distribution per share at the current level during 2021-26e and continue to offer a dividend yield of more than 9% at the current price.

Fig. 57: One of the highest dividend payout ratios in the industry



Source: Company Reports, U Capital Research

Fig. 58: Consistently high dividend yield



Source: Bloomberg, U Capital Research

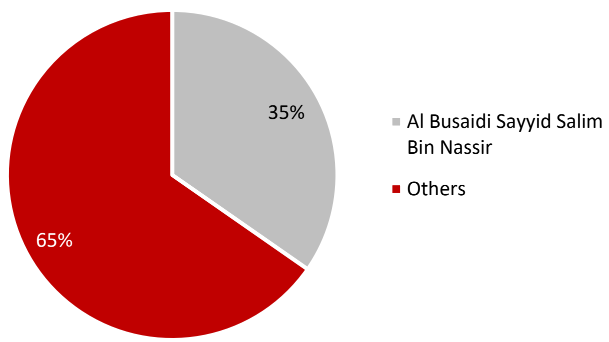
A pure dividend-play stock driving the upside

OUIC's GWP market share declined from 8.5% in FY17 to 6.4% in FY21, due to its focus on quality-based growth rather than driven simply by top-line growth. This approach has helped the company to retain its customers during challenging times (COVID and cyclone) and ensured fewer claims and strong underwriting operations. The company has also followed this conservative policy in its investment approach and with likely higher underwriting income in the coming years, OUIC will be actively and efficiently managing its investment portfolio to generate higher investment income. Further, the company's consistent dividend distribution policy, along with robust dividend yield should be a major investment positive for the shareholders, especially fixed income-seeking investors. Valuing the stock based on the DDM approach and P/B multiple of 1.3x to its FY22e, we arrive at the target price of OMR 0.455, an upside of 17.2% from the current price of OMR 0.388.

About OUIC

Oman United Insurance Company (OUIC) is incorporated in the Sultanate of Oman. The company is mainly engaged in the underwriting of the general and life and medical insurance business and the repair and maintenance of motor vehicles within the Sultanate of Oman.

Fig. 59: OUIC's Shareholding Structure



Source: Bloomberg, 31 March 2022.

Key financials

In OMR'000, except stated otherwise	FY19	FY20	FY21	FY22e	FY23e	FY24e
Income Statement						
Gross written premiums (GWP)	31,160	30,908	30,458	32,748	34,645	36,407
Insurance premium ceded to reinsurers, earned	-14,895	-15,059	-16,127	-17,020	-17,862	-18,627
Net written premium	16,265	15,849	14,332	15,728	16,783	17,780
Net earned premium (NEP)	**18,622**	**16,009**	**15,886**	**17,016**	**18,142**	**19,210**
Claims paid	-20,685	-18,100	-17,047	-18,564	-19,623	-20,607
Reinsurers' share of claims	9,465	10,240	7,628	8,357	8,806	9,221
Net underwriting result	**8,024**	**8,093**	**6,356**	**6,687**	**7,190**	**7,674**
Investment income	534	2,355	3,149	3,591	3,741	3,893
General and administrative expenses	-4,879	-5,158	-5,366	-5,809	-6,129	-6,422
Profit before taxation	**4,434**	**5,222**	**4,671**	**5,036**	**5,403**	**5,777**
Income tax	-1,029	-967	-711	-755	-810	-867
Profit for the year	3,404	4,254	3,960	4,280	4,592	4,911
Balance Sheet						
Cash and bank balances	475	1,937	773	941	2,182	1,748
Investment property	2,216	2,142	2,076	1,894	1,905	1,930
Financial investments	59,201	63,827	60,964	69,219	71,424	73,636
Insurance and other receivables	7,799	7,212	9,077	9,511	10,628	11,169
Reinsurers' share of insurance contract liabilities	34,924	30,588	34,399	31,064	36,377	40,048
Total Assets	**1,06,221**	**1,07,310**	**1,08,784**	**1,14,142**	**1,23,993**	**1,29,996**
Liabilities arising from insurance contract	60,994	56,663	59,177	62,004	69,290	72,814
Trade and other payables	14,646	16,318	17,573	19,320	20,787	21,844
Income tax payable	1,022	976	753	753	753	753
Total Liabilities	**76,967**	**76,850**	**77,954**	**82,531**	**91,291**	**95,882**
Share capital	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	4,645	5,899	6,359	7,139	8,232	9,642
Total Equity	**29,254**	**30,459**	**30,830**	**31,610**	**32,703**	**34,113**
Total Liabilities and Shareholders' equity	**79,661**	**90,430**	**75,508**	**83,133**	**88,096**	**95,693**
Cash Flow Statement						
Net cash from operating activities	511	5,029	(688)	12,164	7,313	5,676
Net cash from investing activities	2,072	(2,973)	5,431	(8,499)	(2,579)	(2,620)
Net cash from financing activities	-3,000	(3,000)	(3,500)	(3,497)	(3,493)	(3,490)
Cash & cash equivalent at period end	**475**	**1,937**	**773**	**941**	**2,182**	**1,748**
Key Ratios						
Net underwriting margin	43.1%	50.6%	40.0%	39.3%	39.6%	39.9%
Pre-tax margin	23.8%	32.6%	29.4%	29.6%	29.8%	30.1%
NP margin	18.3%	26.6%	24.9%	25.2%	25.3%	25.6%
Loss Ratio	57.1%	50.1%	60.9%	61.8%	61.4%	61.1%
Expenses Ratio	26.0%	32.7%	33.6%	33.9%	33.5%	33.1%
Combined Ratio (COR)	83.1%	82.8%	94.6%	95.6%	94.9%	94.3%
Retention ratios	52.2%	51.3%	47.1%	48.0%	48.4%	48.8%
ROA	3.2%	4.0%	3.6%	3.8%	3.9%	3.9%
ROE	11.6%	14.0%	12.8%	13.5%	14.3%	14.7%
EPS (OMR)	0.034	0.043	0.040	0.043	0.046	0.049
BVPS (OMR)	0.293	0.305	0.308	0.316	0.327	0.341
DPS (OMR)	0.030	0.035	0.035	0.035	0.035	0.035
Dividend Yield (%)	9.6%	8.8%	9.3%	9.0%	9.0%	9.0%
Cash Dividend payout (%)	88.1%	82.3%	88.4%	81.8%	76.2%	71.3%
P/E (x)	9.22x	9.40x	9.50x	9.06x	8.45x	7.90x
P/BV (x)	1.07x	1.31x	1.22x	1.23x	1.19x	1.14x
Price as at period end*	0.314	0.400	0.376	0.388	0.388	0.388

Source: Company Reports, U Capital Research

*Current market price is used for the years forecasted

Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

Additional Disclaimer: NLIF discussed in this report is a sister concern of U Capital.

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