

The Company for Cooperative Insurance - 4Q23 Result Review

Analyst: Neetika Gupta

Recommendation:

Accumulate

Target Price (SAR):

UR

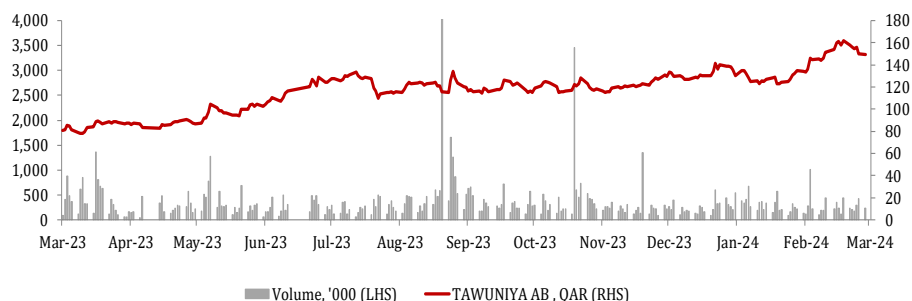
Previous Reco. & Date:

TP: SAR 133.21 per share; Accumulate on 16-November-2023

Upside / (Downside):

Date: 11-03-2024

Bloomberg Ticker	TAWUNIYA AB
Current Market Price (SAR)	149.6
52wk High / Low (SAR)	163.2/77.917
12m Average Vol. (000)	356.8
Mkt. Cap. (USD/SAR mn)	6059/22440
Shares Outstanding (mn)	150.0
Free Float (%)	74%
3m Avg Daily Turnover (000)	38,300.0
6m Avg Daily Turnover (000)	41,300.0
P/E'24e (x)	23.3x
P/BV'24e (x)	6.3x
Dividend Yield '24e (%)	3.9%
Price Perf. (1m/3m) (%)	12%/15%



Insurance revenue improve 29% YoY in 4Q23, in-line with Bloomberg consensus but ahead of U-Capital estimate

Tawuniya posted an insurance revenue of SAR 4,200mn (29% YoY and 6% QoQ) in 4Q23, in-line with Bloomberg consensus of SAR 4,254mn but ahead of U-Capital estimate of SAR 3,812mn. For FY23, Insurance revenue stood at SAR 15,265mn reflecting a 34% YoY growth compared to FY22. This growth was primarily driven by a 28.6% growth in GWP due to the strong performance of the main business lines (Health, Motor, and General insurance).

Insurance Service results grows significantly QoQ in 4Q23

Insurance service results for Tawuniya for 4Q23 stood at SAR 430mn (-33% YoY and 194% QoQ) largely in line with U-Capital estimate of SAR 466mn. This significant QoQ growth is due to reduction in service expenses for 4Q23 as compared to 3Q23. For FY23, Insurance service results stood at SAR 1,198mn reflecting a 30% YoY growth driven by an increase of insurance revenues supported by a better management of claims leading to reduction in incurred claims.

Net income decreases significantly in 4Q23, below Bloomberg consensus

The company's net income for the quarter stood at SAR 90mn (-62% YoY and -56% QoQ), below Bloomberg consensus of SAR 195mn. Tawuniya has restated its financials in accordance with IFRS 9 & 17 standards, leading to significant changes in the presentation of financial results, including restating comparative periods under the new standards and the lack of availability of restated financials for 4Q22 contributed to the deviation. For FY23, net income amounted to SAR 616mn, reflecting a growth of 104% YoY. This growth can be attributed to the improvement in insurance service results, along with increased investment income driven by higher interest rates and consistent fixed income returns throughout the FY23.

Target Price Under Review

Tawuniya achieved impressive FY23 results, exhibiting a remarkable 104% YoY net income growth. We assigned Accumulate rating to Tawuniya with a target price of SAR 133.24 on 16th November. Since then, the stock has appreciated by 37%, ahead of our target price of SAR 133.24. We maintain **Accumulate** rating on the stock and put the target price Under Review.

Valuation

Tawuniya is trading at 2024e P/E of 23.3x compared to the historical average 1-year forward P/E of 25.2x. Additionally, the stock is valued at P/BV multiple of 6.3x, based on the FY24 estimate, compared to the historical average of 4.5x.

Income Statement												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Insurance Revenue	3,260	3,407	3,697	3,961	4,200	3,812	29%	6%	10%	11,408	15,265	34%
Insurance service results	639	162	460	146	430	466	-33%	194%	-8%	923	1,198	30%
Net Investment Income	111	103	103	113	117	108	5%	4%	8%	372	436	17%
Net Profit (Loss)	233	74	246	206	90	364	-62%	-56%	-75%	302	616	104%
Balance Sheet												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Shareholders' Equity	3,126	3,228	3,348	3,304	3,615	3,444	16%	9%	5%	3,126	3,615	16%
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Insurance service results margins	19.6%	4.8%	12.4%	3.7%	10.2%	12.2%				8.1%	7.8%	
Net Profit Margin	7.2%	2.2%	6.6%	5.2%	2.1%	9.6%				2.6%	4.0%	
ROE	29.9%	9.2%	29.4%	25.0%	9.9%	42.3%				9.7%	17.1%	

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report, please [click here](#).

Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harthi

 +968 2494 9024


 ahlam.harathi@u-capital.net

Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

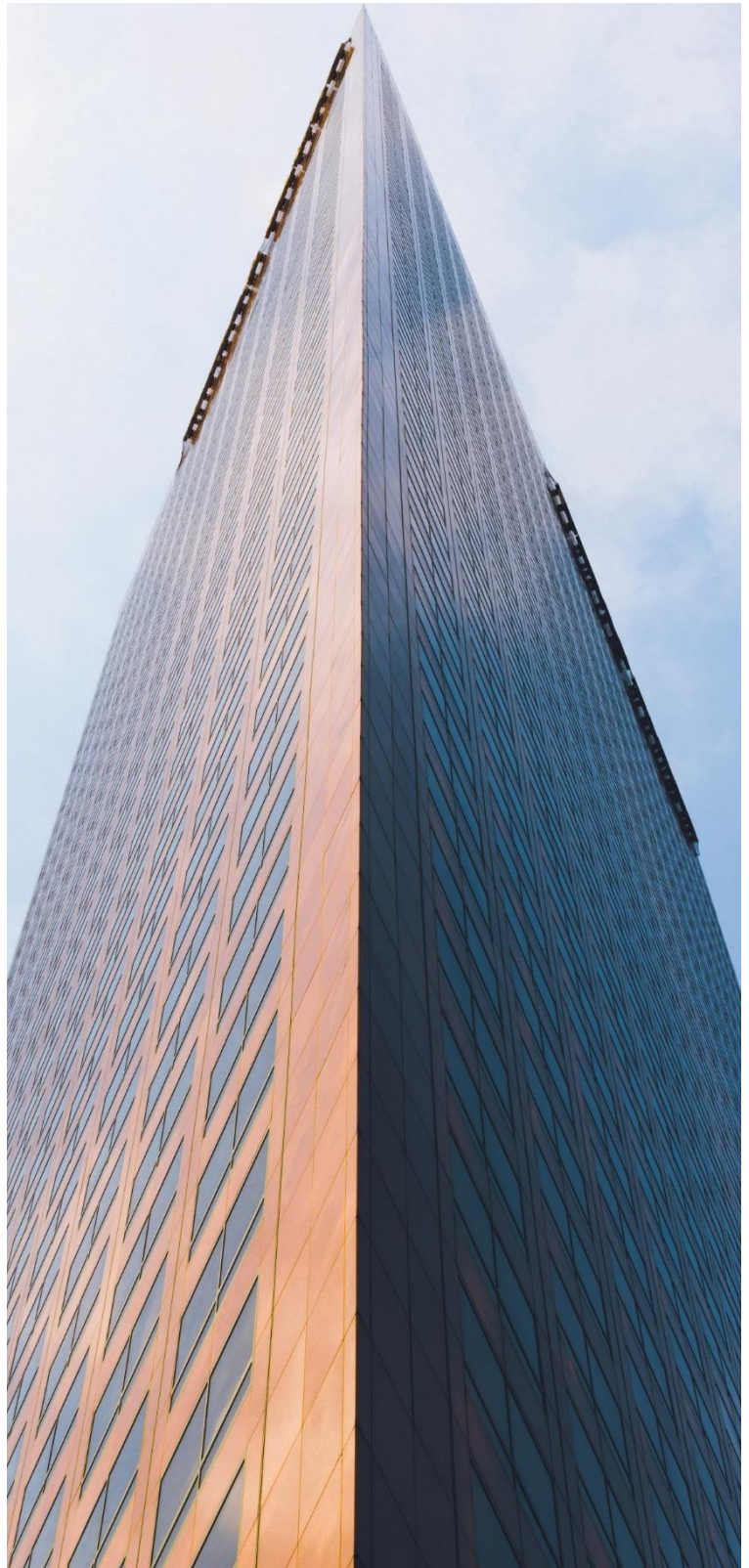
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: **www.u-capital.net**



Recommendation

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

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

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