

## Bupa Arabia for Cooperative Insurance Co. (Bupa Arabia)

Target Price: SAR 230.0/share

Upside: 4.5%

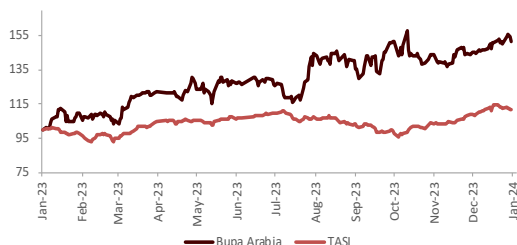
## Recommendation

Hold

Current Market Price (SAR)	220.2
52wk High / Low (SAR)	237.0/145.4
Mkt. Cap. (USD/SAR Mn)	8,802/33,030
Shares Outstanding (mn)	150.0
Free Float (%)	56.4%
3m Average Vol. (000)	157.0
3m Avg Daily Turnover (SAR'000)	33,068
Dividend Yield '24e (%)	2.7%
P/E'24e (x)	24.4

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	2023e	2024e	2025e	2026e
Insurance revenue	15,978	18,375	20,580	23,049
Insurance service expense	(14,861)	(16,905)	(18,830)	(20,975)
Insurance service result	1,087	1,435	1,710	2,031
Insurance service result Margin (%)	7%	8%	8%	9%
Net investment results	507	450	450	450
Net insurance and investment results	1,594	1,885	2,160	2,481
Net Income	1,137	1,355	1,570	1,823
Net margin	7%	7%	8%	8%
EPS (SAR)	7.58	9.03	10.46	12.15
ROE (%)	24%	25%	26%	26%

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

Bupa Investment Overseas Ltd	43.25%
Nazir Holding Group	5.01%

Source: Bloomberg, Yaqeen Capital

## Earnings declined on higher insurance service expense

- Bupa Arabia net income decreased by 23.4% YoY (-25.9% QoQ) to SAR 275mn in 3Q2023. This decline was primarily attributed to a more significant increase in insurance service expenses compared to insurance service revenue. The net margin declined to 6.7% (-4.0ppts YoY, -2.8ppts QoQ) in 3Q2023.
- Insurance revenue was up by 21.7% YoY (+5.3% QoQ) to SAR 4,093mn in 3Q2023. For 9M2023, revenue came higher by 24.1% YoY, reaching SAR 11,278. The growth was driven by a 10.5% YoY (+19.0% QoQ) surge in gross written premium during 3Q2023 and a 22.0% YoY rise for 9M2023.
- Insurance service results amounted to SAR 257mn, witnessing a fall of 16.1% YoY and 30.9% QoQ in 3Q2023, while insurance results margin declined to 6.3% (-2.8ppts YoY, -3.3ppts QoQ).
- Investment income decreased by 19.3% YoY but increased 14.8% QoQ to SAR 141mn in 3Q2023 due to favorable interest rates, increased duration, and larger portfolio size of SAR 11.9bn in 9M2023, compared to SAR 10.8bn in 9M2022.
- For 9M2023, net income increased by 26.8% YoY to SAR 835mn, and net margin improved to 7.1% compared to 7.0% in 9M2022.
- For 9M2023, total KSA Insurance market saw a growth of 27.5% YoY in insurance revenue. Meanwhile, health insurance market in KSA grew by 26.5% YoY driven by growth across segments in 9M2023.
- Bupa Arabia retained its leadership in healthcare insurance, holding a market share of 46.0% in 9M2023, a slight decrease from 47.1% in 9M2022. The company also maintained a market share of 28.3% (compared to 29.1% in 9M2022) in the overall insurance market in KSA during the same period.

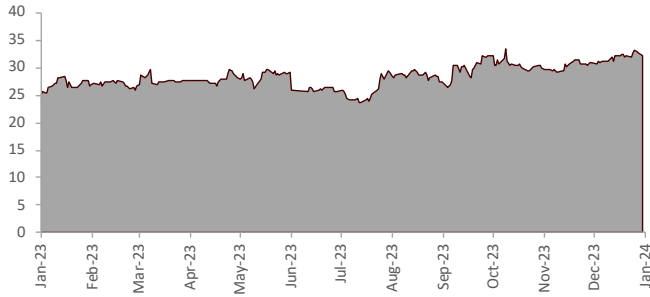
**Outlook & Valuation:** The KSA health insurance market is experiencing robust growth driven by the mandatory medical insurance coverage for Public sector employees and their dependents. Looking ahead, this momentum is expected to persist, fueled by potential improvements in enforcement, which could introduce over 2.5mn more lives from the private sector into the insurance market in the coming years. As a market leader, Bupa stands to benefit the most from these developments, with GWP growth anticipated in the medium to long term. Overall, we hold a positive outlook due to strong growth visibility, a solid investment portfolio, increasing profitability, and attractive dividends. However, we believe that the current stock price already incorporates most of these positives, considering the substantial 50% rise over the past year. Based on the Residual income valuation, we arrive at a fair value of SAR 230.0/share, offering an upside of 4.5% from the current level. Hence, we recommend a Hold rating on the stock.

## Financial Summary

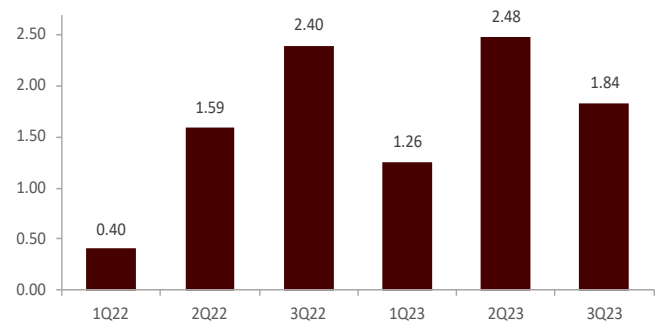
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Insurance revenue	4,093	3,363	22%	3,885	5%
Insurance service expense	(3,828)	(3,050)	26%	(3,502)	9%
Insurance service result	257	306	-16%	372	-31%
Insurance service result Margin (%)	6%	9%		10%	
Net investment results	141	176	-19%	123	15%
Net insurance and investment results	398	481		495	
Net Income	275	359	-23%	371	-26%
Net margin (%)	7%	11%		10%	
EPS (SAR)	1.84	2.40	-23%	2.48	-26%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



## Rating Methodology

**Buy:** The Target share price exceeds the current share price by  $\geq 10\%$

**Hold:** The Target share price is either more or less than the current share price by  $10\%$

**Sell:** The Target share price is less than the current share price by  $\geq 10\%$

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