

Liva Group (LIVA) - FY23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: Accumulate

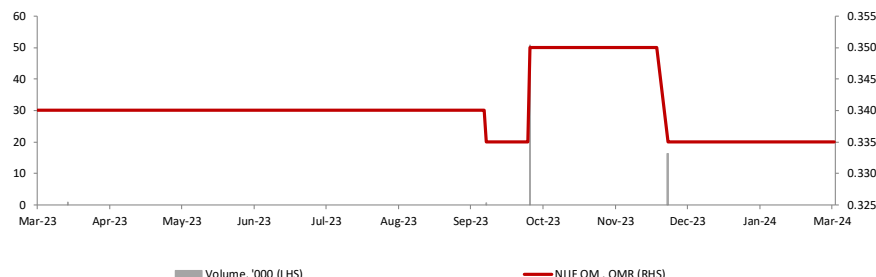
Previous Reco. & Date: TP: OMR 0.380 per share; Accumulate 11-October-2023

Target Price (OMR): 0.380

Upside / (Downside): 13.4%

Date: 3/5/2024

Bloomberg Ticker	LIVA OM
Current Market Price (OMR)	0.335
52wk High / Low (OMR)	0.35/0.335
12m Average Vol. (000)	0.3
Mkt. Cap. (USD/OMR mn)	347/133
Shares Outstanding (mn)	398.4
Free Float (%)	57%
3m Avg Daily Turnover (000)	0.1
6m Avg Daily Turnover (000)	0.2
P/E'24e (x)	28.1
P/Bv'24e (x)	1.2
Dividend Yield '24 (%)	-
Price Perf. (1m/3m) (%)	0/-4.3



Insurance revenue increased by 43% during FY23

For FY23, the company's insurance revenue increased by 43% YoY to OMR 310.8mn, primarily due to the consolidation of businesses throughout the year, thereby expanding geographical footprint and product coverage. The notable performance observed in personal lines primarily attributed to the sustained effectiveness of the KSA growth strategy introduced in 2020, coupled with the adaptations against the regulatory adjustments that have facilitated expansion within the motor insurance market. Furthermore, the Health & Life segment demonstrated considerable growth, particularly in the UAE, driven by heightened demand for medical products, thereby achieving enhanced scalability. The insurance service result grew 65% YoY to OMR 9.0mn, the underwriting revenue was impacted by the external market factors such as higher claims frequency and severity across various markets and business lines.

Investment income increased by 90%, in line with our expectations

For FY23, the total investment income grew ~90% YoY to OMR 12.9mn in line our expectations, driven by an increase in top-line growth and portfolio optimization with a more aggressive investment strategy in the KSA portfolio. The result was supported by a small amount of amortization write offs and the sale of a property in the UAE, as part of the post-merger property rationalization strategy. As a result of strong investment income, the company managed to register YoY net profit growth of 107% to reach OMR 6.4mn.

Maintain our recommendation on the stock

Overall, Liva group performed well in FY23 and is aligning its growth strategy across core markets, with enhanced technical resilience across Personal and Commercial lines. To improve profitability, the company is focused on achieving portfolio rebalancing and the book optimization. Moreover, the healthcare industry in the GCC region is undergoing a phase of growth and transformation as healthcare reforms aim to meet the increasing demands for health services and enhance health standards in the region. A mandatory health insurance in Oman is expected to commence in 2024, covering employees, their dependents, tourists and foreign visitors. As the home market for the Liva, the group plans to capitalize on the increased addressable market, with the expectation of a full roll out of the scheme in late 2024 or early 2025. Accordingly, we continue to maintain Accumulate rating on stock with the previous target price of OMR 0.380.

Valuation

LIVA is trading at 2024e P/E of 28.5x, representing a 4% discount compared to the historical average P/E of 29.7x. Additionally, P/Bv multiple of 1.14x, based on our FY23 estimate, represents a 7% discount compared to the historical average P/Bv of 1.2x.

Income Statement					
(OMR mn)	FY22	FY23	FY23e	YoY	Var
Insurance Revenue	217.0	310.8		43%	
Insurance Service Result	5.5	9.0		65%	
Total Investment Income	6.8	12.9	12.1	90%	6.4%
Profit Before Tax	4.0	7.5		87%	
Income Tax expense	(0.9)	(1.1)			
Profit After Tax	3.1	6.4		107%	
Equity attributable to shareholders of the parent	100.3	107.2			

Source: Company Reports, MSX, U Capital Research


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

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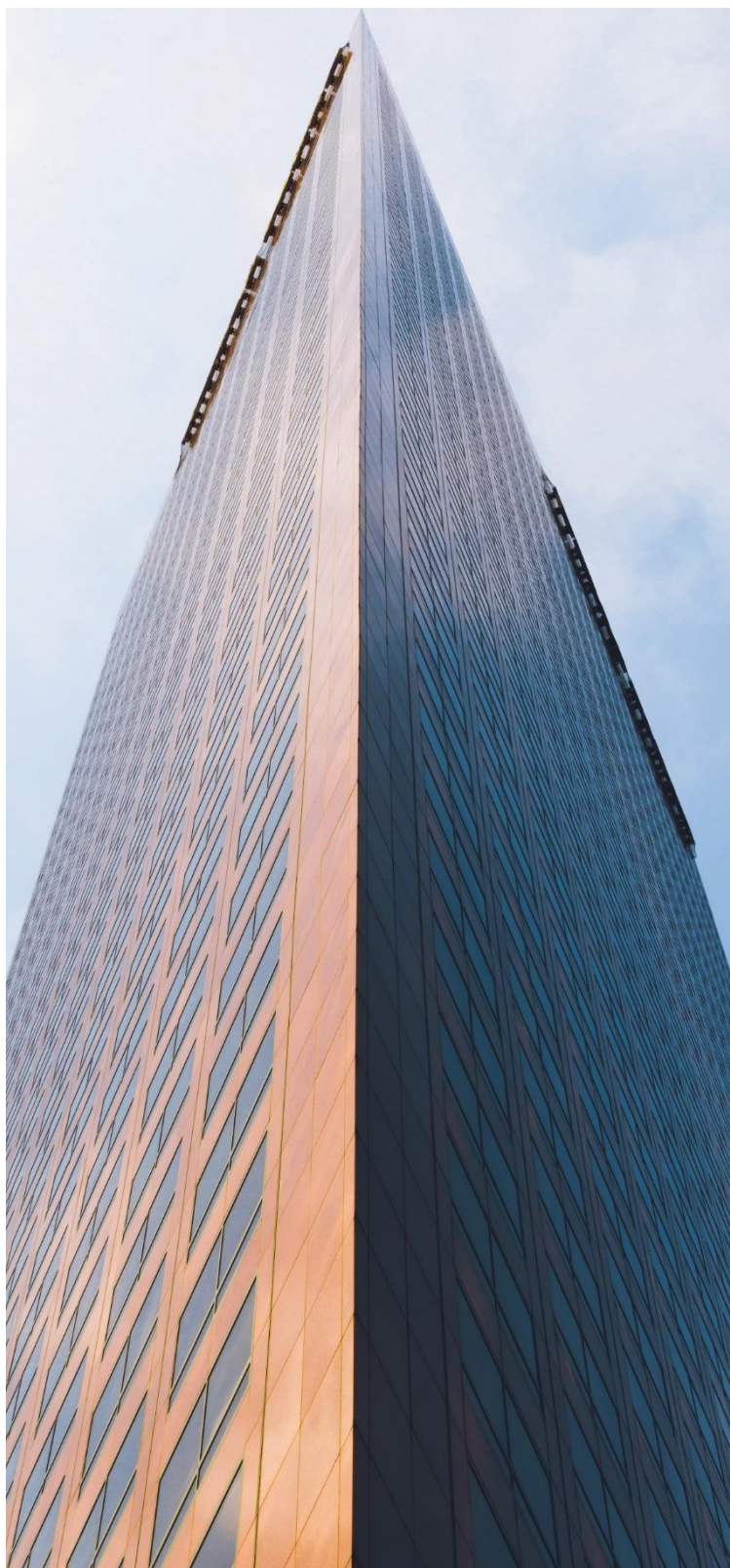
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Disclaimer

Recommendation

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

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