

The Company for Cooperative Insurance - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Accumulate

Target Price (SAR):

UR

Previous Reco. & Date:

TP: SAR 95.43 per share; Accumulate on 08-August-2023

Upside / (Downside):

-

Date: 05-11-2023



Insurance revenue and net earned premium improve 25% and 33%YoY.

Tawuniya posted an insurance revenue of SAR 3,691mn in-line with our estimated SAR 3,847mn. Similarly, it reported a net earned premium of SAR 3,404mn in-line with our estimates. On a YoY basis both revenue and net earned premium improved 25% and 33%, respectively. On a QoQ basis, Insurance revenue was steady compared to previous quarter, however, net earned premium declined 10% likely due to higher reinsurance cost.

Net insurance results improved significantly, although still missed estimates.

The net insurance result stood at SAR 321 mn (301% YoY and -7% QoQ) missing our estimated SAR 447mn. This variance is likely due to higher-than-expected insurance service expenses and other operating expenses.

Net profit before zakat increased YoY.

The company's pretax income for the quarter was SAR 230mn (468% YoY and -17% QoQ), missing our estimated SAR 326mn. The YoY increase was primarily due to increase in insurance revenue and increase in net investment income amid increase in profit rates across Saudi markets.

Target Price Under Review.

We have placed The Company for Cooperative Insurance (Tawuniya) Under Review. We will come out with an investment update note soon.

Valuation.

Tawuniya is trading at 2023e P/E of 22.2x compared to the historical average 1-year forward P/E of 25.1x. Additionally, the stock is valued at a P/BV of 5.4x, based on our FY23 estimate, compared to the historical average of 3.9x.

Income Statement											
(SAR mn)	3Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Insurance Revenue	2,947	3,407	3,697	3,691	3,847	25%	0%	-4%	8,148	10,795	32%
Net Earned premium	2,558	3,882	3,781	3,404	3,304	33%	-10%	3%	7,952	11,067	39%
Insurance Service Expenses	(2,504)	(3,720)	(3,321)	(3,528)	(3,723)	41%	6%	-5%	(7,668)	(10,569)	38%
Net Insurance financial results	80	126	343	321	447	301%	-7%	-28%	228	791	246%
Net Profit (Loss) before Zakat and tax	40	101	276	230	326	468%	-17%	-29%	137	607	344%
Balance Sheet											
(SAR mn)	3Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Shareholders' Equity	2,954	3,213	3,331	3,534	3,561	20%	6%	-1%	2,954	3,534	20%
Key Ratios											
	3Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Net Insurance Result margin	3.1%	3.3%	9.1%	9.4%	13.5%						
PBT Margin	1.6%	2.6%	7.3%	6.8%	9.9%						

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


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

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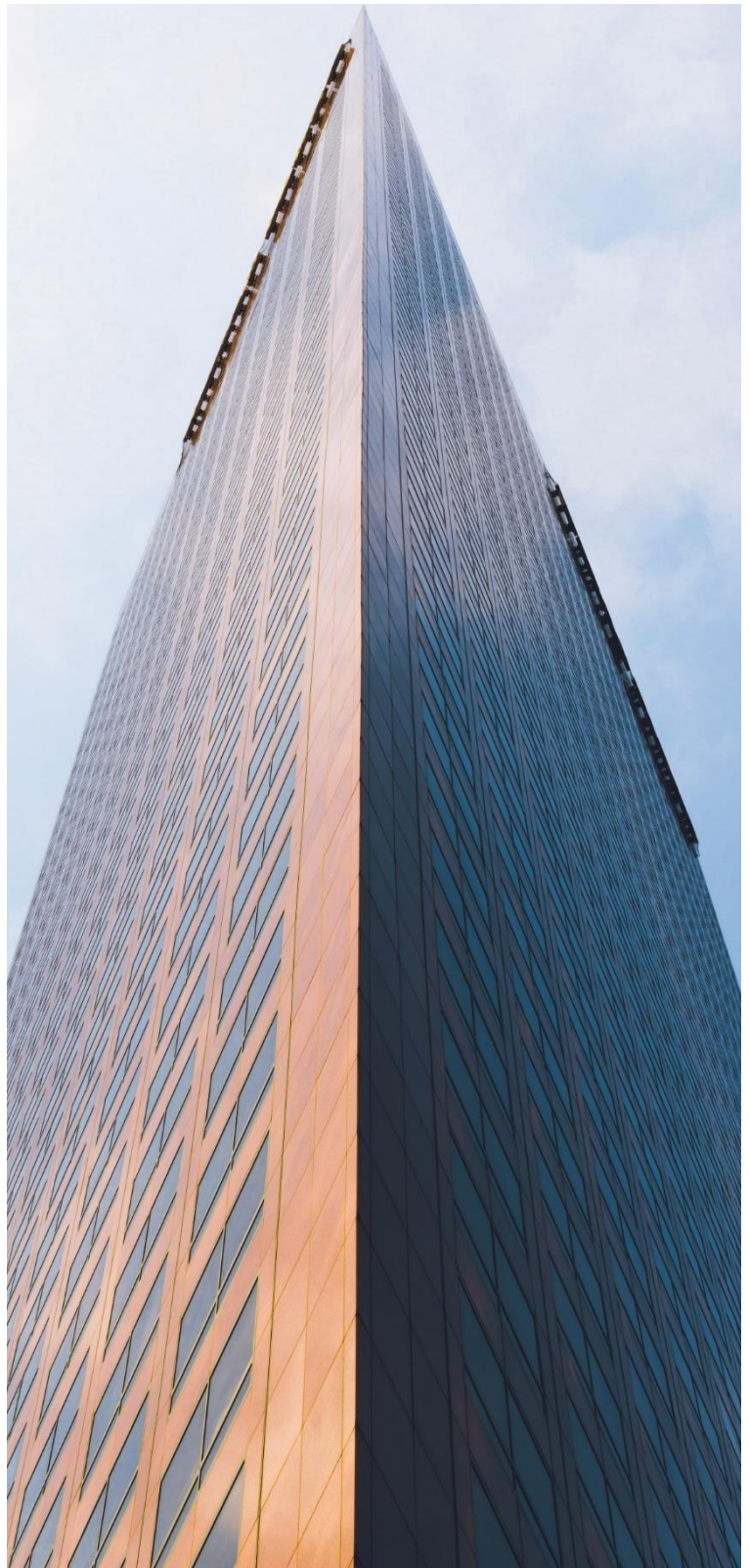
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Recommendation

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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