

## Tawuniya Insurance - 2Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

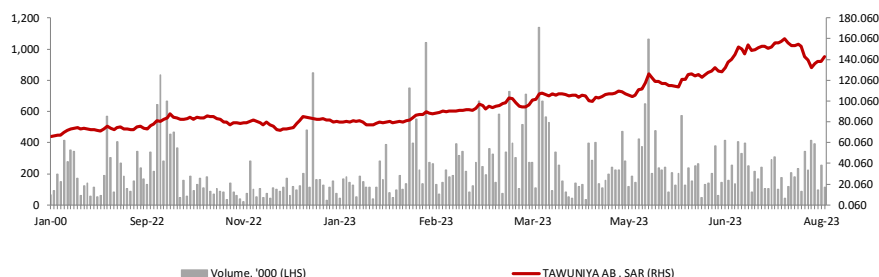
Previous Reco. & Date: TP: SAR 95.43 per share; Accumulate 22-December-2022

Target Price (SAR): **95.43**

Upside / (Downside): -33.3%

Date: **08-08-2023**

Bloomberg Ticker	TAWUNIYA AB
Current Market Price (SAR)	143.000
52wk High / Low (SAR)	162/65
12m Average Vol. (000)	228.7
Mkt. Cap. (USD/SAR mn)	4,765/17,875
Shares Outstanding (mn)	125.0
Free Float (%)	74%
3m Avg Daily Turnover (000)	32,501.8
6m Avg Daily Turnover (000)	30,319.5
P/E'23e (x)	20.7
P/Bv'23e (x)	2.8
Dividend Yield '23 (%)	1.9%
Price Perf. (1m/3m) (%)	-7.4/31



### Gross Written Premium (GWP) increased 42% YoY, in line with our expectation

Tawuniya reported a 42% YoY growth in GWP for 2Q23, achieving SAR 4,592mn for the quarter. For 1HFY23, GWP grew 45% YoY mainly attributed to 47% YoY growth in 1Q23 as well as growth in 2Q23.

### Profit before tax grew 212% YoY, in line with our estimates

The company reported a net profit of SAR 275.9mn, in line with our expectations. Profit before tax increased due to an increase in net investment income by SAR 29.67mn during the quarter. For 1HFY23, net profit was up 292% YoY to SAR 377.2mn driven by strong performance in 1Q23 and 2Q23. Profit before tax grew 1201% in 1Q23 as investment income increased by SAR129.26mn.

### Maintaining our "Accumulate" rating on the stock

We expect the GWP of the company to grow led by compulsory medical insurance for expat and their families and an increase in construction activities in Saudi Arabia which will benefit the P&C segment. Going ahead, we expect the retention ratio to increase as the company is lowering its ceded premiums for the medical segment. We continue to maintain an "Accumulate" rating on the stock.

### Valuation

Tawuniya is trading at 2023e P/E of 20.7x, representing a 2% premium compared to the historical average P/E of 20.2x. Additionally, P/Bv multiple of 2.8x, based on our FY23 estimate, represents a 6% discount compared to the historical average P/Bv of 2.9x.

Income Statement													
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1HFY22	1HFY23	YoY (%)
Gross Written Premium	3,508.7	3,224.6	NM*	NM*	5,161.1	4,592.0	4,401.3	42%	-11%	4%	6,733.3	9,753.1	45%
Profit Before Tax	7.8	88.4	NM*	NM*	101.3	275.9	286.9	212%	172%	-4%	96.2	377.2	292%

Source: Company Reports, MSX, U Capital Research

\* Company has changed its reporting pattern starting 2023. For Q3FY22 and Q4FY22 we don't have the restated numbers. If we put the old numbers with the restated numbers for Q1FY22 and Q2FY22, the annual figures won't match. Hence we have written NM.

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

## Recommendation

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