

Al Madina Takaful Company (AMAT) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: Accumulate

Previous Reco. & Date:

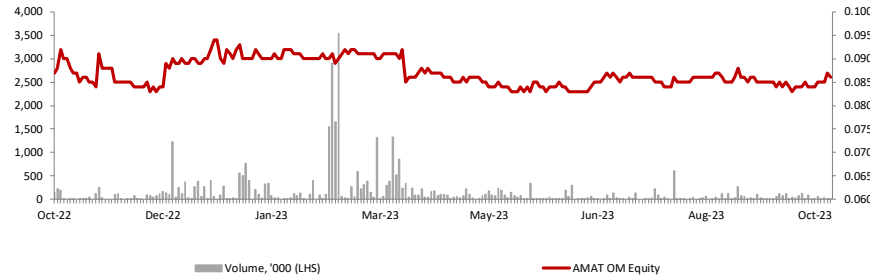
TP: OMR 0.097 per share; Accumulate 11-Oct-2023

Target Price (OMR): 0.097

Upside / (Downside): 12.8%

Date: 10/15/2023

Bloomberg Ticker	AMAT OM
Current Market Price (OMR)	0.086
52wk High / Low (OMR)	0.094/0.081
12m Average Vol. (000)	147.6
Mkt. Cap. (USD/OMR mn)	39/15
Shares Outstanding (mn)	175.0
Free Float (%)	74%
3m Avg Daily Turnover (000)	4.4
6m Avg Daily Turnover (000)	5.0
P/E'23e (x)	9.4
P/Bv'23e (x)	0.7
Dividend Yield '23 (%)	8.5%
Price Perf. (1m/3m) (%)	1.2/-1.1



Gross Written Premium fell by 14% YoY, missed our expectations

GWP came at OMR 8.4mn in 3Q23, a decrease of 14% on YoY and QoQ basis which remain below our expectation of OMR 10.7mn. Net Claims incurred was OMR 2.3mn and was also below our expectations. For 9M23, GWP fell by 3.1% with major decline concentrated in 3Q23 as 1H23 GWP was up by 2.6% on YoY basis. Seasonally, the company had reported better GWP numbers in 3Q over the first two quarters, which was not the case this time around.

Significant rise in Investment Income on both YoY and QoQ basis

Investment Income came at OMR 0.7mn in 3Q23 compared to our forecast of OMR 0.1mn. Profit after tax dropped 25% YoY to OMR 0.5mn and missed our expectations by 38%. For the first three quarters of 2023, net income grew by 5%, boosted by a 3.5% rise in investment income on YoY basis.

Maintaining our "Accumulate" rating on the stock

We expect the growth in GWP to pick up led by the general insurance segment, going forward. We expect slightly lower claims and higher investment income to enhance the profitability of the company. Accordingly, we maintain an Accumulate rating for the stock with our target price of OMR 0.097 as recommended in our 'Oman Insurance Sector Update' report published recently.

Valuation

Al Madina Takaful is trading at 2023e P/E of 9.4x, representing a 7% premium compared to the historical average 1-year forward P/E of 8.8x. While, P/Bv multiple of 0.67x, based on our FY23 estimate, represents a 2.3% discount compared to the historical average 1-year forward P/Bv of 0.69x.

Income Statement													
(OMR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23 YoY (%)	
Gross Written Premium	8.5	9.7	17.2	8.5	9.7	8.4	10.7	-14%	-14%	-22%	27.5	26.6	-3.1%
Net Earned Premium	3.7	3.9	3.9	3.7	3.8	3.9	4.8	0%	1%	-20%	11.3	11.5	1.6%
Net Claims Incurred	(2.4)	(2.3)	(2.3)	(1.8)	(2.2)	(2.3)	(2.8)	1%	6%	-17%	(6.4)	(6.3)	-1.2%
Investment Income	0.2	0.1	0.2	0.2	0.1	0.7	0.1	406%	350%	358%	1.0	1.1	3.5%
Profit Before Tax	0.5	0.7	(0.2)	0.1	0.5	0.5	0.9	-23%	-1%	-38%	(0.2)	1.2	NM
Tax	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0%	0%	-35%	(0.2)	(0.2)	0.0%
Profit After Tax	0.4	0.6	(0.3)	0.1	0.5	0.5	0.8	-25%	-1%	-38%	1.0	1.1	5.0%
Key Ratios													
	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
OPEX / GWP	28.6%	23.9%	13.1%	21.0%	22.7%	27.8%	26.3%						
Tax - %	10.9%	7.2%	-65.4%	34.3%	9.3%	9.4%	9.0%						
Investment & Other Income / PBT	46.0%	18.9%	-129.2%	169.0%	27.5%	125.3%	17.1%						

Source: Company Reports, MSX, U Capital Research


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


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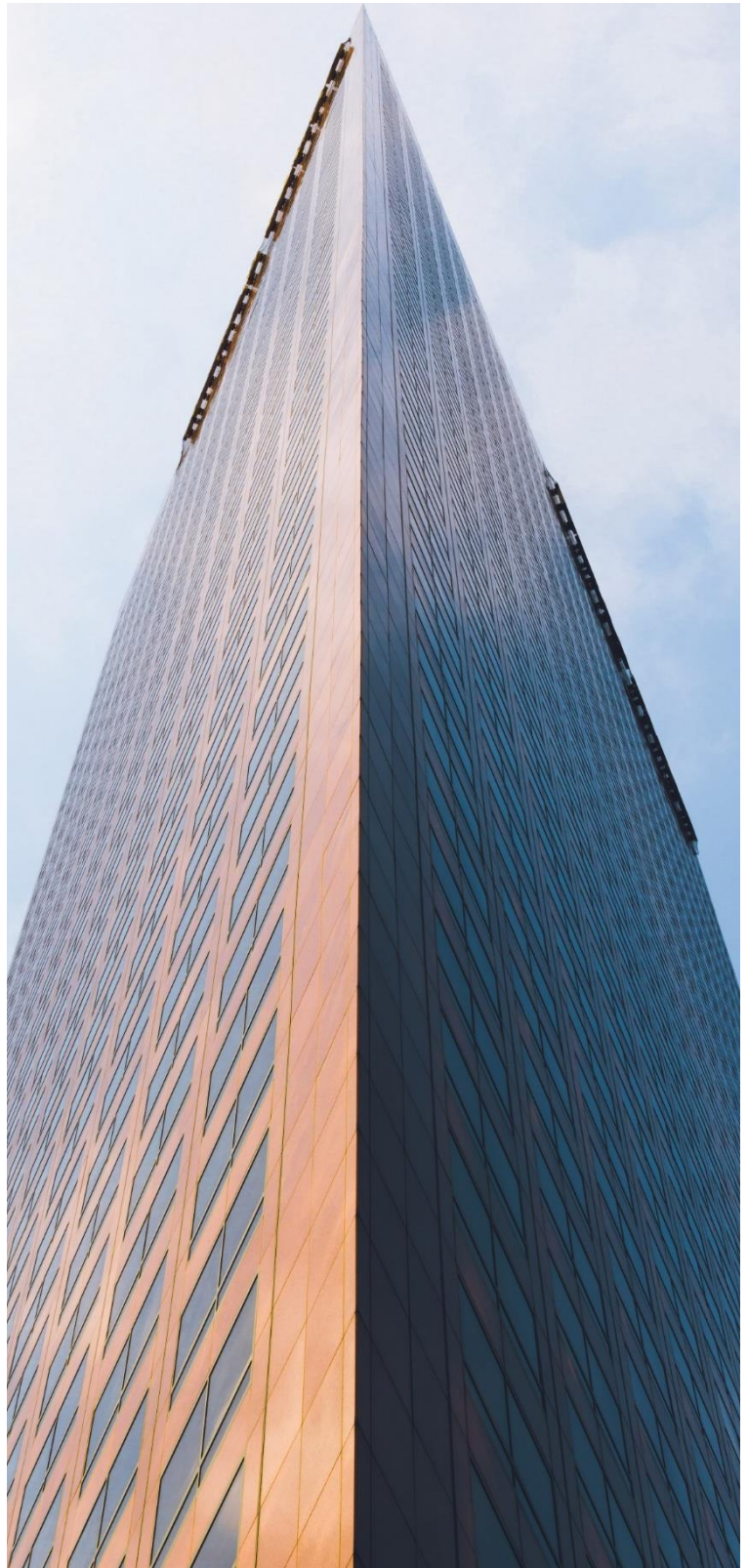
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Disclaimer

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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