

Walaa Cooperative Insurance Co. (HOLD, TP: SAR 11, 8060.SE) 1Q26 Results Review

Bottom line swung to a profit, driven by better insurance service results and higher investment income. Maintain HOLD.

Walaa Cooperative Insurance Co. (WALAA) reported a 1Q26 net income of SAR 16mn (EPS: SAR 0.13) vs LPS of SAR 0.53 in 1Q25 and SAR 0.38 in 4Q25. The rebound in earnings is driven by better insurance service results, as the decline in insurance revenue was lower than the decline in insurance expenses. Moreover, higher investment income supported 1Q26 profitability despite a slight decline in the size of the investment book.

- GWP declined 22.7% Y/Y and 29.7% Q/Q to SAR 404mn in 1Q26. The annual decline was mainly driven by lower premiums from the motor (-50% Y/Y), engineering (-46% Y/Y), P&C (-29% Y/Y), P&S (-24% Y/Y), and energy (-13% Y/Y) segments, partially offset by a 6.8x increase in property premiums and a 41% rise in health. Sequentially, lower premiums across property (-55%), engineering (-50%), medical (-39%), P&C (-20%), P&S (-11%), and motor (-11%) outweighed a 41% increase in energy premiums.
- Insurance service revenue fell 19.7% Y/Y and 16.2% Q/Q, mainly due to lower revenues (Y/Y) from medical, motor, property, energy, P&S, and P&C other segments, partly offset by a 22.0% increase in engineering revenue.
- Insurance service result turned profitable at SAR 3mn, compared to a loss of SAR 48mn in 1Q25. The improvement was primarily driven by a sharp reduction in losses in the medical and motor segments, along with higher profitability in the P&C other segment. On a quarterly basis, the improvement was supported by lower losses across medical, motor, and P&S non-linked in addition to growth in property and energy.
- Investment income rose to SAR 31mn, compared to a loss of SAR 3mn in 1Q25, mainly due to realized gains on equity investments and a nearly 49% reduction in unrealized equity losses, whereas net investment income stood at SAR 27mn compared to a loss of SAR 6mn in 1Q25 and SAR 1mn in 4Q25.
- Consequently, the company reported net income of SAR 16mn in 1Q26, versus a loss of SAR 68mn in 1Q25, supported by improved underwriting performance and stronger investment returns.
- Walaa reported a strong earnings recovery in 1Q26, supported by lower losses in the medical and motor segments. While the medical segment may face renewed pressure in 2Q26 due to seasonal shift, we expect the motor segment to improve in 2H26 as the prolonged pricing pressure that weighed on both Walaa and the broader sector appears to be easing, with market conditions gradually normalizing. As a multiline insurer, Walaa is well positioned to benefit from the recently approved national insurance strategy, which provides a clear growth roadmap across insurance segments. With the regulator targeting full compliance in motor insurance and placing greater emphasis on comprehensive coverage, the company is actively reshaping its motor portfolio. Historically, 75–80% of its motor book comprised third-party liability (TPL) policies; however, management expects a meaningful shift toward corporate, leasing, and comprehensive policies by year-end. The company has also invested in advanced workshop infrastructure to support growth in these higher-value segments. In the medical segment, Walaa has begun processing claims in-house on a limited scale and plans to expand this capability across additional medical lines during 2026, with the full financial benefits expected to materialize in 2027. Despite these positive developments, we expect earnings to remain under pressure in 2026 as the company continues to scale its medical operations and recover from intense competition in the motor segment. In addition, prices in the P&C segment are likely to come under pressure amid competition from regional and international insurers. Maintain Hold.

Rating and Risks

We have a HOLD rating on WALAA with a 12-month price target of SAR 11. Upside risks include better-than-expected GWP growth and a significant improvement in the loss ratio. Downside risks include non-renewal of major insurance contracts, downgrading of policies by the clients, prolonged cost pressures, and an abnormally high loss ratio.

SAR mln	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Gross written premium	404	575	522	-29.7%	-22.7%
Insurance service revenue	633	755	788	-16.2%	-19.7%
Insurance service expense	-265	-1,398	-431	-81.0%	-38.4%
Net expenses from reinsurance	-365	611	-406	NM	-10.0%
Insurance service result	3	-32	-48	NM	NM
Net investment income	27	-1	-6	NM	NM
Net insurance and investment result	30	-33	-55	NM	NM
Net Income	16	-49	-68	NM	NM
EPS	0.13	-0.38	-0.53	NM	NM
Insurance service margin %	0.4	-4.3	-6.1	468 bps	653 bps
Investment book (SAR)	2,060	2,134	2,136	-3.4%	-3.5%
RoE (%) annualized	3.8	-11.6	-15.4	1,544 bps	1,919 bps
RoA (%) annualized	1.2	-3.6	-5.9	480 bps	718 bps

Rating Summary and Forecasts

Rating Summary

Rating	Hold
Market Price	11
12-month Target Price	11
Upside / Downside	8%
Mkt Cap (SAR mn)	1,339
52 week High/Low	17.68/8.73

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	-176	35	121	220
PER (x)	NM	38.1	11.1	6.1
PBV (x)	0.8	0.8	0.7	0.7
EPS (SAR)	-1.4	0.3	0.9	1.7
DPS (SAR)	-	-	-	-
RoE (%)	NM	2%	7%	11%
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%

Price Chart



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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