

FY21 Results Update

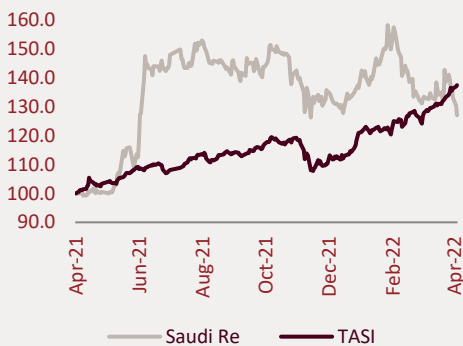
April 19, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	16.3
Target Price (SAR)	17.5
Upside/Downside (%)	7.3%

As of April 18, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	1.5
52-wk High (SAR)	20.5
52-wk Low (SAR)	12.7
Total Outstanding shares (in mn)	89.1
Free Float (%)	94.5%

Saudi Re vs. TASI (Rebased)

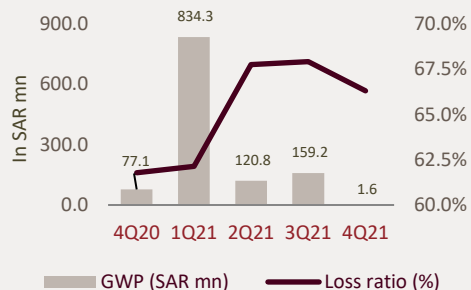


Price Performance (%)	Absolute	Relative
1m	(4.8%)	(12.3%)
6m	(13.6%)	(30.4%)
12m	27.1%	(10.4%)

Major Shareholders (%)

Al Qasabi Contracting Co. Ltd	5.00%
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Gross Written Premium (SAR mn) and Loss Ratio (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of April 18, 2022

Deterioration in loss ratio drags bottom line in FY21

Saudi Reinsurance (Saudi Re)'s gross written premiums (GWP) climbed 19.3% YoY to SAR 1.1bn in FY21, mainly due to higher GWP premium from the Fire, Marines, Motor, Health, Specialty, and Others segments. The rise was slightly offset by lower contribution from the Engineering and General Accident segments. Retroceded premium from the Foreign segment declined 6.8% YoY, which led to a 24.1% YoY drop in net written premiums (NWP) to SAR 959.0mn in FY21. Consequently, retention ratio expanded 331bps to 85.9% during the year. Lower unearned premium and increase in retroceded commission during the year led to a 32.5% YoY increase in total revenue to SAR 874.4mn in FY21. Saudi Re's net claims incurred (NCI) increased 44.2% YoY to SAR 565.3mn in FY21. Consequently, the loss ratio deteriorated to 66.1% from 60.6% during the year. Higher general and administration expenses and foreign exchange translation losses translated to a 12.2% YoY fall in the company's net income for the year before zakat and tax to SAR 53.3mn.

Saudi Re's bottom line diminished in FY21, primarily due to a 44.2% YoY increase in net claims incurred during the year. The company's GWP rose 19.3% YoY, largely due to higher contribution from the Fire (up 28.6% YoY to SAR 247.9mn), Health (up 387.5% YoY to SAR 132.7mn), Specialty (up 12.4% YoY to SAR 181.1mn), Marines (up 18.7% YoY to SAR 111.7mn) and Others (up 28.3% YoY to SAR 167.3mn) segments during the year. By geography, the company recorded increased revenue from operations across the KSA (up 50.6% YoY to SAR 309.1mn), Asia (up 34.5% YoY to SAR 290.6mn), Other Middle East (up 9.5% YoY to SAR 90.9mn), Africa (up 3.2% YoY to SAR 36.5mn), and Others (up 22.7% YoY to SAR 147.3mn). Saudi Re announced its board of directors recommended a capital increase through a SAR 445.5mn rights issue. The company aims to strengthen its capital base and support its future expansion activities. The company's low-risk profile, strong balance sheet strength, improving operating performance, and diversified business profile are reflected in its AA+ Insurance Financial Strength Rating (IFSR) by SIMAH's Credit Rating Agency, Tassnief. However, increasing competition in the Saudi insurance sector and deterioration in loss ratio remain concerns and could create headwinds for the company. Considering these factors, we maintain our "Neutral" rating on the stock.

- GWP increased 19.3% YoY to SAR 1.1bn in FY21, primarily driven by higher GWP premium from the Fire, Marines, Motor, Health, Specialty, and Others segments.
- Rise in loss expenses was offset by lower retroceded premiums, as the company's NWP grew 24.1% YoY to SAR 959.0mn in FY21. Consequently, retention ratio expanded to 85.9% in FY21 from 82.6% in FY20.
- Lower unearned premium and higher retroceded commissions translated to a 32.5% YoY surge in Saudi Re's total revenue to SAR 874.4mn in FY21.
- The company's NCI soared 44.2% YoY to SAR 565.3mn in FY21. Subsequently, loss ratio worsened to 66.1% in FY21 from 60.6% in FY20.
- Despite a 35.9% YoY rise in total underwriting expenses, the company's net underwriting result increased 3.6% YoY to SAR 71.6mn in FY21.
- Net income before zakat and tax dropped 12.2% YoY to SAR 53.3mn in FY21, primarily due to higher general and administration expenses and foreign exchange translation losses.
- EPS fell to SAR 0.47 in FY21 from SAR 0.57 in FY20.

Valuation: We revise our target price to a fair value of SAR 17.5 and maintain our "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
GWP (SAR mn)	1.6	77.1	(97.9%)	1297.4	1115.9	16.3%
NWP (SAR mn)	(37.6)	32.2	NM	1118.2	959.0	16.6%
NCI (SAR mn)	146.5	107.3	36.6%	657.3	565.3	16.3%
Net Profit before zakat (SAR mn)	5.4	25.6	(78.9%)	70.5	53.3	32.3%
EPS (SAR)	0.01	0.23	(96.4%)	0.64	0.47	36.0%
Loss Ratio (%)	66.3%	61.8%	4.5%	65.7%	66.1%	(0.5%)
Expense Ratio (%)	35.7%	34.8%	0.9%	32.3%	32.6%	(0.2%)
Combined Ratio (%)	102.0%	96.6%	5.4%	98.0%	98.7%	(0.7%)

Source: Company Financials, Yaqeen Capital

Yaqeen Capital Rating Methodology

Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10%.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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