

2Q22 Results Update

October 11, 2022

Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	82.0
Target Price (SAR)	92.5
Upside/Downside (%)	12.8%
<i>As of October 10, 2022</i>	
Key Data (Source: Bloomberg)	

Market Cap (SAR bn)	10.3
52-wk High (SAR)	90.8
52-wk Low (SAR)	53.3
Total Outstanding shares (in mn)	125.0
Free Float (%)	74.2%

TAWUNIYA vs. TASI (Rebased)

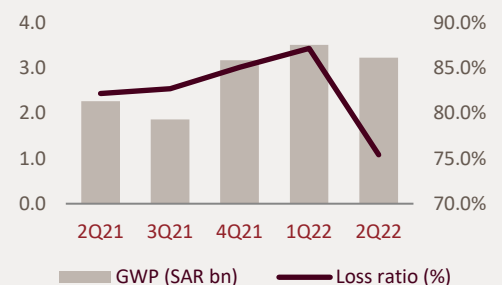


Price Performance (%)	Absolute	Relative
1m	12.3%	14.9%
6m	12.3%	26.3%
12m	(7.8%)	(7.5%)

Major Shareholders (%)

General Organization for Social Insurance	25.85%
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Gross Written Premium (SAR bn) and Loss Ratio (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;
Data as of October 10, 2022

Corporate, retail segments drive GWP growth in 2Q22

The Company for Cooperative Insurance (Tawuniya)'s gross written premium (GWP) increased by 42.3% YoY to SAR 3.2bn in 2Q22, primarily driven by higher contribution from all business segments. Despite the rise in premium ceded, net written premium (NWP) rose by 44.2% YoY to SAR 2.6bn during the quarter. Consequently, retention ratio improved 103 bps YoY to 79.5% in 2Q22. Tawuniya's net earned premium (NEP) climbed 30.4% YoY to SAR 2.6bn despite the decline in unearned premium. Meanwhile, net claims incurred (NCI) advanced 19.6% YoY to SAR 1.9bn in 2Q22. Consequently, loss ratio improved to 75.4% in 2Q22 from 82.2% in 2Q21. Despite the increase in policy acquisition cost and rise in general and administrative expenses, net profit before zakat and taxes surged 27.0% YoY to SAR 210.7mn in 2Q22.

Tawuniya's GWP continued to advance in 2Q22, supported by higher contributions across business segments. GWP from its Medical Insurance segment rose 37.8% YoY to SAR 2.2bn, while that from Motor Insurance segment grew 42.8% YoY to SAR 219.9mn and Property and Casualty segment grew 9.3% to SAR 554.1mn during the quarter. In addition, GWP from the Travel and COVID-19 Insurance segment surged 57.6% YoY to SAR 38.3mn in 2Q22. Moreover, GWP from the Medical Umrah segment increased to SAR 105.4mn, while that from the General Accident Umrah segment rose to SAR 148.3mn. The rise in GWP in all segments was largely driven by improved contribution from the Retail business, which grew 192.3% YoY to SAR 472.6mn, and the Corporate business, which grew 27.0% YoY to SAR 2.4bn. The company's retention ratio improved to 79.5% during 2Q22. Despite the increase in NCI, rise in policy acquisition cost, and higher general and administrative expenses, the company's bottom line improved during the quarter, supported by higher top line. On August 22, Tawuniya signed a contract with the National Water Company to provide cooperative health insurance services to its employees and their family members. The company also won a contract from Saudi Telecom Company to provide health insurance services for the group's employees and their families for one year. These contracts are expected to boost Tawuniya's GWP in FY22. Considering these factors, we retain our "Overweight" rating on the stock.

- GWP advanced 42.3% YoY to SAR 3.2bn in 2Q22 on higher contributions across business segments. However, GWP declined 8.1% QoQ from SAR 3.5bn in 1Q22.
- Premiums ceded rose 34.3% YoY to SAR 653.7mn during the quarter. Nevertheless, Tawuniya's NWP climbed 44.2% YoY to SAR 2.6bn in 2Q22. Subsequently, retention ratio expanded to 79.5% in 2Q22 from 78.4% in 2Q21.
- Despite the decline in unearned premium, NEP rose 30.4% YoY to SAR 2.6bn during the quarter. Meanwhile, NCI rose 19.6% YoY to SAR 1.9bn in 2Q22. Consequently, loss ratio improved to 75.4% in 2Q22 from 82.2% in 2Q21.
- The rise in policy acquisition cost and higher insurance share distribution were offset by higher net underwriting results. This resulted in a 36.0% YoY rise in Tawuniya's net underwriting income to SAR 368.9mn during the quarter.
- Despite the rise in general and administrative expenses, the company's net income before zakat and taxes advanced 27.0% YoY to SAR 210.7mn in 2Q22.
- EPS increased to SAR 1.49 during the quarter from SAR 1.15 in 2Q21.

Valuation: We revise our target price to a fair value of SAR 92.5 and maintain our "Overweight" rating on the stock.

	2Q22	2Q21	% YoY	FY22E	FY21	%YoY
GWP (SAR mn)	3,223	2,265	42.3%	12,992	10,219	27.1%
NWP (SAR mn)	2,561	1,777	44.2%	11,542	8,608	34.1%
NCI (SAR mn)	1,925	1,609	19.6%	7,852	6,660	17.9%
Net Profit before Zakat (SAR mn)	211	166	27.0%	467	350	33.3%
EPS (SAR)	1.49	1.15	30.0%	2.99	2.13	40.1%
Loss Ratio (%)	75.4%	82.2%	(6.8%)	80.8%	84.0%	(3.2%)
Expense Ratio (%)	15.0%	14.8%	0.2%	14.9%	16.5%	(1.7%)
Combined Ratio (%)	90.4%	97.0%	(6.6%)	95.6%	100.5%	(4.9%)

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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