

**3Q22 Results Update**

**December 16, 2022**

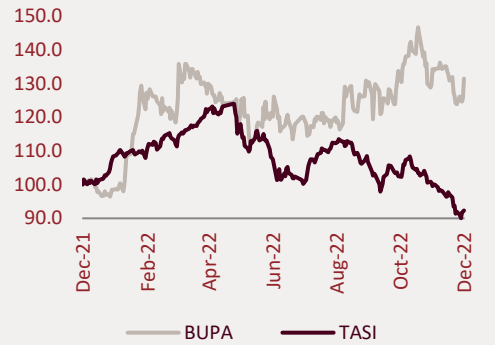
<b>Recommendation</b>	<b>Neutral</b>
Previous Recommendation	Neutral
Current Price (SAR)	176.2
Target Price (SAR)	177.0
Upside/Downside (%)	0.5%

As of December 15, 2022

**Key Data (Source: Bloomberg)**

Market Cap (SAR bn)	21.1
52-wk High (SAR)	198.2
52-wk Low (SAR)	126.6
Total Outstanding shares (in mn)	119.6
Free Float (%)	47.8%

**Bupa Arabia vs. TASI (Rebased)**

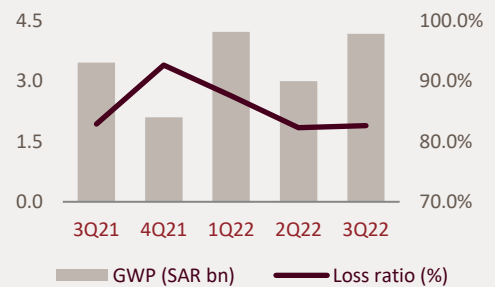


Price Performance (%)	Absolute	Relative
1m	(2.1%)	5.2%
6m	9.4%	23.5%
12m	31.5%	39.1%

**Major Shareholders (%)**

BUPA Investments Overseas Co. Ltd.	43.25%
Nazer Holding Group Co.	7.34%

**Gross Written Premium (SAR bn) and Loss Ratio**



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of December 15, 2022

**Bupa's GWP surged on improved contribution across segments**

Bupa Arabia (Bupa)'s gross written premiums (GWPs) advanced 20.7% YoY to SAR 4.2bn in 3Q22, driven by improved contribution from the corporate (up 18.4% YoY to SAR 3.4bn), medium enterprise (up 38.2% YoY to SAR 541.1mn), small enterprise (up 14.0% YoY to SAR 215.2mn) and micro enterprise (up 43.3% YoY to SAR 29.6mn) segments. Net written premiums (NWP) surged 20.9% YoY to SAR 4.2bn, supported by lower premiums ceded. Consequently, retention ratio marginally improved by 10bps YoY to 99.7% in 3Q22. Despite a rise in unearned premiums, net earned premiums (NEPs) soared 23.2% YoY to SAR 3.3bn in 3Q22. Meanwhile, net claims incurred (NCIs) surged 22.9% YoY to SAR 2.8bn. Nevertheless, Bupa's loss ratio improved to 82.6% in 3Q22 from 82.9% in 3Q21. High NEPs offset the rise in NCIs and high policy acquisition costs resulting in a 26.5% YoY rise in net underwriting results to SAR 434.2mn during 3Q22. Net profit before zakat and taxes climbed 64.4% YoY to SAR 375.3mn in 3Q22, supported by an increase in investment and commission income.

Bupa reported a robust performance as the top and bottom lines advanced in 3Q22. The rise in GWP is attributable to increase in the number of insured lives owing to pick up in insurance coverage enforcement and increase in jobs following return of expats. Additionally, price hikes in the insurance sector supported the top line growth. Despite a 12.2% YoY rise in unearned premium during the quarter, NEP surged 23.2% YoY, and net claims incurred continued to rise. However, net underwriting results grew 26.5% YoY to SAR 434.2mn in 3Q22 on higher top line. Furthermore, an increase in operating expenses was countervailed by the rise in investment and commission income and supported the company's bottom line growth during the quarter. The future of the health insurance industry remains positive on back of Vision 2030 and mandatory health insurance for citizens. However, general and health insurance sectors are facing major challenges in the form of rising fees and low profit margins. Based on the aforementioned factors, we maintain our "Neutral" rating on the stock.

- GWPs soared 20.7% YoY to SAR 4.2bn in 3Q22, attributable to high contribution across business segments.
- Decline in premium ceded led to a 20.9% YoY surge in NWP to SAR 4.2bn. Consequently, Bupa's retention ratio marginally improved to 99.7% in 3Q22 from 99.6% in 3Q21.
- Despite a rise in unearned premiums, NEPs rose 23.2% YoY to SAR 3.3bn in 3Q22.
- NCIs increased 22.9% YoY to SAR 2.8bn owing to higher claims paid, slightly offset by positive movement in outstanding claims. However, loss ratio improved to 82.6% in 3Q22 from 82.9% in 3Q21 on higher NEPs.
- Net underwriting results advanced 26.5% YoY to SAR 434.2mn despite a rise in policy acquisition costs during the quarter.
- Increase in investment and commission income offset the rise in selling general and administration expenses and resulted in a 64.4% YoY rise in net income before zakat and taxes to SAR 375.3mn in 3Q22.

**Valuation:** We revise our target price to a fair value of SAR 177.0 per share and maintain our "Neutral" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
GWP (SAR bn)	4.2	3.5	20.7%	14.2	11.4	24.9%
NWP (SAR bn)	4.2	3.4	20.9%	14.1	11.3	25.1%
Net claims incurred (SAR bn)	2.8	2.2	22.9%	10.8	9.0	18.9%
Net profit before Zakat (SAR bn)	0.4	0.2	64.4%	1.1	0.7	45.2%
EPS (SAR)	2.68	1.49	80.4%	7.59	5.23	45.2%
Loss Ratio	82.6%	82.9%	(0.2%)	83.3%	85.2%	(1.9%)
Expense Ratio	10.6%	11.1%	(0.5%)	10.6%	10.0%	0.6%
Combined Ratio	93.3%	94.0%	(0.7%)	93.8%	95.2%	(1.3%)

Source: Company Financials, Yaqeen Capital

**3Q22 Results Update**  
**Yaqeen Capital Rating Methodology**

December 16, 2022

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.

**Yaqeen Capital****Contact us on the below phone numbers:**

Customer Services: 8004298888

Brokerage Services: 920004711

**Fax or Email us at the below number:**

Fax: +966 11 2032546

Email: [addingvalue@yaqeen.sa](mailto:addingvalue@yaqeen.sa)**Mail us at the following address:**

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

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