

3Q22 Results Update

December 16, 2022

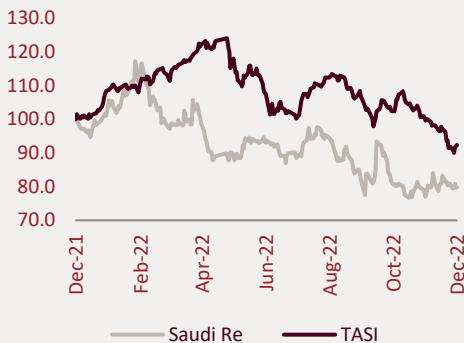
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	13.8
Target Price (SAR)	14.9
Upside/Downside (%)	8.1%

As of December 15, 2022

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	1.2
52-wk High (SAR)	20.5
52-wk Low (SAR)	13.0
Total Outstanding shares (in mn)	89.1
Free Float (%)	94.5%

Saudi Re vs. TASI (Rebased)

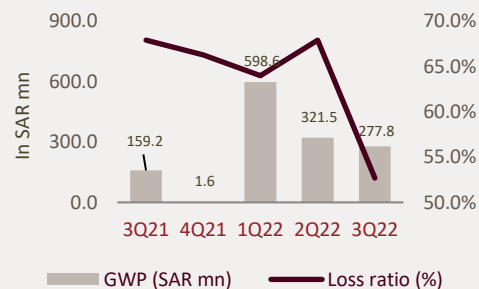


Price Performance (%)	Absolute	Relative
1m	3.6%	10.9%
6m	(14.3%)	(0.2%)
12m	(20.2%)	(12.6%)

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, Yaqaen Capital; Data as of December 15, 2022

Low net claims support bottom line growth in 3Q22

Saudi Reinsurance (Saudi Re)'s gross written premium (GWP) advanced 74.5% YoY to SAR 277.8mn in 3Q22, mainly driven by high GWP contribution from the motor, protection, general accident, and inherent defects insurance segments. The rise was, however, slightly offset by low GWP contribution from the engineering, fire, marines, health, specialty, and other segments. Retroceded premium from the foreign segment surged 577.0% YoY, while loss expense declined 20.9% YoY to SAR 9.9mn. Consequently, net written premium (NWP) increased 9.8% YoY to SAR 140.5mn in 3Q22. Nevertheless, the retention ratio deteriorated to 50.6% in 3Q22 from 80.4% in 3Q21. Fall in unearned premium and retroceded commission led to a 28.1% YoY decline in total revenue to SAR 179.7mn in 3Q22. Saudi Re's net claims incurred (NCI) nosedived 43.6% YoY to SAR 93.2mn during the quarter. Consequently, the loss ratio improved to 52.7% in 3Q22 from 67.9% in 3Q21. High net underwriting results offset the rise in general and administrative expenses, foreign exchange transaction losses, and unrealized losses on investments. Consequently, net income before zakat and tax increased 212.5% YoY to SAR 35.7mn in 3Q22.

Saudi Re reported a robust result in 3Q22 as its bottom line advanced, owing to rise in GWP and low claims incurred during the quarter. The company's GWP surged 74.5% YoY, attributable to improved contribution from the general accident (up 524.3% YoY to SAR 8.6mn) and protection (up 161.9% YoY to SAR 9.8mn) segments. Additionally, the company reported an additional SAR 120.2mn GWP from inherent defect insurance, while GWP from the motor segment stood at SAR 32.2mn during 3Q22. By geography, the company recorded improved revenues from operations across KSA (up 189.9% YoY to SAR 214.6mn), and other Middle East (up 20.3% YoY to SAR 39.7mn) regions. Improvement in investment performance and decline in net claims helped Saudi Re's bottom line improve quartering 3Q22. The company increased its capital to support future expansion activities while strengthening its capital base. On 30th November, the company inked reinsurance contracts with Probitas Corporate Capital Ltd. with an estimated GWP of SAR 194.4mn. Its positive impact will reflect on the financial results of FY23. However, stringent regulations and intensifying competition in the domestic insurance sector could create headwinds for the company. Considering these factors, we maintain our "Neutral" rating on the stock.

- GWP grew 74.5% YoY to SAR 277.8mn in 3Q22, primarily attributable to additional GWP from the inherent defects insurance segment.
- Increase in retroceded premium was slightly offset by low loss expenses. Nevertheless, NWP rose 9.8% YoY to SAR 140.5mn in 3Q22 due to high GWP. However, the retention ratio deteriorated to 50.6% in 3Q22 from 80.4% in 3Q21.
- The company's total revenues plunged 28.1% YoY to SAR 179.7mn owing to fall in unearned premium and retroceded commission.
- The company's NCI fell 43.6% YoY to SAR 93.2mn in 3Q22. Subsequently, the loss ratio improved to 52.7% in 3Q22 from 67.9% in 3Q21.
- The company's net underwriting expenses decreased 44.1% YoY to SAR 131.6mn in 3Q22 due to low policy acquisition cost. Consequently, net underwriting results grew 231.7% YoY to SAR 48.1mn.
- The company reported a 212.5% YoY increase in net income before zakat and tax to SAR 35.7mn driven by high net underwriting results and rise in share of profit of equity accounted investee.
- The company's EPS stood at SAR 0.36 in 3Q22 compared with SAR 0.09 in 3Q21.

Valuation: We revise our target price to a fair value of SAR 14.9 and maintain our "Neutral" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
GWP (SAR mn)	277.8	159.2	74.5%	1395.9	1115.9	25.1%
NWP (SAR mn)	140.5	128.0	9.8%	904.6	959.0	(5.7%)
NCI (SAR mn)	93.2	165.4	(43.6%)	538.3	565.3	(4.8%)
Net Profit Before Zakat (SAR mn)	35.7	11.4	212.5%	56.5	53.3	6.0%
EPS (SAR)	0.36	0.09	296.6%	0.48	0.43	12.7%
Loss Ratio (%)	52.7%	67.9%	(15.2%)	63.2%	66.1%	(3.0%)
Expense Ratio (%)	28.3%	33.5%	(5.2%)	31.8%	32.6%	(0.8%)
Combined Ratio (%)	81.0%	101.4%	(20.4%)	94.9%	98.7%	(3.8%)

Source: Company Financials, Yaqaen 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.

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