

3Q22 Results Update

December 9, 2022

Recommendation Overweight

Previous Recommendation	Overweight
Current Price (SAR)	73.3
Target Price (SAR)	83.0
Upside/Downside (%)	13.2%

As of December 8, 2022

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	9.2
52-wk High (SAR)	88.4
52-wk Low (SAR)	53.3
Total Outstanding shares (in mn)	125.0
Free Float (%)	74.2%

TAWUNIYA vs. TASI (Rebased)

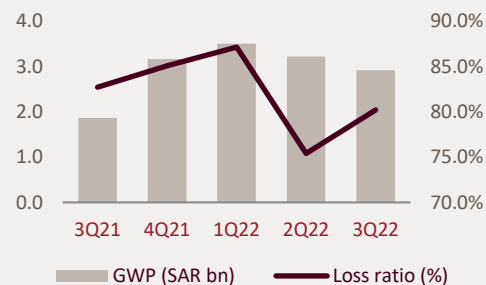


Price Performance (%)	Absolute	Relative
1m	(12.1%)	(1.3%)
6m	18.2%	36.9%
12m	(4.1%)	2.7%

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 December 8, 2022

GWP surged on improved contribution across segments

The Company for Cooperative Insurance (Tawuniya)'s gross written premium (GWP) advanced 56.6% YoY to SAR 2.9bn in 3Q22, primarily on improved contribution from all business segments. Its net written premium (NWP) climbed 48.1% YoY to SAR 2.2bn despite the rise in ceded premium and loss expenses during the quarter. However, the retention ratio fell 427bps YoY to 74.0% in 3Q22. Despite a 17.3% YoY fall in unearned premium, Tawuniya's net earned premium (NEP) grew 29.8% YoY to SAR 2.6bn during the quarter. Moreover, net claims incurred (NCI) surged 26.0% YoY to SAR 2.1bn in 3Q22. Consequently, the loss ratio improved to 80.2% in 3Q22 from 82.7% in 3Q21. An increase in investment income offset the rise in policy-acquisition cost and general and administrative (G&A) expenses. Subsequently, net profit before zakat and taxes jumped 53.5% YoY to SAR 138.0mn in 3Q22.

Tawuniya's GWP continued to surge in 3Q22, supported by improved contribution across business segments. GWP from its Medical-Insurance segment advanced 31.8% YoY to SAR 1.6bn, while that from the Motor-Insurance segment grew 58.8% YoY to SAR 223.7mn and from the Property and Casualty segment jumped 79.8% YoY to SAR 782.5mn during the quarter. Additionally, GWP from the Travel and COVID-19 Insurance segment increased 36.6% YoY to SAR 49.9mn, while that from the Protection and Savings segment surged 404.0% YoY to SAR 17.4mn in 3Q22. GWP from the Medical Umrah segment increased to SAR 101.9mn, while that from the General Accident Umrah segment rose to SAR 104.8mn during the quarter. The GWP rise in all segments was mainly supported by a 166.1% YoY increase in the retail business segment to SAR 453.6mn and a 44.8% growth in the corporate business segment to SAR 2.1bn in 3Q22. However, the company's retention ratio narrowed to 74.0% on a surge in ceded premium in 3Q22. The company's bottom line improved during the quarter, supported by the increase in top line and investment income, despite the rise in NCI, policy acquisition cost and G&A expenses. Price hikes in medical and motor insurance helped the company offset the rise in claims and manage its loss ratio. Additionally, the recently signed contracts with National Water Company, Saudi Telecom Company and ELM are likely to boost Tawuniya's GWP. Considering these factors, we reaffirm our "Overweight" rating on the stock.

- GWP rose 56.6% YoY to SAR 2.9bn in 3Q22 on improved contribution across business segments. However, GWP plunged 9.4% QoQ from SAR 3.2bn in 2Q22.
- Ceded premium grew 86.6% YoY to SAR 749.5mn during the quarter. Nevertheless, Tawuniya's NWP increased 48.1% YoY to SAR 2.2bn in 3Q22. However, the retention ratio contracted to 74.0% in 3Q22 from 78.2% in 3Q21.
- NEP jumped 29.8% YoY to SAR 2.6bn, despite a decline in unearned premium during the quarter. Additionally, an increase in outstanding claims led to a 26.0% YoY rise in NCI to SAR 2.1bn in 3Q22. Consequently, the loss ratio improved to 80.2% in 3Q22 from 82.7% in 3Q21.
- Improved net underwriting results countervailed the rise in policy acquisition cost, other underwriting expenses and insurance share distribution. This resulted in a 24.8% YoY surge in Tawuniya's net underwriting income to SAR 320.7mn during the quarter.
- The rise in G&A expenses was offset by the increase in investment income, resulting in a 53.5% YoY jump in the company's net income before zakat and taxes to SAR 138.0mn in 3Q22.
- EPS increased to SAR 0.92 during the quarter from SAR 0.51 in 3Q21.

Valuation: We revise our target price to a fair value of SAR 83.0 but reaffirm our "Overweight" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
GWP (SAR mn)	2,921	1,865	56.6%	13,191	10,219	29.1%
NWP (SAR mn)	2,160	1,459	48.1%	10,895	8,608	26.6%
NCI (SAR mn)	2,107	1,672	26.0%	8,152	6,660	22.4%
Net Profit before Zakat (SAR mn)	138	90	53.5%	460	350	31.4%
EPS (SAR)	0.92	0.51	79.5%	2.94	2.13	38.1%
Loss Ratio (%)	80.2%	82.7%	(2.5%)	80.7%	84.0%	(3.3%)
Expense Ratio (%)	16.7%	16.1%	0.6%	15.0%	16.5%	(1.5%)
Combined Ratio (%)	96.9%	98.8%	(1.9%)	95.7%	100.5%	(4.8%)

Source: Company Financials, Yaqeen Capital

3Q22 Results Update
Yaqeen Capital Rating Methodology

December 9, 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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