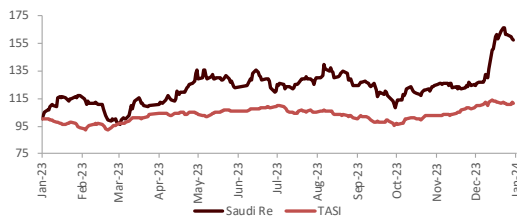


Saudi Reinsurance Co. (Saudi Re)

Recommendation	Hold
Current Market Price (SAR)	23.1
52wk High / Low (SAR)	24.7/13.9
Mkt. Cap. (USD/SAR Mn)	549/2,060
Shares Outstanding (mn)	89.1
Free Float (%)	93.4%
3m Average Vol. (000)	718.5
3m Avg Daily Turnover (SAR'000)	14,826
P/E'24e (x)	15.8
P/B'24e (x)	1.61

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2023e	2024e	2025e	2026e
Reinsurance revenue	704	739	776	815
Reinsurance service expenses	(590)	(618)	(647)	(678)
Reinsurance service result	115	123	130	138
Reinsurance service result Margin (%)	16%	17%	17%	17%
Net financial results	10	9	9	14
Net reinsurance and investment results	125	132	140	153
Net Income	126	130	135	144
Net margin (%)	18%	18%	17%	18%
EPS (SAR)	1.41	1.46	1.51	1.62
ROE (%)	12%	11%	10%	10%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Abdulatif Ali Abdulatif AlFozan	0.65%
Ahmed Mohammed Ahmed Sabbagh	0.40%
Mosa Abdulaziz Abdullah BinAkresh	0.13%

Source: Bloomberg, Yaqeen Capital

Higher reinsurance service expenses impacted profitability

- Saudi Re's net income fell 14.5% YoY (-43.2% QoQ) to SAR 34mn in 3Q2023, mainly due to lower reinsurance service results. However, higher net investment income partially offset the decline. The net margin dropped to 16.4% (-6.7ppts YoY, -21.7ppts QoQ).
- Reinsurance revenue surged by 20.5% YoY (+31.8% QoQ) to SAR 207mn in 3Q2023. For 9M2023, revenue increased by 4.1% YoY, reaching SAR 494mn.
- Reinsurance service results amounted to SAR 29mn, witnessing a fall of 28.1% YoY and 54.0% QoQ in 3Q2023. The decrease was mainly caused by a notable rise in reinsurance service expenses exceeding the growth in reinsurance service revenue. Reinsurance results margin declined to 13.8% (-9.3ppts YoY, -25.7ppts QoQ) in 3Q2023.
- Net investment income increased by 265.9% YoY (+0.8% QoQ) to SAR 15mn in 3Q2023 driven mainly by increased special commission income from time deposits and debt securities, along with reduced credit impairment loss and loss on assets held at fair value.
- For 9M2023, net income increased by 54.8% YoY to SAR 105mn mainly due to reduction in reinsurance service expenses compared to last year while net margin improved to 21.3% compared to 14.3% in 9M2022.
- For 9M2023, Saudi Re posted net investment income of SAR 40mn compared to a net loss of SAR 3mn in 9M2022. The share of profit from equity accounted investees rose by 38% to SAR 44mn from SAR 32mn in 9M2022.

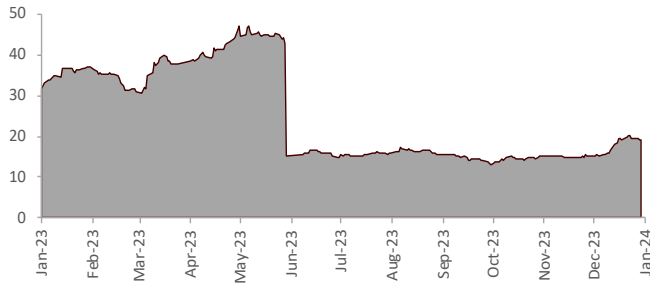
Outlook & Valuation: The KSA reinsurance market has experienced robust growth driven by sustained positive regulatory reforms. Key regulatory measures, including the successful implementation of the local cession mechanism and the gradual enforcement of a minimum 30% local cession by FY25, with phase 1 mandating 20% of reinsurance treaties by FY23, are expected to support the medium-term growth of the reinsurance market. Furthermore, the enforcement of mandatory third-party motor liability adds momentum to the domestic reinsurance market. As a leading reinsurer, Saudi Re is strategically positioned to capitalize on higher premium growth in the medium to long term. Currently trading at a P/B of 1.80x, the stock commands a roughly 40% premium compared to the 3-year average P/B of 1.34x. Additionally, the stock has witnessed a significant 65% gain in the last year. This sharp increase, coupled with the premium valuation, suggests that the stock may have surpassed its underlying fundamentals. Based on the Residual income valuation, we arrive at a fair value of SAR 21.5/share, offering a downside of 6.8% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

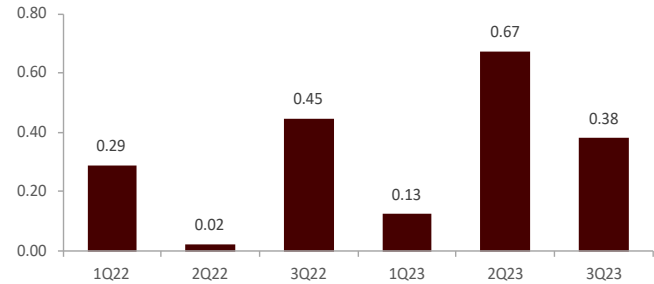
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Reinsurance revenue	207	172	20%	157	32%
Reinsurance service expense	(210)	(146)	45%	(49)	329%
Reinsurance service result	29	40	-28%	62	-54%
Reinsurance service result Margin (%)	14%	23%		39%	
Net financial results	7	3	144%	(3)	-344%
Net reinsurance and investment results	36	43		59	
Net Income	34	40	-14%	60	-43%
Net margin (%)	16%	23%		38%	
EPS (SAR)	0.38	0.45	-14%	0.67	-43%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

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

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

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

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