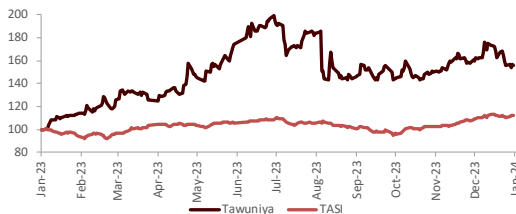


The Company for Cooperative Insurance (Tawuniya)

Recommendation	Hold
Current Market Price (SAR)	125.2
52wk High / Low (SAR)	143.6/66.6
Mkt. Cap. (USD/SAR Mn)	5,005/18,780
Shares Outstanding (mn)	150.0
Free Float (%)	74.1%
3m Average Vol. (000)	343.9
3m Avg Daily Turnover (SAR'000)	42,966
Dividend Yield '24e (%)	1.6%
P/E'24e (x)	18.9

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2023e	2024e	2025e	2026e
Insurance revenue	15,265	18,319	21,066	23,594
Insurance service expenses	(14,309)	(17,036)	(19,571)	(21,872)
Insurance service result	927	1,248	1,456	1,678
Insurance service result Margin (%)	6%	7%	7%	7%
Net financial results	334	310	310	310
Net insurance and financial results	1,110	1,408	1,616	1,838
Net Income	742	995	1,170	1,356
Net income margin (%)	5%	5%	6%	6%
EPS (SAR)	4.95	6.63	7.80	9.04
ROE (%)	21%	24%	24%	24%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

General Organization for Social Insurance	25.86%
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Source: Bloomberg, Yaqeen Capital

Earnings surged on lower net reinsurance expense and reversal of credit losses

- Tawuniya net income surged by 10.5x YoY (-16.1% QoQ) to SAR 206mn due to 26.2% YoY decline in net expense related to reinsurance contracts in 3Q2023. In addition, reversal of expected credit losses on financial assets of SAR 92mn compared to allowance of SAR 41mn further contributed to bottom-line growth during the quarter. The net margin improved by 4.6ppts YoY to 5.2% (-1.4ppts QoQ) in 3Q2023.
- Insurance revenue was up by 34.4% YoY (+7.1% QoQ) to SAR 3,961mn in 3Q2023. For 9M2023, revenue increased by 35.8% YoY to SAR 11,065. This was fueled by a strong growth in gross written premiums in health and mobility insurance.
- Insurance service results rose 170.4% YoY (-68.2% QoQ) to SAR 146mn in 3Q2023. This was attributed to a significant rise in amounts recoverable from reinsurers for claims incurred compared to the cost of reinsurance. Insurance results margin improved by 1.9ppts to 3.7% (-8.7ppts QoQ) in 3Q2023.
- Net insurance financial results increased by 300.8% YoY (-6.5% QoQ) to SAR 321mn in 3Q2023, primarily due to a rise in net income on financial assets by 389.2% YoY to SAR 217mn.
- Total Insurance market grew 27.8% YoY in insurance revenue, with Tawuniya's market share expanded by 2.0%, reaching 27.0% in 9M2023.
- For 9M2023, net income jumped by 6.7x YoY to SAR 527mn, and net margin improved to 5.5% compared to 1.7% in 9M2022 primarily due to higher insurance service result.

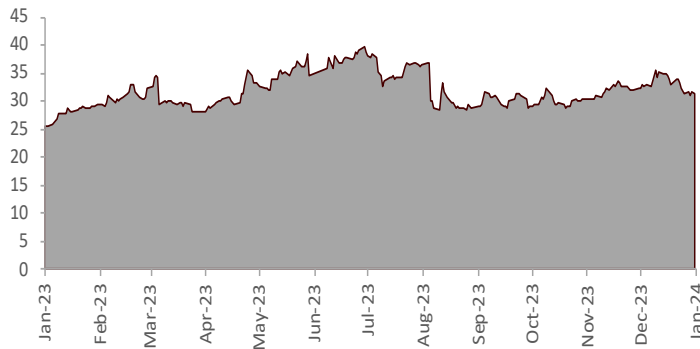
Outlook & Valuation: The Saudi insurance market is currently experiencing robust growth, driven by increased enforcement in both the medical and motor segments. Looking ahead, momentum in the health sector is expected to persist, fueled by potential improvements in enforcement, which could bring over 2.5 million more lives from the private sector into the insurance market in the coming years. Additionally, there is an anticipated increase in demand for motor insurance due to enforcement implementation starting on October 1, 2023. Being at the forefront of the market, Tawuniya is well-positioned to capitalize on these developments, with GWP growth expected in the medium to long term. In summary, we maintain a positive outlook for the company owing to strong growth visibility and increasing profitability. However, we believe that the current stock price already incorporates most of these positives, considering the substantial 57% rise over the past year. Based on the Residual income valuation, we arrive at a fair value of SAR 130.0/share, offering an upside of 3.8% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

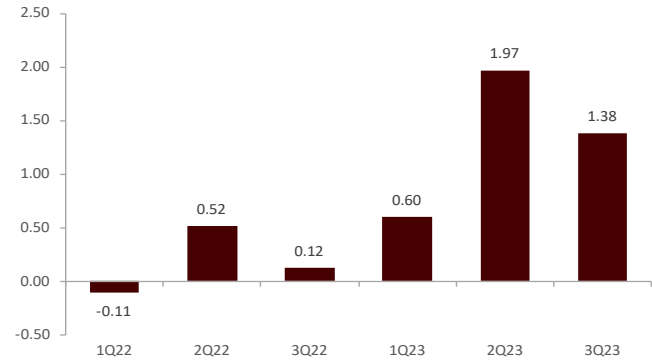
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Insurance revenue	3,961	2,947	34%	3,697	7%
Insurance service expenses	(3,528)	(2,504)	41%	(3,321)	6%
Insurance service result	146	54	170%	460	-68%
Insurance service result Margin (%)	4%	2%		12%	
Net financial results	217	44	389%	(83)	-363%
Net insurance and financial results	321	80	301%	343	-7%
Net Income	206	18	1046%	246	-16%
Net income margin (%)	5%	1%		7%	
EPS (SAR)	1.38	0.12	1046%	1.97	-30%

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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