

Bupa Arabia for Cooperative Insurance Co. (Bupa Arabia)

Target Price: SAR 210.0/share

Downside: 6.4%

Recommendation

Hold

Current Market Price (SAR)	224.4
52wk High / Low (SAR)	284.6/167.0
Mkt. Cap. (USD/SAR Mn)	8,970/33,660
Shares Outstanding (mn)	150.0
Free Float (%)	56.3%
3m Average Vol. (000)	143.3
3m Avg Daily Turnover (SAR'000)	35,200
Dividend Yield '24e (%)	2.7%
P/E'24e (x)	32.2

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Insurance revenue	12,873	15,888	18,271	20,463
Insurance service expense	(12,206)	(14,994)	(17,152)	(19,047)
Insurance service result	638	865	1,086	1,380
Insurance service result Margin (%)	5%	5%	6%	7%
Net investment results	552	513	450	450
Net insurance and investment results	1,190	1,378	1,536	1,830
Net Income	805	940	1,045	1,274
Net margin	6%	6%	6%	6%
EPS (SAR)	5.37	6.27	6.97	8.49
ROE (%)	18%	20%	21%	24%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Bupa Investment Overseas Ltd	43.25%
Nazir Holding Group	5.01%

Source: Bloomberg, Yaqeen Capital

Profits rose driven by higher insurance revenue

- Bupa Arabia's net income surged by 90.6% YoY (+242.7% QoQ) to SAR 359mn in 1Q2024. This growth was mainly attributed to higher net insurance service results, increased net investment returns, and lower operating expenses. The net margin improved to 8.2%, up by 3.2ppts YoY and 5.7ppts QoQ in 1Q2024.
- Insurance revenue grew by 16.6% YoY and 5.2% QoQ to SAR 4,374 million in Q1 2024, driven primarily by business growth and an increase in insured lives.
- Insurance service results rose to SAR 322mn, marking a 90.9% YoY and a 376.6% QoQ increase in 1Q2024. This was primarily due to claims seasonality, business growth, and a rise in insured lives. The insurance results margin improved to 7.4%, up by 2.9ppts YoY and 5.7ppts QoQ.
- Net investment income increased by 54.4% YoY and 8.0% QoQ to SAR 158mn in 1Q2024.
- Other operating expenses increased by 32.5% YoY to SAR 76mn in Q2024 due to higher expenditures to support business growth. However, on a QoQ basis, other operating expenses decreased by 24.8%, primarily driven by the seasonality of operating expenses.
- Gross written premiums (GWP) rose by 34.0% YoY and 162.4% QoQ to SAR 7,249mn in 1Q2024.

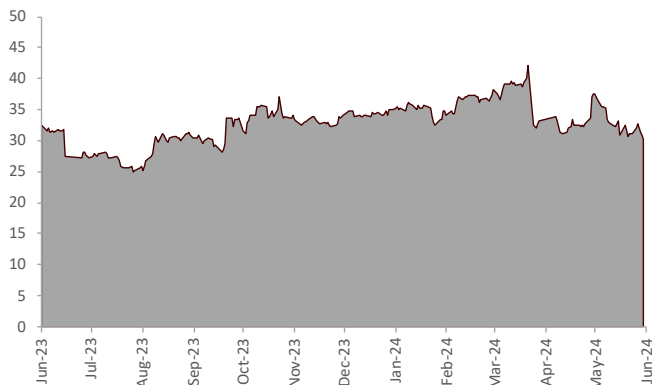
Outlook & Valuation: The health insurance market in Saudi Arabia is experiencing strong growth, driven by mandatory medical insurance coverage for private sector employees and their dependents. This momentum is expected to continue, supported by potential improvements in enforcement that could bring over 2.5mn additional lives from the private sector into the insurance market in the coming years. As a market leader, Bupa Arabia is poised to benefit significantly from these developments, with anticipated growth in gross written premiums (GWP) in the medium to long term. We maintain a positive outlook due to strong growth prospects, a solid investment portfolio, increasing profitability, and attractive dividends. However, we believe that the current stock price already reflects most of these positives, given the substantial 30% increase over the past year. Based on the Residual income valuation, we arrive at a fair value of SAR 210.0/share, offering a downside of 6.4% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

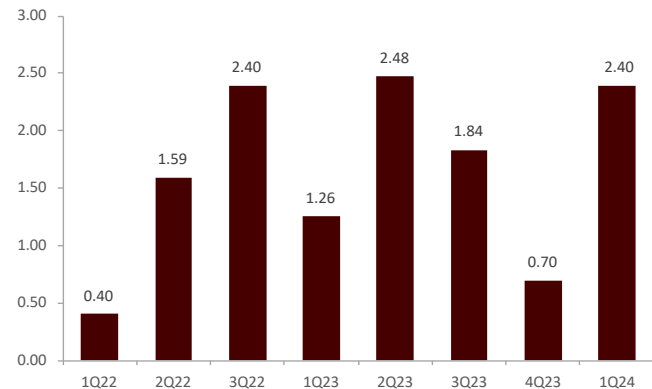
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Insurance revenue	4,374	3,750	17%	4,160	5%
Insurance service expense	(4,036)	(3,578)	13%	(4,086)	-1%
Insurance service result	322	168	91%	67	377%
Insurance service result Margin (%)	7%	4%		2%	
Net investment results	158	102	54%	146	8%
Net insurance and investment results	480	271		214	
Net Income	359	189	91%	105	243%
Net margin (%)	8%	5%		3%	
EPS (SAR)	2.40	1.26	91%	0.70	243%

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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