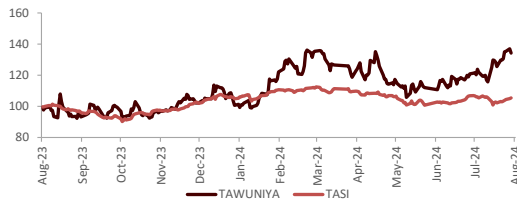


The Company for Cooperative Insurance (Tawuniya)

| | |
|---------------------------------|--------------|
| Recommendation | Hold |
| Current Market Price (SAR) | 165.4 |
| 52wk High / Low (SAR) | 176.0/113.0 |
| Mkt. Cap. (USD/SAR Mn) | 6,748/25,320 |
| Shares Outstanding (mn) | 150.0 |
| Free Float (%) | 74.1% |
| 3m Average Vol. (000) | 415.1 |
| 3m Avg Daily Turnover (SAR'000) | 60,668 |
| Dividend Yield '24e (%) | 1.2% |
| P/E'24e (x) | 18.1 |

Source: Bloomberg

Relative Price Performance



Key Indicators

| SAR (mn) | 2022 | 2023 | 2024e | 2025e |
|---|----------|----------|----------|----------|
| Insurance revenue | 11,408 | 15,265 | 18,319 | 21,066 |
| Insurance service expenses | (10,485) | (14,067) | (16,240) | (18,886) |
| Net insurance service result | 317 | 681 | 1,459 | 1,467 |
| Net insurance service result Margin (%) | 3% | 4% | 8% | 7% |
| Net financial results | 372 | 436 | 508 | 547 |
| Net insurance and financial results | 542 | 1,065 | 1,954 | 2,002 |
| Net Income | 302 | 616 | 1,372 | 1,403 |
| Net income margin (%) | 3% | 4% | 7% | 7% |
| EPS (SAR) | 2.42 | 4.11 | 9.14 | 9.35 |
| ROE (%) | 10% | 18% | 32% | 26% |

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

| | |
|---|--------|
| General Organization for Social Insurance | 25.86% |
|---|--------|

Source: Bloomberg, Yaqeen Capital

Earnings driven by higher insurance revenue and investment income

- Tawuniya's net income surged by 87.0% YoY and 133.8% QoQ to SAR 460mn in 2Q2024, driven by improved insurance service results and higher investment income on a YoY basis. The QoQ growth was supported by stronger insurance service outcomes. The net margin expanded by 3.8ppts YoY (+5.9ppts QoQ) to 10.4% in 2Q2024.
- Insurance revenue increased by 19.3% YoY (+0.6% QoQ) to SAR 4,412mn in 2Q2024, fueled by growth across the company's key sectors.
- Net insurance service results rose by 7.0% YoY and 92.4% QoQ to SAR 492mn in 2Q2024, driven by a reduction in claims and better management, though this was partly offset by a higher allocation to reinsurance premiums. The net insurance results margin decreased by 1.3ppts YoY but improved by 5.3ppts QoQ to 11.1% in 2Q2024.
- Net insurance financial results grew by 67.9% YoY and 110.0% QoQ to SAR 591mn in 2Q2024, driven by better insurance service outcomes and higher investment income stemming from growth in the company's investment portfolio.
- In 1H2024, net income increased by 105.0% to SAR 657mn, driven by stronger insurance service results and increased investment income due to the expanding investment portfolio. The net income margin improved by 3.0ppts to 7.5%.
- In 1H2024, revenue rose by 23.8% to SAR 8,798mn, reflecting growth across the company's main business sectors.

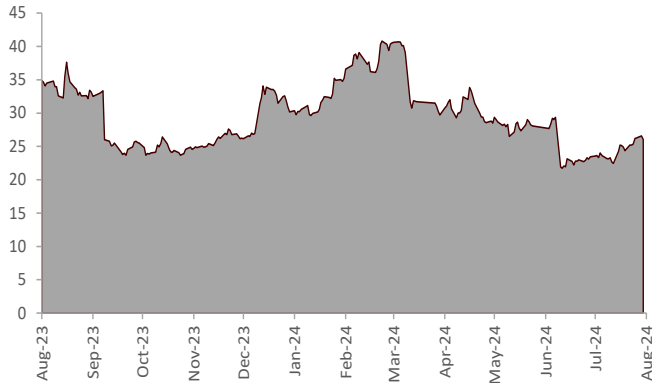
Outlook & Valuation: The Saudi insurance market is witnessing substantial growth, primarily driven by stricter enforcement in the medical and motor segments. Looking ahead, the health sector's momentum is expected to persist, potentially bringing over 2.5mn additional individuals from the private sector into the insurance market in the coming years, supported by anticipated improvements in enforcement. Moreover, the demand for motor insurance is expected to rise following the enforcement implementation on October 1, 2023. As a market leader, Tawuniya is well positioned to capitalize on these trends, with Gross Written Premium (GWP) growth projected in the medium to long term. Overall, we maintain a positive outlook for the company, given its strong growth prospects and rising profitability. However, we believe the current stock price already factors in most of these positives, especially considering the significant 44% increase over the past year. Based on the Residual income valuation, we arrive at a fair value of SAR 151.0/share, offering a downside of 8.7% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

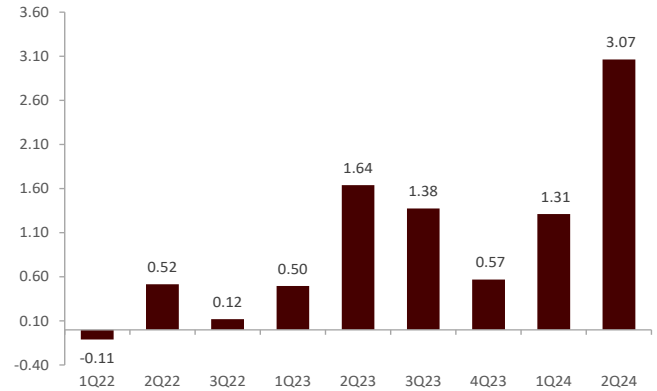
| SAR (mn) | 2Q2024 | 2Q2023 | YoY | 1Q2024 | QoQ |
|---|---------|---------|------|---------|------|
| Insurance revenue | 4,412 | 3,697 | 19% | 4,386 | 1% |
| Insurance service expenses | (3,419) | (3,321) | 3% | (4,040) | -15% |
| Net insurance service result | 492 | 460 | 7% | 256 | 92% |
| Net insurance service result Margin (%) | 11% | 12% | | 6% | |
| Net financial results | 155 | 40 | 282% | 171 | -9% |
| Net insurance and financial results | 591 | 352 | 68% | 281 | 110% |
| Net Income | 460 | 246 | 87% | 197 | 134% |
| Net income margin (%) | 10% | 7% | | 4% | |
| EPS (SAR) | 3.07 | 1.64 | 87% | 1.31 | 134% |

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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