



4Q 2017 Results Update

February 13, 2018

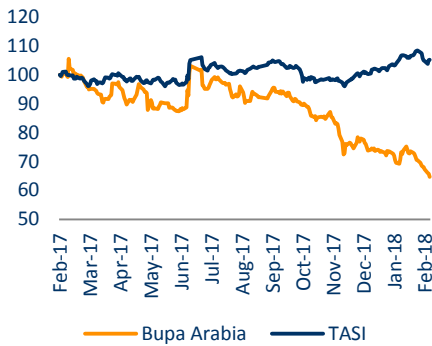
Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	82.5
Target Price (SAR)	101.2
Upside/Downside (%)	22.7%

As of February 13, 2018

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	6.6
52 Wk High (SAR)	138.5
52 Wk Low (SAR)	82.0
Total Outstanding shares (in mn)	80.0
Free Float (%)	62.8%

Bupa Arabia Vs TASI (Rebased)

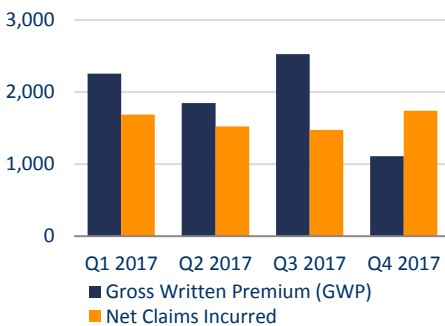


Price Performance (%)	Absolute	Relative
1m	(6.9%)	(8.3%)
6m	(31.1%)	(35.1%)
12m	(35.3%)	(40.6%)

Major Shareholders (%)

Bupa Investments Overseas Ltd.	34.25
Nazir Holding Group	9.00
Modern Computer Programs	9.00

Gross Written Premium and Net Claims Incurred (SAR mn)

Source: Bloomberg, Company Financials, FALCOM Research; Data as of 13th February 2018

Earnings drop due to lower underwriting results, higher net claims incurred and a lower net earned premiums

Bupa Arabia for Cooperative Insurance (Bupa Arabia) reported a 47.7% YoY drop in net profit before zakat for 4Q17 to SAR101.2mn, in line with the street estimates of SAR99.1mn (+2.1% vs. consensus). The primary reason for the drop was lower underwriting results (SAR106.6mn lower than 4Q16). Furthermore, net claims incurred increased by 4.4% YoY to SAR1,738.4mn while net earned premium decreased by 1.7% YoY to SAR32.9mn for 4Q17.

- Gross written premiums (GWP) increased to SAR1,109.8mn in 4Q17, up 2.2% YoY from SAR1,086.2mn in 4Q16. Sequentially, GWP declined 56.0% from SAR2,522.6mn reported in 3Q17.
- Net written premiums (NWP) increased to SAR1,099.6mn in 4Q17, up 4.5% YoY from SAR1,052.6mn in 4Q16, while recorded a QoQ decline of 56.0% from SAR2,497.0mn reported in 3Q17.
- Net claims incurred increased to SAR1,738.4mn in 4Q17, up 4.5% YoY from SAR1,664.6mn in 4Q16. It also increased by 17.8% compared with SAR1,475.4mn in 3Q17.
- Investment income for 4Q17 decreased 32.8% to SAR42.2mn, compared with SAR62.8mn in 4Q16. It increased by 20.5% compared with SAR35.0mn in 3Q17.
- Net profit before zakat decreased to SAR101.2mn in 4Q17, down 47.7% YoY from SAR193.5mn in 4Q16 and 53.3% QoQ compared with SAR217.0mn in 3Q17. The YOY decrease is primarily attributable to the 54.3% drop in net underwriting results which was partially offset by the 46.1% decline in operating expenses.
- Total Insurance Operations Comprehensive Income dropped 50.7% YoY to SAR8.8mn in 4Q17 from SAR17.8mn in 4Q16. This translates to a decline of 62.3% compared with SAR23.3mn reported in 3Q17.
- Total Shareholders Comprehensive Income for 4Q17 stood at SAR101.0mn, decreasing 47.8% compared with SAR193.5mn in 4Q16. This was also 53.1% lower than SAR215.5mn reported in 3Q17.
- Gross Written Premium (GWP) declined by SAR205.7mn in FY17, which was a decrease of 2.6% compared with FY16.
- Net claims incurred increased by 3.7% to SAR6,405.0mn in FY17 compared with SAR 6,178.5mn in FY16. This increase was only marginally offset by a small increase of 0.1% in net earned premium amounting to SAR5.0mn.
- Investment income for the year rose by SAR27.8mn in FY17, which was an increase of 21.3%.
- Net profit before zakat declined 20.6% to SAR500.6mn for FY17 compared with SAR630.7mn in FY16. The reasons for the drop were decrease in net underwriting results, higher net claims incurred and lower gross written premiums.

Valuation: We had initiated Bupa Arabia with an 'Overweight' rating with a fair value of SAR101.2 per share. Given the current drop in share prices, the return potential has widened to ~23%.

	4Q'17	4Q'16	% YoY	FY17	FY16	% YoY
Gross written premiums (GWP) (SAR mn)	1,109.8	1,086.2	2.2	7,733.0	7,938.6	(2.6)
Net written premiums (SAR mn)	1,099.6	1,052.6	4.5	7,664.6	7,871.2	(2.6)
Net claims incurred (SAR mn)	1,738.4	1,664.6	4.4	6,405.0	6,178.5	3.7
Net profit before Zakat (SAR mn)	101.2	193.5	(47.7)	500.6	630.7	(20.6)
Net profit of policy holders invest. (SAR mn)	25.1	29.3	(14.2)	99.7	80.2	24.3
Net profit of shareholders capital invest. (SAR mn)	17.1	33.5	(49.0)	58.6	50.2	16.6
EPS (SAR)	1.26	2.42	(47.7)	6.27	7.90	(20.6)

Source: Company Financials, FALCOM Research



FALCOM Rating Methodology

FALCOM Financial Services 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 FALCOM Financial Services.

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