

Abu Dhabi National Insurance Co (ADNIC)

Robust underwriting performance drove bottom-line

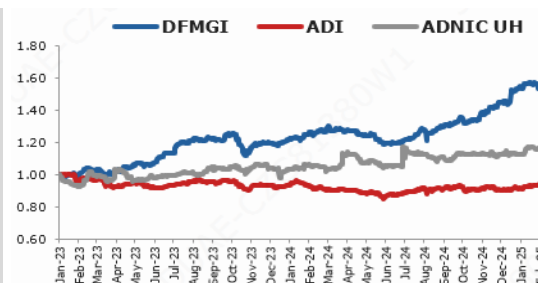
Current Price
AED 6.60

Target Price
AED 8.78

Upside/Downside (%)
+33%

Rating
BUY

- The Company witnessed a record GWP of AED 7.5 Bn in 2024, up 50.4% compared to 2023.
- ADNIC's insurance service result grew 47.5% YOY to AED 140 Mn in 4Q24 due to strong underwriting performance.
- The Company's board of directors recommended distributing a cash dividend of AED 0.45 per share for 2024 amounting to AED 256.5 Mn with a strong dividend yield of 6.8%.
- The Premium Retention ratio rose from 35.0% in 2023 to 35.5% in 2024, while the Combined Ratio increased from 87.6% in 2023 to 93.1% in 2024.



Stock Information

Market Cap (AED, Mn)	3,790.50
Paid Up Capital (Mn)	570.00
52 Week High	6.70
52 Week Low	5.30
3M Avg. daily value (AED)	1,017,448

4Q24 Net Profit higher than our estimate

Abu Dhabi National Insurance Co PJSC (ADNIC/the Company) net profit grew 12.4% YOY to AED 112 Mn in 4Q24, higher than our estimate of AED 101 Mn. The growth in net profit is mainly driven by strong underwriting performance that led to increase in net insurance service results and higher net investment income partially offset by a rise in operating expense and tax expense.

P&L Highlights

ADNIC's total insurance revenue rose 48.0% YOY to AED 1,934 Mn in 4Q24 driven by strong growth in the Commercial and Consumer Segment. The Company witnessed a record Gross Written Premium (GWP) of AED 7.5 Bn in 2024, up 50.4% compared to 2023. Commercial insurance segment revenue grew 34.8% YOY to AED 1,116 Mn in 4Q24, while the Consumer segment revenue increased 70.9% YOY to AED 818 Mn in 4Q24. On the other hand, the Company's insurance service expenses grew 20.1% YOY to AED 1,615 Mn in 4Q24. Moreover, ADNIC's income from reinsurance contracts fell marginally 0.2% YOY to AED 917 Mn in 4Q24. Furthermore, reinsurance contract expenses grew 39.6% YOY to AED 1,095 in 4Q24. Thus, ADNIC's insurance service result grew 47.5% YOY to AED 140 Mn in 4Q24 due to strong underwriting performance. Net investment income rose 47.5% YOY to AED 70 Mn in 4Q24 due to an effective asset allocation mix towards emerging markets. Net finance expense from insurance contracts stood at AED 133 Mn in 4Q24, compared to an income of AED 62 Mn in 4Q23. On the other hand, finance income from reinsurance contracts stood at AED 105 Mn in 4Q24 compared to an expense of AED 54 Mn in 4Q24. Other operating expenses grew 11.8% YOY to AED 58 Mn in 4Q24. The Company reported tax expense of AED 12 Mn in 4Q24 owing to implementation of corporate tax in the UAE since 2024.

4Q24 Result Review (AED, Mn)

Total Assets	11,805
Total Liabilities	8,286
Total Equity	3,519
Insurance Service Result	140
Net Profit	112

Financial Ratios

Dividend Yield (12m)	6.77
Dividend Pay-out (%)	61.54
Price-Earnings Ratio(x)	9.05
Price-to-Book Ratio (x)	1.21
Book Value (AED)	5.49
Return-on Equity (%)	13.78

Stock Performance

5 Days	0.91%
1 Months	4.72%
3 Months	8.13%
6 Months	11.95%
1 Year	9.38%
Month to Date (MTD%)	6.40%
Quarter to Date (QTD%)	9.02%
Year to Date (YTD%)	9.02%

Balance Sheet Highlights

ADNIC's expense ratio rose 210 bps YOY to 22.6% in 2024, owing to an increase in insurance service expenses. On the other hand, the net claim ratio increased 340 bps YOY to 70.5% in 2024. Thus, the combined ratio grew 550 bps YOY to 93.1% in 2024 which shows the Company's efficiency in underwriting operations by earning high premiums over claims and expenses. The premium retention ratio rose from 35.0% in 2023 to 35.5% in 2024.

Target Price and Rating

We maintain our BUY rating on ADNIC with an unchanged target price of AED 8.78. ADNIC's GWP increased 50.4% YOY to a record high level at AED 7.5 Bn in 2024. Despite floods in the UAE in April 2024, solid underwriting performance and the transfer of risk to the reinsurance market drove the Company's profitability. ADNIC witnessed strong growth in net investment income driven by a strategic allocation mix to the emerging markets. Furthermore, the acquisition of Allianz Saudi Arabia Cooperative Insurance Company (ASF) enabled ADNIC to establish itself in the KSA market and deliver solutions across all major insurance lines. The Combined ratio of 93.1% in 2024, demonstrates the Company's strong underwriting efficiency by keeping claims and expenses lower than premiums. Additionally, ADNIC is involved in many projects and initiatives to maintain sustainability by investing in high-end Enterprise Risk Management frameworks and market-leading comprehensive Reinsurance Risk Transfer programs. Moreover, the Company is focusing on enhancing operational efficiencies, specifically in high-customer impact areas, which is likely to benefit the bottom line. The Company's board of directors recommended distributing a cash dividend of AED 0.45 per share for 2024 amounting to AED 256.5 Mn with a strong dividend yield of 6.8%. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNIC - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	10.1	9.4	10.0	9.4	9.0	8.8
PB	1.5	1.3	1.4	1.3	1.1	1.0
Dividend yield	5.3%	6.1%	6.1%	6.8%	6.8%	6.8%

FABS Estimates & Co Data

ADNIC – P&L

AED Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch.	QOQ Ch	2023	2024	Change
Insurance revenue	1,306	1,948	1,934	2,066	-6.4%	48.0%	-0.7%	4,641	7,176	54.6%
Insurance service expenses	-1,346	-2,649	-1,615	-2,694	-40.0%	20.1%	-39.0%	-3,615	-7,690	NM
Income from reinsurance contracts	919	1,867	917	1,898	-51.7%	-0.2%	-50.9%	2,065	4,904	NM
Reinsurance contracts expenses	-784	-1,062	-1,095	-1,139	-3.9%	39.6%	3.1%	-2,724	-3,941	44.6%
Insurance Service Result	95	104	140	131	7.2%	47.5%	34.8%	367	449	22.5%
Net Investment Income	48	83	70	91	-22.8%	47.5%	-15.3%	207	273	31.9%
Finance (exp.)/ inc. from insurance contracts, net	62	0	-133	43	NM	NM	NM	66	-103	NM
Finance (exp.) / inc. from reinsurance contracts, net	-54	-12	105	-62	NM	NM	NM	-58	72	NM
Net Finance Result	151	176	182	203	-10.4%	20.3%	3.7%	581	691	18.9%
Other operating expense	-52	-57	-58	-98	-40.5%	11.8%	1.5%	-180	-224	24.7%
Profit Before tax	99	118	124	106	17.4%	24.8%	4.8%	401	466	16.3%
Tax expense	0	-16	-12	-6	NM	NM	-21.7%	0	-47	NM
Profit for the period	99	103	112	100	11.7%	12.5%	8.8%	401	419	4.6%
Non-controlling interest	0	2	0	-1	NM	NM	NM	0	3	NM
Profit attributable	99	100	112	101	10.2%	12.4%	11.1%	401	417	3.9%

FABS estimate & Co Data

ADNIC - Margins

	2023	2024	Change (bps)
Premium Retention	35.0%	35.5%	50
Net claims ratio	67.1%	70.5%	340
Expense ratio	20.5%	22.6%	210
Combined ratio	87.6%	93.1%	550
ROE	13.0%	14.2%	120

FABS estimate & Co Data

Valuation:

We use the Residual Income, Dividend Discount Method (DDM), and Relative Valuation (RV) method to value ADNIC. We have assigned 50% weight to Residual Income and 25% weight each to DDM and RV methods.

Valuation Method	Target	Weight	Weighted Value
Residual Income Method	10.19	50.0%	5.09
Dividend Discount Method (DDM)	8.44	25.0%	2.11
Relative Valuation (RV)	6.31	25.0%	1.58
Weighted Average Valuation (AED)			8.78
Current market price (AED)			6.60
Upside/Downside (%)			+33%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.9%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90, and equity risk premium of 4.2%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	731
Terminal value (AED, Mn)	1,947
Shareholder's equity (As of Dec 2024)	3,130
FV to Common shareholders (AED, Mn)	5,808
No. of share (Mn)	570
Current Market Price (AED)	6.60
Fair Value per share (AED)	10.19

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	427	551	552	583	603
Equity Charge	312	327	354	378	404
Excess Equity	115	224	198	205	199
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Present Value of Excess Equity	107	191	155	147	131

Source: FAB Securities

2) DDM Method:

ADNIC dividend grew in line with profit and paid regular dividends to its shareholders. Thus, we have valued ADNIC using the DDM valuation method. The dividend is discounted at the cost of equity of 8.9%.

Sum of PV (AED, Mn)	1,268
Terminal value (AED, Mn)	3,543
FV to Common shareholders (AED, Mn)	4,811
No. of share (Mn)	570
Current Market Price (AED)	6.60
Fair Value per share (AED)	8.44

DDM Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend	256	331	331	350	362
Total Dividend	256	331	331	350	362
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Present Value of Dividend	238	282	259	251	239

Source: FAB Securities

3) Relative Valuation:

We have used local peers to value ADNIC and it is valued using the PB multiple. It is valued at 2025 PB multiple of 1.0x compared to peer multiple of 4.9x.

Company	Market (USD Mn)	P/B (x)		P/E (x)	
		2025F	2026F	2025F	2026F
GULF INSURANCE GROUP	1,096	NA	NA	NA	NA
BUPA	7,344	4.7	4.1	17.3	16.6
COMPANY FOR COOPERATIVE INSURANCE	6,037	5.1	4.4	22.6	19.9
Average		4.9x	4.2x	19.9x	18.2x
Median		4.9x	4.2x	19.9x	18.2x
Max		5.0x	4.3x	21.3x	19.1x
Min		4.8x	4.2x	18.6x	17.4x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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