

Abu Dhabi National Insurance Co (ADNIC)

Strong underwriting performance and investment income boosted profitability

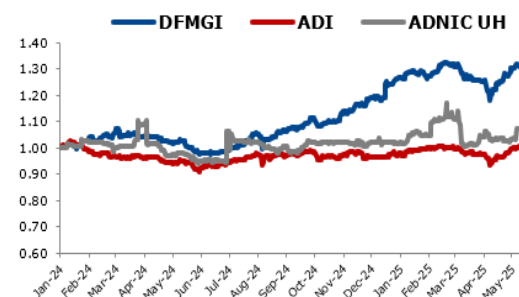
Current Price
AED 6.41

Target Price
AED 8.78

Upside/Downside (%)
+37%

Rating
BUY

- ADNIC witnessed a Gross written premium (GWP) of AED 3.9 Bn in 1Q25, up 27.4% compared to 1Q24.
- Insurance service result grew 37.0% YOY to AED 141 Mn in 1Q25 due to strong underwriting performance.
- Premium Retention ratio rose from 38.1% in 1Q24 to 38.7% in 1Q25, while the Combined Ratio increased 260 bps YOY to 92.6% in 1Q25.
- Establishing an AI-driven data management unit to enhance financial performance.
- The company's BOD approved a cash dividend distribution of AED 0.45 per share for 2024, providing a dividend yield of 7.0%.



1Q25 Net Profit slightly higher than our estimate

Abu Dhabi National Insurance Co PJSC (ADNIC/the Company) net profit grew 15.7% YOY to AED 117 Mn in 1Q25, higher than our estimate of AED 111 Mn. The growth in net profit is mainly driven by strong underwriting performance that led to an 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 30.0% YOY to AED 2,022 Mn in 1Q25 driven by strong growth in the Commercial and Consumer Segment. The Company witnessed a Gross Written Premium (GWP) of AED 3.9 Bn in 1Q25, up 27.4% compared to 1Q24. Commercial insurance segment revenue grew 14.5% YOY to AED 1,112 Mn in 1Q25, while the Consumer segment revenue increased significantly 55.9% YOY to AED 910 Mn. On the other hand, the Company's insurance service expenses declined 19.3% YOY to AED 936 Mn in 1Q25. ADNIC's income from reinsurance contracts fell 78.0% YOY to AED 136 Mn in 1Q25. Furthermore, reinsurance contract expenses grew 18.6% YOY to AED 1,081 in 1Q25. Thus, ADNIC's insurance service result increased 37.0% YOY to AED 141 Mn in 1Q25 due to strong underwriting performance. Net investment income rose 31.3% YOY to AED 71 Mn in 1Q25 due to increased interest income, lower interest cost, and solid contributions from the acquisition of Allianz Saudi Fransi. Net finance expense from insurance contracts stood at AED 68 Mn in 1Q25, compared to AED 0.1 Mn in 1Q24. On the other hand, net finance income from reinsurance contracts stood at AED 45 Mn in 1Q25 compared to an expense of AED 4 Mn in 1Q24. Other operating expenses grew 13.2% YOY to AED 56 Mn in 1Q25. Additionally, ADNIC's tax expense increased 26.5% YOY to AED 14 Mn in 1Q25.

Stock Information

Market Cap (AED, Mn)	3,659.40
Paid Up Capital (Mn)	570.00
52 Week High	6.98
52 Week Low	5.30
3M Avg. daily value (AED)	469,418

1Q25 Result Review (AED, Mn)

Total Assets	11,348
Total Liabilities	7,968
Total Equity	2,986
Insurance Service Result	141
Net Profit	117

Financial Ratios

Dividend Yield (12m)	7.01
Dividend Pay-out (%)	61.54
Price-Earnings Ratio(x)	8.43
Price-to-Book Ratio (x)	1.17
Book Value (AED)	5.49
Return-on Equity (%)	13.78

Stock Performance

5 Days	-0.16%
1 Months	3.88%
3 Months	-3.31%
6 Months	4.39%
1 Year	10.31%
Month to Date (MTD%)	3.88%
Quarter to Date (QTD%)	2.88%
Year to Date (YTD%)	5.25%

Balance Sheet Highlights

ADNIC's expense ratio rose 240 bps YOY to 23.0% in 1Q25, owing to due to continued investments for business growth. The net claim ratio increased 20 bps YOY to 69.6% in 1Q25. Thus, the combined ratio grew 260 bps YOY to 92.6% in 1Q25 due to an increase in operating expenses and claims paid. The premium retention ratio rose from 38.1% in 1Q24 to 38.7% in 1Q25.

Target Price and Rating

We maintain our BUY rating on ADNIC with an unchanged target price of AED 8.78. ADNIC's GWP increased 27.4% YOY to AED 3.9 Bn in 1Q25. ADNIC witnessed strong growth in net investment income driven by an increase in interest income, lower investment expenses and solid benefits from the acquisition of Allianz Saudi Fransi. Furthermore, post-acquisition of Allianz Saudi Fransi the rebranded entity "Mutakamela Insurance company" now operates under ADNIC. The Company's combined ratio declined from 90.0% in 1Q24 to 92.6% in 1Q25, which demonstrates the Company's focus on cost efficiency and operational discipline, along with strong underwriting efficiency by maintaining higher premiums over claims and expenses. The unprecedented floods in the UAE during April 2024 resulted in a surge in insurance claims in several segments. Most losses were passed on to reinsurers, which led to higher reinsurance costs and stricter terms, which are expected to continue between January 2025 to July 2025 renewal cycles. Furthermore, ADNIC expects a 10% to 15% average rise in property insurance rates after high losses incurred during the April 2024 floods. ADNIC is strengthening its Enterprise Risk Management and leading Reinsurance Risk Transfer programs, while establishing an AI-driven data management unit to enhance financial performance. The Company remains focused on operational efficiency in customer-centric areas and upholds sustainability as a core operational pillar. 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	9.85	9.09	9.67	9.11	8.71	7.96
PB	1.46	1.29	1.30	1.23	1.04	0.98
DPS	0.35	0.40	0.40	0.45	0.45	0.45
Dividend yield	5.5%	6.2%	6.2%	7.0%	7.0%	7.0%

FABS Estimates & Co Data

ADNIC – P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch.	QOQ Ch	2024	2025F	Change
Insurance revenue	1,555	1,934	2,022	1,906	6.1%	30.0%	4.6%	7,176	8,195	14.2%
Insurance service expenses	-1,159	-1,615	-936	-1,582	-40.9%	-19.3%	-42.1%	-7,690	-6,736	-12.4%
Income from reinsurance contracts	619	917	136	733	-81.5%	-78.0%	-85.2%	4,904	3,187	-35.0%
Reinsurance contracts expenses	-912	-1,095	-1,081	-953	13.4%	18.6%	-1.3%	-3,941	-4,207	6.8%
Insurance Service Result	103	140	141	104	36.0%	37.0%	0.7%	449	439	-2.3%
Net Investment Income	54	70	71	72	-0.6%	31.3%	1.4%	273	295	8.0%
Finance expenses from insurance contracts, net	0	-133	-68	23	NM	NM	NM	-103	98	NM
Finance income from reinsurance contracts, net	4	105	45	-15	NM	NM	NM	72	-64	NM
Net Finance Result	162	182	190	184	3.0%	17.4%	4.1%	691	768	11.2%
Other operating expense	-50	-58	-56	-53	5.5%	13.2%	-3.2%	-224	-228	1.5%
Profit Before tax	112	124	133	131	2.0%	19.2%	7.5%	466	540	15.8%
Tax expense	-11	-12	-14	-20	-30.2%	26.5%	11.8%	-47	-81	72.5%
Profit for the period	101	112	120	111	7.7%	18.5%	7.1%	419	459	9.5%
Non-controlling interest	0	0	3	0	NM	NM	NM	3	2	-30.6%
Profit attributable	101	112	117	111	5.6%	15.7%	4.6%	417	457	9.7%

FABS estimate & Co Data
ADNIC - Margins

	1Q24	4Q24	1Q25	YOY Ch.	QOQ Ch.
Premium Retention	38.1%	35.5%	38.7%	60	320
Net claims ratio	69.4%	70.5%	69.6%	20	-90
Expense ratio	20.6%	22.6%	23.0%	240	40
Combined ratio	90.0%	93.1%	92.6%	260	-50
ROE	6.5%	5.8%	5.8%	-71	0

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	10.23	50.0%	5.12
Dividend Discount Method (DDM)	8.83	25.0%	2.21
Relative Valuation (RV)	5.84	25.0%	1.46
Weighted Average Valuation (AED)			8.78
Current market price (AED)			6.41
Upside/Downside (%)			+37%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.8%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90, and equity risk premium of 4.1%. 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)	807
Terminal value (AED, Mn)	2,039
Shareholder's equity (As of Mar 2025)	2,987
FV to Common shareholders (AED, Mn)	5,833
No. of share (Mn)	570
Current Market Price (AED)	6.41
Fair Value per share (AED)	10.23

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	457	573	576	570	607
Equity Charge	309	327	355	381	406
Excess Equity	148	246	221	189	200
Discounting Factor	0.95	0.87	0.80	0.74	0.68
Present Value of Excess Equity	140	215	177	139	136

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 8.8%.

Sum of PV (AED, Mn)	1,335
Terminal value (AED, Mn)	3,700
FV to Common shareholders (AED, Mn)	5,035
No. of share (Mn)	570
Current Market Price (AED)	6.41
Fair Value per share (AED)	8.83

DDM Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend	274	344	345	342	364
Total Dividend	274	344	345	342	364
Discounting Factor	0.95	0.87	0.80	0.74	0.68
Present Value of Dividend	260	300	277	252	246

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 0.9x compared to peer multiple of 4.5x.

Company	Market (USD Mn)	P/B (x)		P/E (x)	
		2025F	2026F	2025F	2026F
GULF INSURANCE GROUP	917	NA	NA	NA	NA
BUPA	7,109	4.7	4.2	21.4	16.7
COMPANY FOR COOPERATIVE INSURANCE	5,773	4.2	3.7	20.6	16.7
Average		4.5x	3.9x	21.0x	16.7x
Median		4.5x	3.9x	21.0x	16.7x
Max		4.6x	4.1x	21.2x	16.7x
Min		4.3x	3.8x	20.8x	16.7x

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
 +971-2-6161777

Institutional Desk +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.