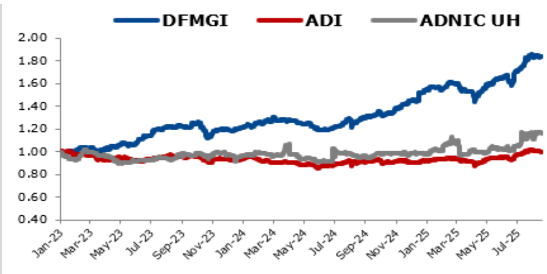
Abu Dhabi National Insurance Co (ADNIC)

Strong underwriting performance and investment income boosted profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 6.99	AED 8.78	+26%	BUY

- Witnessed a GWP of AED 5.5 Bn in 1H25, up 25.7% compared to 1H24.
- Insurance service results grew 15.8% YOY to AED 117 Mn in 2Q25 due to strong underwriting performance.
- Premium Retention ratio rose from 38.6% in 2Q24 to 42.9% in 2Q25, while the Combined Ratio increased 50 bps YOY to 92.9% in 2Q25.
- Establishing an AI-driven data management unit to enhance financial performance.



Stock Information	
Market Cap (AED, Mn)	4,109.70
Paid Up Capital (Mn)	570.00
52 Week High	7.47
52 Week Low	5.80
3M Avg. daily value (AED)	761,301

2Q25 Result Review (AED, Mn)	
Total Assets	10,996
Total Liabilities	7,482
Total Equity	3,513
Insurance Service Result	117
Net Profit	112

Financial Ratios	
Dividend Yield (12m)	6.44
Dividend Pay-out (%)	61.54
Price-Earnings Ratio(x)	9.01
Price-to-Book Ratio (x)	1.33
Book Value (AED)	5.24
Return-on Equity (%)	15.02

Stock Performance	
5 Days	-3.72%
1 Months	1.01%
3 Months	9.05%
6 Months	4.33%
1 Year	19.08%
Month to Date (MTD%)	-2.92%
Quarter to Date (QTD%)	7.87%
Year to Date (YTD%)	14.59%

2Q25 Net Profit lower than our estimate

Abu Dhabi National Insurance Co PJSC (ADNIC/the Company) net profit grew 7.5% YOY to AED 112 Mn in 2Q25, lower than our estimate of AED 117 Mn. The growth in net profit is mainly driven by strong underwriting performance and a significant decrease in Insurance service expense that led to an increase in net insurance service results and higher net investment income, partially offset by a decline in reinsurance income and higher in tax expense.

P&L Highlights

ADNIC's total insurance revenue rose 14.3% YOY to AED 1,987 Mn in 2Q25, driven by strong growth in the Commercial and Consumer Segment. The Company witnessed a 25.7% YOY growth in Gross Written Premium (GWP) to AED 5.5 Bn in 1H25 driven by a solid underwriting performance. Commercial insurance segment revenue grew 14.0% YOY to AED 1,063 Mn in 2Q25, and the Consumer segment revenue grew 14.7% YOY to AED 924 Mn in 2Q25. On the other hand, the Company's insurance service expenses declined 48.7% YOY to AED 1,163 Mn in 2Q25. ADNIC's income from reinsurance contracts fell from AED 1,501 Mn in 2Q24 to AED 376 Mn in 2Q25. Furthermore, reinsurance contract expenses grew 24.2% YOY to AED 1,083 Mn in 2Q25. Thus, ADNIC's insurance service result increased 15.8% YOY to AED 117 Mn in 2Q25. Net investment income rose 9.6% YOY to AED 71 Mn in 2Q25 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 31 Mn in 2Q25, compared to an income of AED 31 Mn in 2Q24. On the other hand, net finance income from reinsurance contracts stood at AED 26 Mn in 2Q25 compared to an expense of AED 25 Mn in 2Q24. Other operating expenses fell 7.9% YOY to AED 55 Mn in 2Q25. Additionally, ADNIC's tax expense increased 47.9% YOY to AED 12 Mn in 2Q25. Profit attributable to NCI stood at AED 4 Mn in 2Q25, compared to AED 0.4 Mn in 2Q24.

Balance Sheet Highlights

ADNIC's expense ratio rose 350 bps YOY to 21.4% in 1H25, owing to continued investments for business growth. The net claim ratio decreased 300 bps YOY to 71.5% in 1H25. Thus, the combined ratio grew 50 bps YOY to 92.9% in 1H25 due to an increase in operating expenses partially offset by claims paid. The premium retention ratio rose from 38.6% in 1H24 to 42.9% in 1H25.

Target Price and Rating

We maintain our BUY rating on ADNIC with an unchanged target price of AED 8.78. ADNIC's GWP increased 25.7% YOY to AED 5.5 Bn in 1H25. ADNIC witnessed strong growth in net investment income driven by an increase in interest income, lower interest cost, and solid benefits from the acquisition of Allianz Saudi Fransi. The Company's net claims ratio declined from 74.5% in 1H24 to 71.5% in 1H25, and the Premium retention ratio increased to 42.9% in 1H25 compared to 38.6% in 1H24, 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 and July 2025 renewal cycles, as we had seen a decrease in Income from reinsurance contracts, down 74.9% YoY in 2Q25. Furthermore, ADNIC expects a 10% to 15% average rise in property insurance rates after high losses incurred during the April 2024 floods, which led the property insurance premium to increase and add to the income of the company. 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. 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	11.08	10.23	10.87	10.24	9.80	8.91
PB	1.64	1.45	1.46	1.38	1.17	1.10
EPS	0.651	0.705	0.663	0.704	0.736	0.809
BVPS	4.398	4.967	4.922	5.212	6.174	6.533
DPS	0.350	0.400	0.400	0.450	0.450	0.476
Dividend yield	5.1%	5.7%	5.7%	6.4%	6.4%	6.6%

FABS Estimates & Co Data

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ADNIC – P&L

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var	YOY Ch.	QOQ Ch	2024	2025F	Change
Insurance revenue	1,738	2,022	1,987	2,063	-3.7%	14.3%	-1.7%	7,176	8,181	14.0%
Insurance service expenses	-2,266	-936	-1,163	-928	25.3%	-48.7%	24.3%	-7,690	-4,516	-41.3%
Income from reinsurance contracts	1,501	136	376	408	-7.8%	-74.9%	NM	4,904	1,275	-74.0%
Reinsurance contracts expenses	-872	-1,081	-1,083	-1,408	-23.1%	24.2%	0.2%	-3,941	-4,437	12.6%
Insurance Service Result	**101**	**141**	**117**	**135**	**-13.1%**	**15.8%**	**-17.2%**	**449**	**503**	**12.0%**
Net Investment Income	65	71	71	61	16.9%	9.6%	-0.6%	273	286	5.0%
Finance income from insurance contracts, net	31	-68	-31	-10	NM	NM	-53.8%	-103	-147	43.0%
Finance (exp.) / inc. from reinsurance contracts, net	-25	45	26	4	NM	NM	-42.2%	72	127	77.1%
Net Finance Result	**172**	**190**	**182**	**189**	**-3.5%**	**6.3%**	**-3.7%**	**691**	**770**	**11.4%**
Other operating expense	-59	-56	-55	-55	-0.3%	-7.9%	-3.2%	-224	-227	1.2%
Profit Before tax	**113**	**133**	**128**	**135**	**-4.9%**	**13.7%**	**-3.9%**	**466**	**543**	**16.3%**
Tax expense	-8	-14	-12	-15	-19.2%	47.9%	-10.3%	-47	-81	73.2%
Profit for the period	**104**	**120**	**116**	**119**	**-3.0%**	**11.0%**	**-3.2%**	**419**	**461**	**9.9%**
Non-controlling interest	0	3	4	2	75.4%	NM	50.2%	3	9	NM
Profit attributable	**104**	**117**	**112**	**117**	**-4.6%**	**7.5%**	**-4.5%**	**417**	**452**	**8.4%**

FABS estimate & Co Data

ADNIC - Margins

	1H24	1Q25	1H25	YOY Ch.
Premium Retention	38.6%	38.7%	42.9%	430
Net claims ratio	74.5%	69.6%	71.5%	-300
Expense ratio	17.9%	23.0%	21.4%	350
Combined ratio	92.4%	92.6%	92.9%	50
Net Profit ratio	6.0%	5.8%	5.6%	-36

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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	10.80	50.0%	5.40
Dividend Discount Method (DDM)	8.48	25.0%	2.12
Relative Valuation (RV)	5.04	25.0%	1.26
Weighted Average Valuation (AED)			**8.78**
Current market price (AED)			6.99
Upside/Downside (%)			+26%

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)	849
Terminal value (AED, Mn)	2,193
Shareholder's equity (As of June 2025)	3,116
FV to Common shareholders (AED, Mn)	**6,158**
No. of share (Mn)	570
Current Market Price (AED)	6.99
Fair Value per share (AED)	**10.80**

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	452	517	530	544	570
Equity Charge	275	292	315	337	359
Excess Equity	**177**	**224**	**214**	**208**	**211**
Discounting Factor	0.97	0.89	0.82	0.75	0.69
Present Value of Excess Equity	**171**	**200**	**176**	**156**	**146**

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)	1,281
Terminal value (AED, Mn)	3,556
FV to Common shareholders (AED, Mn)	**4,837**
No. of share (Mn)	570
Current Market Price (AED)	6.99
Fair Value per share (AED)	**8.49**

DDM Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend	271	310	318	327	342
Total Dividend	**271**	**310**	**318**	**327**	**342**
Discounting Factor	0.97	0.89	0.82	0.75	0.69
Present Value of Dividend	**263**	**276**	**260**	**246**	**237**

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 0.8x compared to peer multiple of 3.85x.

Company	Market	P/B (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
GULF INSURANCE GROUP	345	NA	NA	15.6	12.6
BUPA	6,177	4.1	3.8	18.4	16.2
COMPANY FOR COOPERATIVE INSURANCE	5,040	3.6	3.0	17.0	14.3
Average		**3.9x**	**3.4x**	**17.0x**	**14.3x**
Median		**3.9x**	**3.4x**	**17.0x**	**14.4x**
Max		**4.0x**	**3.6x**	**17.7x**	**15.3x**
Min		**3.7x**	**3.2x**	**16.3x**	**13.5x**

Source: FAB Securities

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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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