GIG SA
Insurance: Financials
GIG AB: Saudi Arabia
22 May 2025

US$0.36bn	49.74%	US$1.04mn
Market Cap.	Free Float	Avg. Daily Value traded

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Overweight

Price Target (SAR): 30.0

Current (22nd May 2025): 25.5
Upside/Downside: 17.6% above current

Valuation Multiples	24A	25E	26E
P/E (x)	13.6	14.4	13.6
P/B (x)	1.2	1.2	1.1
ROE (%)	10.0	8.6	9.0

Major Shareholders	% Ownership
Gulf Insurance Group Gulf BSCC	50.0

Price Performance	1M	3M	YTD
Absolute	-0.8%	-15.5%	-19.9%
Relative to TASI	-2.4%	-6.7%	-13.8%

Earnings

	2024	2025E	2026E	2027E	2028E
GWP	1,464	1,550	1,678	1,828	1,965
Growth	*-5.1%*	*5.9%*	*8.2%*	*8.9%*	*7.5%*
Insurance Revenue	1,464	1,489	1,577	1,719	1,859
Growth	-6.5%	1.7%	5.9%	9.0%	8.2%
Insurance service result	105	96	99	118	136
Margins	7.2%	6.4%	6.3%	6.9%	7.3%
Net Ins. and Inv. results	167	166	173	194	213
Growth	0.3%	-0.6%	4.0%	12.4%	9.8%
Profit Before Tax	125	120	126	144	159
Growth	-19.3%	-4.3%	4.5%	15.1%	10.3%
Net Profit	98	93	98	113	125
Growth	-23.6%	-5.4%	5.9%	15.1%	10.3%
Margins	*6.7%*	*6.2%*	*6.2%*	*6.6%*	*6.7%*
ROE	10.0%	8.6%	9.0%	9.5%	10.0%
P/E	13.6x	14.4x	13.6x	11.8x	10.7x
P/B	1.2x	1.2x	1.1x	1.0x	0.9x

Source: Company data, Al Rajhi Capital

GIG SA

Negatives priced in, turn Overweight

- ***Q1 2025 results led by P&C earnings***
- ***Risk events in the P&C space appear to have normalized, but we remain conservative on future insurance service margin***
- ***Motor's low expense ratio supported by release of reserves, health continues to be under pressure***
- ***We expect earnings to recover in 2026 and 2027***
- ***However, the stock's trailing 1.2x P/B is notably below its 5-yr historical average P/B of 1.8x.***
- ***All the negatives appear to be priced in, positives such as traction in P&C, possibility of improvement in the motor prices ignored***
- ***Reduced target price to SAR 30/share, but turn Overweight***

Q1 2025 results: GIG's 1Q25 results were slightly ahead of expectations, with strong growth in the P&C segment driving both top-line and margin improvements. Insurance revenues rose 1% y-o-y and sequentially to SAR 368mn, exceeding our estimates by 4%, primarily on the back of robust performance in P&C. Insurance service results stood at SAR 47mn, well above our estimate of SAR 32mn, driven by lower insurance service expenses within the P&C segment. The overall expense ratio (including claims) showed a meaningful improvement, coming in at 87.1% versus 99.5% in 1Q24, 88.5% in 4Q24, and better than our 90.9% estimate. Overall, the positive developments in P&C and the improved expense ratio were key drivers of the performance.

P&C comes at rescue: After the spike in risk events in the P&C business in 2023, the recent quarters indicate normalization of the claims. In 2024, out of total SAR 105mn of insurance service result, SAR 55mn came solely from the P&C business. Further in 1Q25 as well, half of the insurance service result was led by P&C. The company has historically been a key player in the P&C market and is also one of the few companies that have reinsurance license. Moreover, the backing of Fairfax (largest shareholder), a Canadian based renowned P&C player, is expected to aid the company to capture the ongoing growth in the P&C market. We remain optimistic on the P&C GWP growth, however, given the nature of the business we prefer to be conservative on the loss ratio and assume the net insurance margin (as a % of insurance revenue) from P&C business to normalize to around 20% level in 2025 and beyond, from 25% in 1Q25.

Motor & Health under pressure: However, the motor and health segment remain under severe pressure. In the motor segment, the company's headline expense ratio (ex-unallocated opex) appears very low (2024: 84.9%, 1Q25: 81.5%). However, in our view, it is primarily supported by release of reserves (changes to past service led to almost 13% decline in expense ratio), as the company was one of the few that was conservative in terms of building reserves prior to IFRS 17 implementation. Adjusting for the 'changes to past service' in 2024, the combined ratio in the motor would have been 97.8% instead of 84.9%. For 1Q25, breakdown of insurance service expense is not available, however, given the broad-based pressure in the industry due to weak policy prices and the spike in loss ratio for the peers, we believe even the Q1 expense ratio in motor would have been cushioned by the release of reserves. We prefer to be conservative and assume higher expense ratio in 2H25 and beyond. In health, the company is struggling to make profits. The expense ratio in 2024 and 1Q25 was about 109% and 106%, respectively.

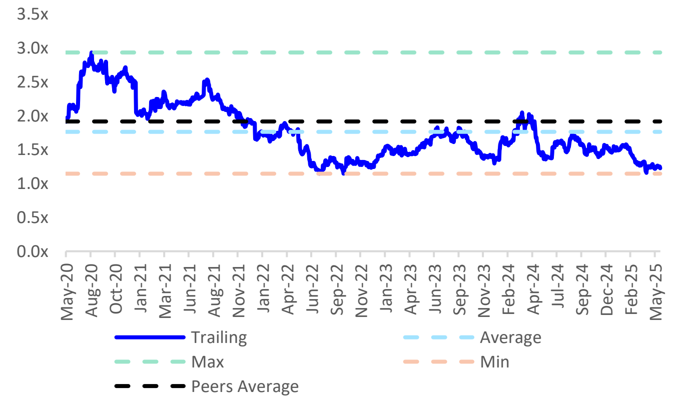
This is primarily due to the heightened competition not only in the corporate medical but SME space as well. Nevertheless, the 106% expense ratio in Q1 is concerning given that it was a seasonal favorable quarter for the medical insurance business. Going forward, we expect the pressure to persists in this space.

2025-2027E: On the back of our conservative assumptions, we estimate overall insurance service margin of 6.4%/6.3% in 2025/2026 versus 7.2% in 2024, before recovering to 6.9%/7.3% in 2027/2028. Given that bulk of the investments are in fixed income, we do not see any major impact on investment income due to the current weak equity markets. Overall, we expect net income to decline by 5% in 2025, but to recover by 6% and 15% in 2026 and 2027E, respectively.

Valuations: GIG (AXA) has traded in a band of 1.1x-2.9x over the last 5 years and in comparison, to its peers (Malath, Walaa, Saudi Re, Medgulf) it has traded at 8-10% discount. Currently, it trades at a trailing multiple of 1.2x versus its historical average of 1.8x and peers average multiple of 1.9x. Despite improved growth prospects of the P&C business, GIG trading at a notable discount could be due to lack of clarity on company's strategy after the exit of AXA and limited access to the company's management. Nevertheless, we believe the current valuations is pricing in bulk of the negatives and completely ignoring the prospects of traction in the P&C business and improvement in the motor pricing for the industry (signs already visible).

We derive our target price through blended methodology of P/B and P/E. Our fair value based on 2025E/2026E book value and 1.4x target multiple is SAR 32/share, while through P/E method at 15x forward multiple on average EPS of 2025/2026 is SAR 27/share. An equal weighted method yields our target price of SAR 30/share (rounded up), that implies upside of ~18%. Thus, we turn Overweight from neutral. We continue to refrain from assigning a valuation premium over its peers or multiple in line with the historical average given the lack of management access to the investors, limited disclosures and anticipated weakness in the motor business.

Figure 1 **GIG trading below peers as well as 5yr average**



Source: Bloomberg, Al Rajhi Capital

Figure 2 **Valuations**

Blended valuation	Fair Value	Weights	Value/Sh.
Relative Valuation - P/B	32	50%	16
Relative Valuation - P/E	27	50%	14
Target Price			**30**
CMP			25.5
Upside			17.6%

Source: Company Data, Al Rajhi Capital

Figure 3 **Income Statement**

	2024	2025E	2026E	2027E	2028E
GWP	**1,464**	**1,550**	**1,678**	**1,828**	**1,965**
Growth	*-5.1%*	*5.9%*	*8.2%*	*8.9%*	*7.5%*
Insurance Revenue	**1,464**	**1,489**	**1,577**	**1,719**	**1,859**
Growth	*-6.5%*	*1.7%*	*5.9%*	*9.0%*	*8.2%*
Insurance Expenses	(1,231)	(1,197)	(1,251)	(1,340)	(1,430)
Net expense from reinsurance	(127)	(196)	(227)	(261)	(294)
Insurance service result	**105**	**96**	**99**	**118**	**136**
Growth	*-4.5%*	*-9.3%*	*3.1%*	*19.7%*	*15.5%*
Margins	*7.2%*	*6.4%*	*6.3%*	*6.9%*	*7.3%*
Investment Income	92	101	106	110	113
Net Finance Expenses/Income	(31)	(30)	(31)	(34)	(36)
Other operating expenses & Income	(42)	(46)	(47)	(50)	(54)
Profit Before Tax	**125**	**120**	**126**	**144**	**159**
Growth	*-19.3%*	*-4.3%*	*4.5%*	*15.1%*	*10.3%*
Zakat & taxes	(27)	(27)	(27)	(31)	(35)
Net Profit	**98**	**93**	**98**	**113**	**125**
Growth	*-23.6%*	*-5.4%*	*5.9%*	*15.1%*	*10.3%*
Margins	*6.7%*	*6.2%*	*6.2%*	*6.6%*	*6.7%*

Source: Company Data, Al Rajhi Capital

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