

QLM Life & Medical Insurance Company (QLMI)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR2.085	Target Price	QR2.371
Implied Upside	13.7%		

4Q2024 Earnings Falls Short of Estimates; DPS QR0.100 (DY: 4.8%)

QLMI's 4Q2024 earnings misses estimates. QLM Life & Medical Insurance Company's (QLMI) net profit decreased by 56.2% YoY (decreased by 20.4% QoQ) to QR10.2mn, below our estimate of QR22.1mn (the miss was across the board). Although revenue increased by 11.9%/15.5% YoY/sequentially, growth in insurance expense 15.6%/15.4% YoY/QoQ (primarily from medical claims) dwarfed growth in the top-line. The medical segment generated losses YoY, while the life insurance segment generated decent profits. Moreover, investment income which generates the bulk of the bottom-line, decreased by 14.0%/19.2% YoY/QoQ. We are still of the view **Seha could be a game changer – if and when this law is implemented, it could increase the number of members in the local health insurance system by 4 to 5x and we are of the view that QLMI could be one of the primary beneficiaries.** This could magnify the company's earnings profile. For the time being, we maintain our QR2.371 PT and Accumulate rating.

Highlights

- **The board announced a DPS of QR0.100 for FY2024 vs. QR0.125 in 2023, lower than our estimate of QR0.125.** This corresponds to a yield of 4.8% and a 55% payout ratio.
- **Combined ratio weakened both YoY and sequentially in 4Q2024.** Combined ratio increased from 98.0%/101.8% YoY/QoQ to 101.3%. FY2024 ratio moved up to 99.3% vs. 98.0% in FY2023.
- **FY2024 RoE decreased to below its CoE, generating negative EVA.** QLMI generated 2024 RoE of 10.1% vs. 12.8% in 2023. ROIC also dropped from 8.4% in FY2023 to 6.8% in FY2024.
- **NPM compressed YoY and sequentially as result of tightening margins from medical insurance operations and lower investment income.** QLMI's NPM came in at 2.9% in 4Q2024 vs. 7.5% in 4Q2023 (3Q2024: 4.2%).
- **Life insurance remained strong, while the medical segment generated losses.** 4Q2024's bottom-line was adversely affected due to losses from the medical segment, while profitability from life insurance generated a strong NPM of 22.3% in FY2024.
- **Investment income was lackluster YoY and sequentially; however, annual investment yield was healthy.** QLMI's net investment income declined by 14.0%/19.2% YoY/QoQ, unable to mitigate the impact of weak income from insurance operations. Hence, the decrease in the bottom-line magnified. Investment yield remained healthy at 5.4% in FY2024 (FY2023: 5.6%).
- **QLMI maintained a strong balance sheet.** The company had a strong capitalization of 46% in 2024, which shields it from adverse market conditions.

Catalysts

- 1) Implementation of mandatory health insurance 2) Increase in the stock's liquidity/volume

Recommendation, Valuation and Risks

- **Recommendation and valuation: we maintain our target price of QR2.371/sh. and our Accumulate rating.** QLMI trades at FY2024 P/B and P/E of 1.1x and 11.5x, respectively.
- **Risks: 1) Geo-political factors 2) Decrease in local expat population & 3) Credit rating change.**

Key Financial Data and Estimates

	2022	2023	2024
Attributable EPS (QR)	0.204	0.212	0.181
EPS Growth (%)	N/M	4.2	-14.7
P/E (x)	10.2	9.8	11.5
BVPS (QR)	1.66	1.79	1.88
P/BV (x)	1.3	1.2	1.1
Combined Ratio	97.3	98.0	99.3
RoE (%)	11.1	12.8	10.1
DPS (QR)	0.125	0.125	0.100
Dividend Yield (%)	6.0	6.0	4.8

Source: Company data; Note: All data is based on current number of shares

Key Data

Current Market Price (QR)	2.085
Dividend Yield (%)	4.8
Bloomberg Ticker	QLMI QD
Reuters Ticker	QLMI.QA
ISIN	QA000QLM003
Sector	Insurance
52wk High/52wk Low (QR)	2.085/1.889
3-m Average Volume	132,148
Mkt. Cap. (\$ bn/QR bn)	0.2/0.7
Shares Outstanding (mn)	350
FO Limit* (%)	49.0
Current Institutional FO (%)	11.0
1-Year Total Return (%)	(2.0)
Fiscal Year End	December 31

Source: Bloomberg (as of February 04, 2025), *Qatar Exchange (as of February 04, 2025); Note: FO is foreign ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024
Insurance Revenue	1,212	1,124	1,223
Insurance Service Expense	(1,140)	(1,041)	(1,160)
Insurance Service Result From Insurance Contracts	72	83	63
Net Expenses from Reinsurance Contracts Held	(20)	(39)	(35)
Insurance Service Results	52	44	28
Net Investment Income	39	55	57
Net Insurance Financial Results	0	(2)	2
Net Insurance & Investment Results	91	97	87
Other Operating Expenses	19	20	21
Net Profit Before Income Tax	72	77	66
Net Tax	2	(0)	(1)
Net Profit (Headline)	73	76	65
Social & Sports Contribution Fund	2	2	2
Net Profit (Attributable to Shareholders)	71	74	63
EPS (Headline)	0.209	0.218	0.186
EPS (Attributable)	0.204	0.212	0.181

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024
Bank Balances & ST Deposits	575	611	603
Financial Investments	775	686	749
Reinsurance Contracts	38	45	59
Other Assets & Receivables	106	51	25
PP&E	2	4	3
Total Assets	1,496	1,398	1,439
Liabilities			
Provisions & Other Payables	151	158	168
Short-Term Borrowings	393	254	273
Insurance & Reinsurance Contract Liabilities	373	359	340
Total Liabilities	917	771	781
Total Shareholders' Equity	580	627	658
Total Liabilities & Shareholders' Equity	1,496	1,398	1,439
BVPS	1.66	1.79	1.88

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2022	2023	2024
Profitability (%)			
Combined Ratio	97.3	98.0	99.3
RoE (Based on Beginning BV)	11.1	12.8	10.1
RoAE	11.7	12.3	9.9
RoAA	4.9	5.1	4.5
ROIC	7.3	8.4	6.8
Net Profit Margin	5.9	6.6	5.2
Net Operational Margin	4.3	3.7	2.5
Investment Yield	3.4	5.6	5.4
Investment Income/Total Income	53.9	73.5	90.0
Contract Liabilities/Revenue	30.7	31.9	27.8
Balance Sheet Structure (%)			
Cash to Assets	38	44	42
Investments to Assets	52	49	52
Other Assets to Assets	10	7	6
Investments to Shareholders' Equity	134	109	114
Leverage (x)			
Debt /Equity	0.7	0.4	0.4
Debt/Capital	0.4	0.3	0.3
Interest Coverage	8.9	5.3	4.9
Growth (%)			
Insurance Revenue	N/A	-7.3	8.8
Insurance Service Expense	N/A	-8.7	11.4
Insurance Service Result From Insurance Contracts Issues	N/A	14.4	-23.6
Net Expenses from Reinsurance Contracts Held	N/A	92.3	-9.6
Insurance Service Results	N/A	-15.5	-35.9
Net Investment Income	N/A	41.9	4.4
Net Insurance & Investment Results	N/A	6.3	-10.0
Other Operating Expenses	N/A	3.5	6.8
Net Profit Before Income Tax	N/A	7.0	-14.4
Net Profit (Headline)	N/A	4.2	-14.7
Net Profit (Attributable to Shareholders)	N/A	4.2	-14.7
Cash & Depos	-16.0	6.2	-1.4
Financial Investments	13.7	-11.4	9.2
Total Assets	3.8	-6.6	2.9
Shareholders' Equity	-10.1	8.2	4.8

Source: Company data, QNB FS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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