Bupa Arabia for Cooperative Insurance Co.

Margin Compression Weigh on Earnings

Rating: Overweight | 12M Target Price: SAR 177 ***September 2, 2025***

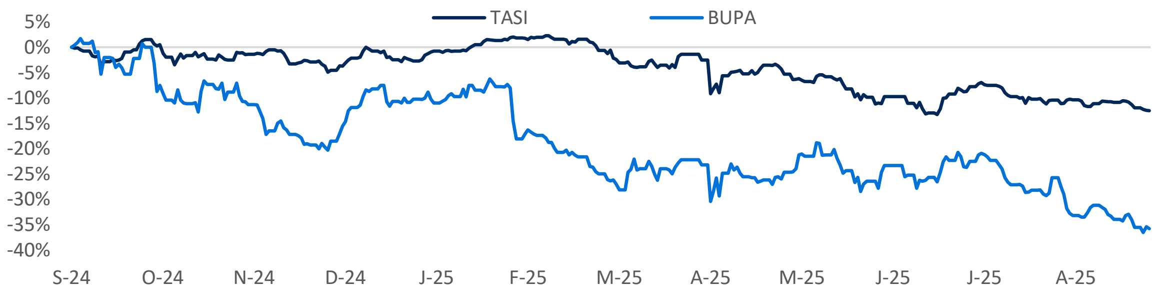
Market Data	
Last Price (SAR)*	145.8
Target Price (SAR)	177.0
Upside / Downside (%)	21
Market Cap (bn) (SAR/USD)	22/6
52 week High / Low (SAR)	234/142
12-month ADTV (mn) (SAR/USD)	29/8
YTD Return (%)	-30
Bloomberg Code	BUPA AB

**last price as of 2nd September 2025*

Valuations	2024a	2025e	2026f	2027f
Net Income (SAR bn)	1.2	1.1	1.4	1.5
EPS (SAR)	7.8	7.3	9.5	10.3
PER (x)	18.7	20.1	15.3	14.2
P/BV (x)	4.3	3.9	3.3	3.0
DPS (SAR)	4.0	3.6	4.8	5.2
Div. Yield (%)	2.7	2.5	3.3	3.5
RoAE (%)	23.8	20.1	23.3	22.1
RoAA (%)	7.8	6.9	8.3	7.9

Financials (SAR mn)	2024a	2025e	2026f	2027f
Insurance service revenue	**18,102**	**19,204**	**22,722**	**25,547**
Insurance service expense	(17,033)	(18,269)	(21,292)	(23,900)
Ins. service pre reinsurance	**1,068**	**935**	**1,431**	**1,646**
Ins. service margin pre reinsurance (%)	*5.90*	*4.87*	*6.30*	*6.44*
Net reinsurance expense	(70)	(69)	(74)	(83)
Insurance service result	**998**	**867**	**1,357**	**1,564**
Insurance service margin (%)	*5.51*	*4.51*	*5.97*	*6.12*
Net income	**1,166**	**1,085**	**1,422**	**1,539**
Net margin (%)	*6.44*	*5.65*	*6.26*	*6.02*
EPS	***7.79***	***7.27***	***9.52***	***10.30***
DPS	4.00	3.63	4.76	5.15

Price Performance



Source: Tadawul, Bloomberg and anbc research

Bupa Arabia for Cooperative Insurance Co.'s reported subdued performance during 1H25, with insurance service result down 17% YoY to SAR 580 mn. The drop was mainly driven by higher medical inflation and customer shift towards premium healthcare service providers. While the overall health insurance sector's insurance service margins improved, Bupa was the only major insurer to record a material contraction. Consequently, we revise down our 2025e earnings forecasts and lower our target price to SAR 177/sh (from SAR 190/sh). However, following the stock's 29.6% YTD decline, we upgrade our rating to Overweight.

- Bupa delivered a lackluster 1H25 performance, with net earnings declining 13% YoY, primarily due to a 17% YoY decline in insurance service results. The deterioration was driven by higher-than-expected medical inflation and a shift in customer preferences toward premium healthcare services providers.
- During 1H25, the broader health insurance sector demonstrated resilience, with overall insurance service margins improving 0.6 ppts YoY to 5.0%. However, Bupa appeared to be the only major player to experience margin contraction, with its insurance service margins falling 1.4 ppts to 6.4%. Management attributed Bupa's weaker performance to its client mix skewed toward high-net-worth customers, leaving company more exposed to medical inflation.
- Bupa has already repriced future contracts to reflect higher inflation and will open its first flagship clinic in 4Q25. Despite these efforts, we expect earnings pressure to persist through 2025e. The revised pricing benefits will take time to flow into the P&L, and limited visibility on the clinic project prevents us from including any contribution in our estimates. As a result, we cut our 2025e net profit forecast by 17% to SAR 1,085 mn.
- *Consequently, we downgrade our target price for company to SAR 177/sh (from SAR 190/sh). However, given the stock's 29.6% YTD decline and 15.9% drop from our last report, we upgrade our rating to Overweight (from Neutral). To highlight, our estimates do not currently factor in Bupa's entry into the primary healthcare services market and we await further visibility on this front, which could provide an additional upside trigger to our estimates.*

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