

# QLMI Alert – Notable Progress in 2Q2021 Sequentially as Expected; Remain Accumulate

- **QLMI posts 14.4% YoY decrease but 20.9% QoQ increase in net profit in 2Q2021.** QLM Life & Medical Insurance Company's (QLMI) 1H2021 net profit rose 9.9% YoY to QR55.4mn. EPS amounted to QR0.09 in 2Q2021 as compared to QR0.10 in 2Q2020 and QR0.07 in 1Q2021.
- **2Q2021 results displayed significant improvement over 1Q2021 in terms of GWP growth, acquisition costs, combined ratio and consequently net income.** 2Q2021 gross written premium was QR256.6mn, up 23.1% YoY (following -24.3% YoY in 1Q2021). However, a 494.8% rise in premiums ceded to reinsurers YoY to QR137.8mn in 2Q2021 has brought net premiums to QR118.8mn, down 35.9% YoY/56.8% QoQ. Nevertheless, a QR78.3mn of positive movement in unexpired risk reserve (354.2% YoY) in 2Q2021 led net earned premium to reach QR197.1mn with a 2.7% decline YoY (improving vs. 1Q2021's -14.3% fall YoY).
- **Combined ratio fell thanks to lower acquisition costs.** QLM's loss ratio (83.0% in 2Q2021) declined slightly from 2Q2020's 83.4% but increased QoQ vs. 1Q2021's 81.3%. This was mainly due to a change in movement in outstanding claims from QR30.5mn in 1Q2021 to -QR14.7mn in 2Q. Still, combined ratio fell both YoY and sequentially from 91.7% in 2Q2020 and 92.2% in 1Q2021 to 90.3% in 2Q2021 primarily due to a notable contraction in net commission expenses (by 34.8% YoY/72.5% QoQ). OPEX was down 8.8% in 2Q2021 YoY as well, remaining flat QoQ.
- **Net investment income was also up 16.3% QoQ reaching QR11.2mn but was down 31.9% YoY.**
- **We maintain or target price and rating as well as our FY21 forecasts for the company.** We anticipate QLM to record QR94.0mn in net profits in 2021, with a 4.2% decline YoY and 2Q2021 results are on track with our conservative full-year estimations. QLM plans to expand its product range with retail insurance offerings, which should support its growth in the coming years. Furthermore, in April 2021, the Shura Council approved the health insurance draft law that will make health insurance compulsory for residents and visitors. Once it is enacted (which is likely to take place in early 2022), the law will increase the number of members in the local health insurance system by 4 to 5x. Besides, in 2022, 1.7mn additional tourists are expected to visit Qatar due to the World Cup; once the mandatory health insurance system is in place, they will be required to have health insurance as well. QLM's financial strength and its top-notch profitability should allow the company to maintain its growth while paying generous dividends to its investors. QLM intends to distribute 40-60% of its earnings as dividends annually. **We maintain QLM shares as an Accumulate and our target price (QR5.43/share) implies 8.6% upside potential.**

### Recommendations

*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*

**OUTPERFORM** Greater than +20%

**ACCUMULATE** Between +10% to +20%

**MARKET PERFORM** Between -10% to +10%

**REDUCE** Between -10% to -20%

**UNDERPERFORM** Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

**R-1** Significantly lower than average

**R-2** Lower than average

**R-3** Medium / In-line with the average

**R-4** Above average

**R-5** Significantly above average

**Saugata Sarkar, CFA, CAIA**  
Head of Research  
+974 4476 6534  
saugata.sarkar@qnbfs.com.qa

**Shahan Keushgerian**  
Senior Research Analyst  
+974 4476 6509  
shahan.keushgerian@qnbfs.com.qa

**Mehmet Aksoy, PhD**  
Senior Research Analyst  
+974 4476 6589  
mehmet.aksoy@qnbfs.com.qa

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