

**Report Date: 03-Apr-25**

# First Insurance

**ASE: FINS**
*End of Day Share Price: 1/4/2025*
*Earnings: 31/12/2024*

Price as of 01-Apr-25

**JD 0.75/Share**

## RATING:


*Initiated Coverage 29/02/2024*

We recommend **Holding FINS** as it is deemed fairly valued when considering the stock returns on a risk-adjusted basis. This assessment is grounded in our analysis of four critical factors influencing common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

**Target Price**
**JD 0.78**

Previous Rating					52- Week Price Range	Market Capitalization	Shares Outstanding	Volume(3m)
1	2	3	4	5	02/01/2025 JD 0.69- JD 0.76	JD 21.0 M	28.0 M	5.763 K

**Founded:** 2006      **Employees:** 178      **Sector:** Insurance

**P/BV:** 0.57x      **Current P/E:** 6.77x      **Volatility(annual):** 17.4%      **Public Float:** 4.42 M

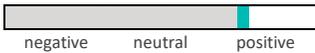
**First Insurance Company** ("FINS" or the "Company") is a Jordanian insurance company that offers a comprehensive range of insurance products and services, including motor, property, health, marine, travel, and liability insurance.

**Credit Rating Review:** AM Best has placed FINS' Financial Strength Rating of B++ (Good) and its Long-Term Issuer Credit Rating of "bbb+" under review with developing implications. This rating action follows the announcement made on August 11, 2024, stating that the Company's parent, Solidarity Group Holding B.S.C., has agreed to acquire the operations of Bahrain National Insurance Company B.S.C. and Bahrain National Life Assurance Company B.S.C. for a total consideration of BHD 75 million. The completion of this transaction remains contingent on further due diligence and obtaining all necessary corporate and regulatory approvals.

## Recommendation Summary

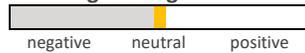
UFICO's **HOLD** recommendation on FINS is based on a systematic analysis of four key characteristics mentioned above. FINS's stock demonstrates favorable premium growth and displays a reasonable return on equity. Despite this positive outlook, market participants are encouraged to diligently track upcoming quarterly results for further insights to facilitate well-informed decisions.

### Relative Valuation



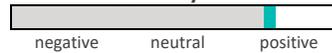
FINS's pricing appears to be potentially undervalued relative to its peers and the sector, based on both its P/E and P/BV ratios. Meanwhile, the Company did not announce any dividends for 2024 which may affect income seeking investors.

### Earnings Strength



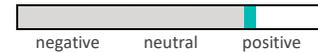
FINS's FY24 performance showed strong revenue growth with Premiums Written up 20.1%, but Net Income rose only 6.8%, resulting in a low Net Earnings Ratio of 3.53%.

### Financial Stability



FINS demonstrates strong financial stability with a Combined Ratio of 88.75%, indicating profitable underwriting operations, and a Solvency Ratio of 117.08%, reflecting excellent capital adequacy. Additionally, a Risk Retention Ratio of 51.77% and Investment Yield of 5.15% suggest effective risk management and solid investment performance.

### Price Movement



FINS presents a moderately bullish outlook with potential for growth. The stock's ability to maintain its position above the 200-day MA signals positive long-term momentum.

## Major Risks & Rewards

- **Regulatory Oversight:** FINS operates under regulatory oversight by the Central Bank of Jordan (CBJ), enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **High Barrier to Entry:** Establishing an insurance company in Jordan entails significant barriers to entry, including the necessity of a substantial capital investment of JD 25 million, which could pose a challenge for potential newcomers.
- **Diversification:** Including FINS stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Underwriting Risk:** FINS face the risk of underestimating claims or mispricing policies, leading to underwriting losses.
- **Investment Risk:** Insurers invest premiums to generate returns, exposing them to market risks such as volatility, interest rate fluctuations, and credit risk.
- **Regulatory Risk:** Changes in regulations can impact insurers' operations, capital requirements, and profitability.
- **Catastrophic Risk:** Insurers face the risk of large-scale losses from natural disasters, pandemics, or other catastrophic events.
- **Competitive Risk:** Intense competition within the insurance industry, compounded by the presence of 19 companies, can exert pressure on premiums and margins, thereby impacting profitability.
- **Liquidity Risk:** Due to lower trading volumes and limited liquidity, investors may encounter challenges in buying or selling FINS shares without impacting the stock's price and may face higher transaction costs as a result.

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## Peers Group Comparison

		Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE	Combined Ratio
		1/4/2025	1/4/2025	(2024)	(Current)	(MRQ)	(2024)	(2024)	(2024)
<b>FINS</b>	<b>First Insurance</b>	<b>JD 0.75</b>	<b>21,000</b>	<b>JD 0.11</b>	<b>6.77x</b>	<b>0.57x</b>	<b>0.00%</b>	<b>8.81%</b>	<b>88.75%</b>
AAIN	Al-Nisr Al-Arabi Insurance	JD 4.02	40,200	JD 0.55	7.28x	0.84x	18.66%	11.80%	87.44%
MEIN	Middle East Insurance	JD 1.20	26,460	JD 0.03	43.38x	0.73x	5.83%	1.64%	99.72%
UNIN	The United Insurance Co.	JD 1.50	21,000	JD 0.11	13.97x	1.09x	0.00%	8.16%	99.72%
GIGJ	Gulf Insurance Group- Jordan	JD 2.14	55,640	JD 0.39	5.52x	1.00x	9.35%	19.15%	94.49%
JOIN	Jordan Insurance	JD 1.14	34,200	JD 0.04	32.30x	0.78x	0.00%	2.40%	96.52%
TIIC	The Islamic Insurance	JD 1.76	29,040	JD 0.12	14.09x	1.23x	5.68%	8.82%	97.93%
<b>Peer Weighted Average</b>					<b>8.93x**</b>	<b>0.94x</b>	<b>10.50%</b>	<b>10.13%</b>	<b>95.14%</b>
<b>Insurance Sector Median</b>					<b>11.01x</b>	<b>0.79x</b>	<b>7.59%</b>	<b>8.81%</b>	<b>98.83%</b>
<b>Insurance Sector Weighted Average</b>					<b>8.68x**</b>	<b>0.85x</b>	<b>10.50%</b>	<b>9.28%</b>	<b>92.52%</b>

\* In JD thousand, \*\* excluding MEIN and JOIN as outliers

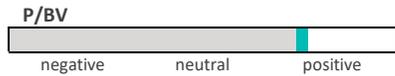
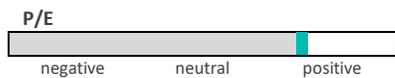
## Past Performance

	2020	2021	2022	2023	2024
Dividend Yield	5.65%	5.80%	5.88%	5.33%	-
Dividend/Share (JD)	0.035	0.040	0.040	0.040	-
Earnings/Share (JD)	NA	NA	0.014	0.104	0.111
Return on Equity	NA	NA	5.30%	8.86%	8.81%

## Relative Valuation: POSITIVE

Last Price	Market Cap	EPS	P/E	BV/Share	P/B
1/4/2025	1/4/2025	(2024)	(Current)	(2024)	(MRQ)
JD 0.75	JD 21.0 M	JD 0.111	6.77x	JD 1.31	0.57x

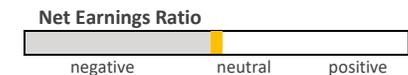
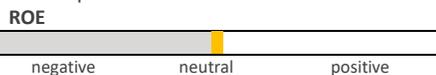
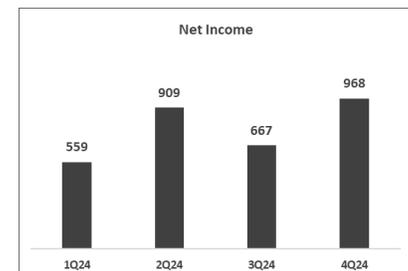
- **P/E vs Industry** suggests that FINS is undervalued compared to its peers and the sector.
- **P/BV vs Industry** suggests that FINS is undervalued compared to its peers and the sector.
- **Dividend Yield:** FINS is not currently offering dividends, while the sector average yield is 10.50%. This may be a negative factor for **income-seeking investors**.



## Earnings Strength: NEUTRAL

FY24 Results	Premiums Written	Net Income	Net Earnings Ratio	ROE	ROA
	JD 87.8 M (+20.1%)	JD 3.1 M (+6.8%)	3.53%	8.81%	4.71%

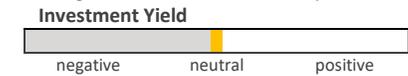
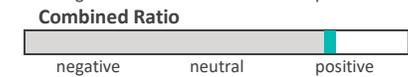
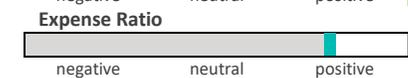
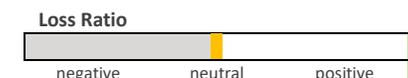
- **Return on Equity** indicates reasonable profitability for shareholders, but below the insurance sector in Jordan.
- **Return on Assets:** surpasses the industry norm of 2.5%, implying effective utilization of assets to generate income.
- **Net Earnings Ratio** is on the low side and indicates a retention of approximately 3.5% of premiums written as net profit after accounting for claims, operating expenses, reinsurance expenses and other costs.



## Operations Indicators: POSITIVE

FY24 Ratios	Loss	Expense	Combined	Investment Yield	Risk Retention	Solvency
	87.68%	1.08%	88.75%	5.15%	51.77%	117.08%

- **Loss Ratio:** indicates that the Company is spending 87.7% of its earned premiums on claims. This is within an acceptable range for most insurance companies. A lower loss ratio indicates better underwriting profitability.
- **Expense Ratio:** is relatively low, demonstrating efficient operational management and cost control.
- **Combined Ratio:** A combined ratio below 100% is a strong indicator of profitability, as it shows that the Company is generating underwriting profit without relying on investment income. At 88.75%, this ratio is very strong.
- **Investment Yield** is considered good in the current market environment, indicating that the Company is effectively managing its investment portfolio to generate returns.



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- **Risk Retention:** A ratio of 51.77% is within the industry average and indicates a more balanced approach between retaining risk and ceding risk. A higher retention ratio means greater opportunity for profit if underwriting is strong.
- **Solvency ratio:** is well above the minimum regulatory requirement, demonstrating strong financial stability and the ability to meet policyholder obligations. This reflects a healthy capital position and provides confidence to stakeholders.

### Risk Retention



### Solvency Ratio



### Price Movement: POSITIVE

Annual Volatility: +/- 17.4%

14-Weeks RSI: 57.4

200-Day MA: 0.74

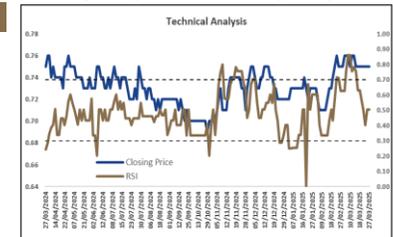
- **Volatility** suggests that FINS's price has exhibited moderate fluctuations. It's relatively stable compared to high-volatility stocks, indicating less risk for short-term investors
- **14-Weeks RSI:** is 57.4, observed over a 14-week period, indicating a **Neutral** stance for the stock, neither oversold nor overbought, slightly leaning towards the bullish side but not excessively, which could indicate a steady upward momentum. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** The stock currently trades slightly above its 200-Day MA which indicates a **Buy** signal.

Based on the technical indicators, FINS presents a moderately bullish outlook with potential for growth. The stock's ability to maintain its position above the 200-day MA signals positive long-term momentum, making it attractive for both short-term trading and long-term investment.

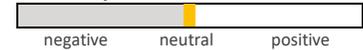
1. **Short-Term Trading Strategy:** Utilize the support level at JD 0.74 as an entry point for short-term trades, capitalizing on price rebounds.
2. **Long-Term Investment Strategy:** Accumulate positions when the stock trades near or slightly below JD 0.74.

Given the technical indicators and underlying fundamentals, **FINS is currently a Hold with a moderate Buy bias.** Investors are encouraged to accumulate on dips near JD 0.74 and take profits if the price approaches JD 0.80 or higher. Continued monitoring of key financial metrics and market conditions is recommended to adjust the strategy accordingly.

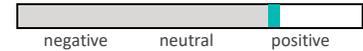
### No change in price over the past year



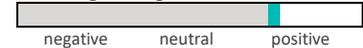
### Volatility



### 14-Weeks RSI



### Moving Averages



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**UFICO Stock Ratings:** UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

1	2	3	4	5	<b>Strong Buy</b>	Significantly Satisfactory
1	2	3	4	5	<b>Buy</b>	Satisfactory
1	2	3	4	5	<b>Hold</b>	Average
1	2	3	4	5	<b>Sell</b>	Unsatisfactory
1	2	3	4	5	<b>Strong Sell</b>	Significantly Unsatisfactory

**Relative Valuation:** Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

**Earnings Strength:** Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

**Financial Stability:** Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

**Recent Price Movement:** Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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