

## GISS Alert – Al Koot to Potentially Merge with DOHI Creating the #1 Local Insurance Player; Accumulate

- **GISS and Doha Insurance announced they have entered into initial negotiations regarding a potential merger of Al Koot with Doha Insurance in an all-share swap deal** – According to the joint press release, this possible merger could create one of the largest local insurance companies with increased competitive potential and financial strength, providing world-class insurance services in various segments in line with Qatar National Vision 2030. Thus, a successful deal could create the leading player in this segment – a local champion with economies of scale, enhanced growth prospects and potential for capturing commercial and operational synergies. We note that the Qatar Central Bank has already provided an “in-principle no-objection” to both companies subject to compliance with all provisions of Articles 162 & 163 of Law No. 13 (2012) on the Issuance of the QCB Law and Regulation of Financial Institutions. The potential merger and its structure is subject to a detailed joint valuation exercise, shareholder/regulatory approvals, along with other customary closing requirements.
- **Al Koot & DOHI have limited business overlap and the potential merger could create the #1 local insurance powerhouse in terms of GWP.** While Al Koot is exclusively focused on the corporate segment through general insurance (predominately oil & gas or energy) and medical insurance, DOHI has a presence in both corporate/retail through fire and general accident insurance (low overlap with Al Koot) and motor, marine & aviation insurance (no overlap in motor, where DOHI has 2<sup>nd</sup> largest market share after QATI). Doha Insurance also has a Sharia-compliant Takaful license in Qatar, providing motor, travel and medical insurance. Finally, DOHI has a small international presence, providing reinsurance underwriting from Dubai and Beirut. The combined company will have QR1.45bn in GWP as of 1H2022 (59% contribution from DOHI with QR859.4mn and 41% from Al Koot with QR588.2mn). This would make the new entity the #1 insurance player in Qatar, easily exceeding QATI that had roughly QR945mn in domestic GWP as of 1H2022. DOHI has a market cap of QR1.15bn, while GISS has a market cap of QR3.86bn.
- **We maintain our Accumulate rating on GISS and will likely raise our target price from QR2.1000 shortly.** We continue to envision an acceleration in momentum in the drilling segment in 2022 and onward. We expect earnings to continue to improve in 2022 with the drilling segment achieving profitability (or near-profitability). Other segments should also contribute positively, while continued progress in costs reduction should help boost earnings.
- **In terms of catalysts, positive newsflow/performance on the drilling front and continued growth in the other segments should help; further details on the merger of Al Koot with DOHI and of Amwaj (catering) with Shaqab should also help drive sentiment.** We stay longer-term positive on GISS and continue to expect improving financial performance to drive stock price performance over the next 12 months. Moreover, we believe the progress made in costs reduction thus far should dovetail improving market fundamentals as we move forward. Favorable updates on debt restructuring, which was put on the back burner due to COVID-19, could also please equity investors.

Recommendations	
<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>	
<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

Risk Ratings	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	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

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