

GENERALI

Sector: Insurance

NEUTRAL

Price: Eu18.45 - Target: Eu19.40

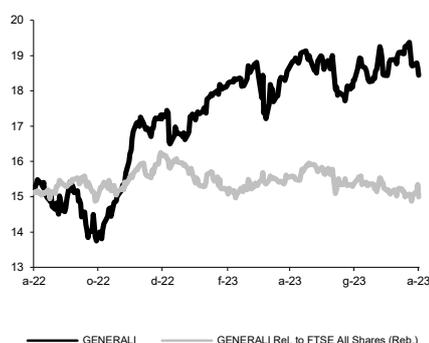
Solid 1H23 Operating Profits Despite Decline in Life Inflows

 Alberto Villa +39-02-77115.431
 alberto.villa@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 18.50 to 19.40		
	2023E	2024E	2025E
Chg in Adj EPS	8.0%	5.5%	7.0%

GENERALI - 12M Performance



Stock Data

Reuters code:	GASI.MI		
Bloomberg code:	G IM		
	1M	3M	12M
Absolute	0.0%	-2.8%	22.0%
Relative	-1.6%	-5.4%	-1.1%
12M (H/L)	19.38/13.74		
3M Average Volume (th):	3,601.99		

Shareholder Data

No. of Ord shares (mn):	1,557
Total no. of shares (mn):	1,587
Mkt Cap Ord (Eu mn):	28,724
Total Mkt Cap (Eu mn):	28,724
Mkt Float - Ord (Eu mn):	18,831
Mkt Float (in %):	65.6%
Main Shareholder:	
Mediobanca	13.1%

Balance Sheet Data

Book Value (Eu mn):	16,001
BVPS (Eu):	10.12
Solvency II (%):	226.6%

- An operating profit and normalized earnings beat, with P&C investment income surprising but life net inflows worse than expected.** 1H23 results were better than expected thanks to the contribution of income from investments in P&C with a positive 5% surprise at operating profit, 10% in terms of normalised net profit, which also benefitted from the introduction of new IFRS 17 accounting principles. Group operating profit Eu3,721mn (2Q23 Eu1,901mn) vs our estimate of Eu3,551mn and consensus on Eu3,462mn. **Life:** operating profit in line at Eu1,813mn vs Eu1,818mn and consensus at Eu1,860mn but with new CSM production down 6% YoY to Eu1,541mn, new business at Eu1,425mn, -9% YoY, and a 5.81% margin. Poor Life flows, down Eu877mn in 1H23 (vs positive inflows of Eu5.2bn in 1H22) and worse than expectations, above all due to redemptions of traditional Life policies (-Eu6.2bn). **P&C** operating profit at Eu1,853mn vs our estimate of Eu1,572mn and consensus at Eu1,533mn – COR (undiscounted) at 95.2%, in line with expectations. **AM** operating profit Eu498mn vs expectation of Eu488mn. Normalised net profit indicated at Eu2,330mn vs Eu2,119mn (10% better) and consensus Eu1,943mn (20% better). Solvency II 228% with indication as at end-July of 226%.
- Happy with new acquisitions but indications now provided on their impact.** CEO Donnet happy with the acquisitions announced recently, Liberty Seguros and Conning, that have strong industrial rationale. No indications provided on the accretion expected for the group from the new deals. No further M&A seems likely in the short term and in the event of no further cash-out there will be a €0.5bn capital buffer that could be distributed to shareholders via buybacks, which are now part of the shareholder remuneration tools. On dividends, Generali currently at the mid-high end of the 3Y plan guidance to distribute €5.2/5.6bn in 2023/2025.
- Estimates lifted on the back of higher earnings and IFRS 17 accounting.** We are lifting our estimates following the 1H23 release and the switch to new IFRS17 accounting which is more sensitive to market movements.
- NEUTRAL, TP €19.4 (from €18.5).** We are updating our valuation to incorporate the increase in estimates, partly due to accounting and partly to the better-than-expected earnings and capital generation. Generali is clearly well on track to deliver on the business plan targets and with potential upside depending on how technical profitability and financial markets unfold. There are some underlying pressures on life and P&C technical profitability which we believe will be managed thanks to the strong distribution and resilient customer base focused on retail clients. Our new target price is set at €19.4ps, offering limited upside on the current stock price; nevertheless, we think Generali trades at attractive multiples at ca. 8x earnings and with a visible dividend yield above 6%. A new buyback would be positive but limited to €0.5bn (less than 5% current market cap).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total Net Premiums (Eu mn)	70,684	75,627	77,841	79,539	80,696
Total Net Income (Eu mn)	89,823	69,770	93,444	96,256	98,630
Operating Profit (Eu mn)	5,852	6,509	7,257	7,374	7,643
Net Profit Adj (Eu mn)	2,847	2,911	3,430	3,578	3,619
EPS New Adj (Eu)	1.801	1.842	2.170	2.264	2.288
EPS Old Adj (Eu)	1.801	1.842	2.010	2.145	2.139
DPS (Eu)	1.070	1.160	1.220	1.240	1.260
P/E Adj	10.2	10.0	8.5	8.1	8.1
Div. Yield	5.8%	6.3%	6.6%	6.7%	6.8%
P/BVPS	1.0	1.8	1.8	1.5	1.3