

GENERALI

Sector: Insurance

NEUTRAL

Price: Eu22.42 - Target: Eu23.00

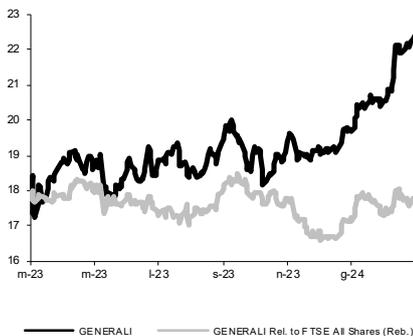
Solid FY23 in Line with Expectations

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 21.00 to 23.00		
	2024E	2025E	2026E
Chg in Adj EPS	2.1%	0.7%	

GENERALI - 12M Performance



Stock Data

Reuters code:	GASI.MI		
Bloomberg code:	G IM		
Performance	1M	3M	12M
Absolute	9.1%	16.6%	21.7%
Relative	2.3%	5.5%	-0.1%
12M (H/L)	22.42/17.22		
3M Average Volume (th):	3,028.61		

Shareholder Data

No. of Ord shares (mn):	1,542
Total no. of shares (mn):	1,528
Mkt Cap Ord (Eu mn):	34,566
Total Mkt Cap (Eu mn):	34,566
Mkt Float - Ord (Eu mn):	22,662
Mkt Float (in %):	65.6%
Main Shareholder:	
Mediobanca	13.1%

Balance Sheet Data

Book Value (Eu mn):	19,219
BVPS (Eu):	12.58
Solvency II (%):	217.2%

■ **FY23 results in line with expectations at almost all levels with a slightly better combined ratio:** group GWP came in at €82.5bn (+4% YoY), in line with expectations, driven by a strong performance in the P&C business segment. Group operating profit came to €6.9bn (+8% YoY), in line with consensus and our estimates. Group adjusted net profit was €3.6bn (+14% YoY), in line with consensus and slightly below our estimates. The solvency ratio closed at 220%, down 1pp YoY and 4pp vs. 9M23 (in line with consensus and 2pp better than our estimates). DPS at €1.28ps (+10% YoY), better than €1.25 of consensus and our estimate. 2021-2024 Strategic Plan targets were fully confirmed, with cumulative dividends at €5.5bn in 2022-2024. Including completed and announced buybacks, total shareholder remuneration in 2022-2024 was equal to €6.5bn.

■ **Confcall feedback: positive hints on operating trends, more detail on capital framework with new business plan.** The CEO confirmed the presentation of the new business plan at the beginning of 2025. On the business front, messages from the conference call were supportive, and we believe that ongoing trends should support profitability in 2024, mainly thanks to price increases in P&C and a reversing trend for Life outflows. On shareholder remuneration, the new framework will be based on continuing to grow the DPS, and year-by-year assessment of the best balance between buybacks and M&A opportunities (more details below).

■ **Estimates: fine tuning to consider positive indications on COR, life inflows.** We are updating our estimates to fully reflect recent operating trends. The delivery of operating results and net earnings is underpinned by the implementation of price increases in P&C and the contribution from portfolio restructuring to higher margin products in Life. We are raising operating profit by +4.0% for 2024, mostly driven by P&C including Liberty Seguros, and better CoR. For 2025, operating profit lifted by +1.8%, also including the contribution of Conning in the AM business.

■ **NEUTRAL; target €23 (from €21):** Generali's operating performance remains sound. The outlook for 2024 appears supportive, with the positive performance of financial markets expected to boost investment income and the asset management segment. The definition of future capital management will be important, but a clear disclosure will not arrive before early 2025. Large acquisitions are unlikely to be a priority, but we think Generali remains open to external growth opportunities with the focus being on further strengthening its positioning in key markets in Europe and with a preference for P&C vs life. At this stage, we are not particularly convinced by some targets mentioned by the press as realistic for Generali. Capital is strong and gives visibility on growing dividend policy, while the future introduction of a more systematic buyback adds upside to the remuneration of shareholders. We expect a dividend increase of +7%/+6% for 2024/2025 compared to a '21/'23 CAGR of +9%. The significant stock run YTD (+18%) is on strong operating delivery and some speculative appeal that we believe is limited. After the rally, the stock trades at multiples in line with the sector. We stick to our NEUTRAL stance with a TP of €23.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total Net Premiums (Eu mn)	75,627	82,466	85,210	87,629	90,244
Total Net Income (Eu mn)	69,770	95,384	99,085	102,789	105,519
Operating Profit (Eu mn)	6,509	6,879	7,260	7,536	7,806
Net Profit Adj (Eu mn)	2,911	3,879	3,873	4,008	4,166
EPS New Adj (Eu)	1.842	2.319	2.535	2.623	2.727
EPS Old Adj (Eu)	1.842	2.343	2.483	2.604	
DPS (Eu)	1.160	1.280	1.370	1.452	1.530
P/E Adj	12.2	9.7	8.8	8.5	8.2
Div. Yield	5.2%	5.7%	6.1%	6.5%	6.8%
P/BVPS	2.1	2.2	1.8	1.6	1.5

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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