

GENERALI

Sector: Insurance

NEUTRAL

Price: Eu18.45 - Target: Eu18.50

Closing the Year on a Positive Note

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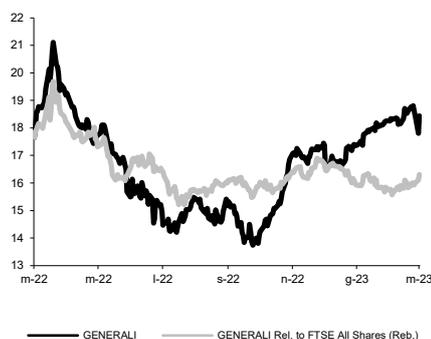
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 17.50 to 18.50		
	2023E	2024E	2025E
Chg in Adj EPS	0.8%	0.0%	-2.8%

Next Event

AGM on April 26

GENERALI - 12M Performance



Stock Data

Reuters code:	GASI.MI		
Bloomberg code:	G IM		
Performance	1M	3M	12M
Absolute	1.1%	6.1%	4.5%
Relative	3.7%	-2.6%	-8.5%
12M (H/L)	21.11/13.74		
3M Average Volume (th):	3,287.11		

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):	15,797
BVPS (Eu):	9.99
Solvency II (%):	226.6%

■ **Good Delivery in FY22.** Operating profit came to Eu6,509mn vs. our Eu6,037mn estimate and consensus of Eu6,189mn: Life Eu3,522mn vs. Eu3,581mn expected, with the value of new production at Eu2,478mn, in line with our Eu2,472mn estimate; P&C reported better than expected at Eu2,696mn vs. Eu2,492mn expected, the combined ratio was 93.2% vs. our 92.7% estimate (consensus 93.1%), mainly thanks to a positive contribution from investments; AM came to Eu972mn vs. our Eu858mn estimate thanks to the Generali asset management component holding up well. Net profit was in line with expectations at Eu2,912mn vs. our Eu2,885mn estimate and consensus of Eu2,807mn. Solvency 2 at YE came to 221% vs. 222% expected despite a marked reduction in shareholders' equity to Eu16.2bn. Net holding cash flow rose to a solid Eu2.9bn (vs. Eu2.6bn last year) driven by recurring factors; normalised capital generation at Eu4.1bn (+8% YoY); Life net inflows down 36% YoY to Eu7bn due to macro conditions, with an improving mix towards unit-linked and protection policies. The company proposed a DPS of Eu1.16 to be paid on 24 May, better than our forecast of Eu1.12/ consensus of Eu1.13.

■ **Main takes from the conference call.** Management confident of delivering business plan targets: 1) Life: spike in lapses experienced in 4Q22 is mostly related to bancassurance segment, company sees low risk for its core products/distribution channels. No intention of involvement in Eurovita rescue. Reinvestment yield at 4.5%; 2) P&C: price increases needed to face claims inflation. Price adjustments ongoing since 2H22 and expected to continue but expected to have limited impact on client retention. Group CoR deteriorated mostly for motor segment and due to change in perimeter with inclusion of Indian and Malaysian acquisitions. Investment income boosted by higher interest rates and current investment yield at 3.6%; 3) capital allocation: only disciplined M&A opportunities will be considered: on Life backlog, disposal remains among the options but Generali already actively working on managing liabilities. Capital and solvency solid, no intention to raise new debt or increase leverage.

■ **Estimates broadly confirmed. NEUTRAL TP Eu18.5 (from Eu17.5).** Barring a sharp deterioration in financial market conditions, we think Generali offers good visibility on operating trends and capital distribution. P&C is boosted by higher investment income while the technical result is facing challenges related to claims inflation but we think Generali will effectively manage price hikes in segments under pressure. Life looks a bit more problematic in terms of net inflow outlook and the Eurovita situation in Italy needs to be monitored as it could be a risk for the whole life segment. Generali is remaining focused on capital-light products but the appetite may diminish considering the enticing yields currently offered by fixed income investments. Our estimates for 2023 and 2024 remain broadly unchanged and are pretty much aligned to consensus and company targets. Generali is currently trading broadly in line with the European insurance sector. We raise the target to Eu18.0 from Eu17.5ps to take into account the slight increase in multiples since our last report published at the end of 2022.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total Net Premiums (Eu mn)	64,468	70,684	75,627	77,841	79,539
Total Net Income (Eu mn)	74,801	89,823	69,770	93,201	96,011
Operating Profit (Eu mn)	5,209	5,852	6,509	6,984	7,177
Net Profit Adj (Eu mn)	1,744	2,847	2,911	3,177	3,390
EPS New Adj (Eu)	1.329	1.801	1.842	2.010	2.145
EPS Old Adj (Eu)	1.329	1.801	1.825	1.994	2.145
DPS (Eu)	1.470	1.070	1.160	1.220	1.240
P/E Adj	13.9	10.2	10.0	9.2	8.6
Div. Yield	8.0%	5.8%	6.3%	6.6%	6.7%
P/BVPS	1.0	1.0	1.8	1.8	1.5