

GENERALI

Sector: Insurance

NEUTRAL

Price: Eu23.39 - Target: Eu24.00

Reverse at Life Inflows to continue but still burdening margins

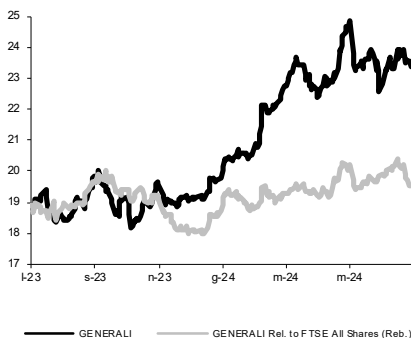
Alberto Villa +39-02-77115.431
alberto.villa@intermonte.it

| Stock Rating | | | |
|--------------------|-----------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2024E | 2025E | 2026E |
| Chg in Adj EPS | -1.1% | -0.9% | 0.8% |

Next Event

2Q/1H24 Results Out August 09, 2024

GENERALI - 12M Performance



| Stock Data | | | |
|-------------------------|-------------|------|-------|
| Reuters code: | GASI.MI | | |
| Bloomberg code: | G IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 3.5% | 4.6% | 23.9% |
| Relative | -1.6% | 1.5% | 4.6% |
| 12M (H/L) | 24.88/18.15 | | |
| 3M Average Volume (th): | 3,369.69 | | |

| Shareholder Data | |
|---------------------------|--------|
| No. of Ord shares (mn): | 1,542 |
| Total no. of shares (mn): | 1,528 |
| Mkt Cap Ord (Eu mn): | 36,062 |
| Total Mkt Cap (Eu mn): | 36,062 |
| Mkt Float - Ord (Eu mn): | 23,642 |
| Mkt Float (in %): | 65.6% |
| Main Shareholder: | |
| Mediobanca | 13.1% |

| Balance Sheet Data | |
|---------------------|--------|
| Book Value (Eu mn): | 33,383 |
| BVPS (Eu): | 21.85 |
| Solvency II (%): | 217.2% |

2Q24 results should provide normalized progression towards FY24. At Life, we expect the improving 1Q trend to continue with net inflows thanks to the continuation of commercial actions in Italy but consequently the new business margin is expected lower YoY. At P&C, we expect a continuation of the positive effects related to implementation of tariff increases, while some negative effects are expected on CoR from nat. cat. related to floods in Germany and man-made losses from specific events in Italy and New Caledonia. Recent rumours indicated potential interest for Hiscox (Bermuda-based insurers and reinsurer) which we deem unlikely ahead of the new BP and BoD renewal, and also due to a limited strategic fit.

2Q24 preview in detail:

- **Group 2Q24E results:** group GWP exp. at €22.4bn (+12% YoY). Operating profit at €1.94bn (+1.9% YoY), with a positive YoY contribution from Life offsetting the drop at P&C due to higher finance expenses and CoR impact. Adj. net profit exp. at €1.1bn (-3.4% YoY), impacted by the negative contribution of net non-operating investment result related to FVTPL and gains&losses on ForEx. Solvency is forecast at 212%, down ~3pp vs 215% in 1Q including the negative impact (2 pp) of a €500mn buyback.
- **Life 1Q24E:** GWP estimated at €14.3bn (+13% YoY) with an improvement in net outflows, mainly in France, leading to inflows in 2Q at €2bn vs €687mn outflows in 2Q23. Life new business margin foreseen down 1.52pp YoY to 4.40% and NBV at €511mn (-13% YoY) due to commission discounts offered in Italy on savings products. Notably, we expect an upturn vs 1Q24 when NBM was 3.94%, impacted by the one-off booked for the French collective protection business. CSM (after release) is estimated at €31.1bn (slightly down vs end-March) and we foresee a CSM release of €806mn (+7.6% YoY) with a release ratio (2.4%) in line with 8%-10% FY24 guidance. Operating profit expected at €982mn (+11% YoY).
- **P&C 2Q24E:** GWP est. €8bn (+8% YoY) with growth driven by gradual tariff increases. CoR is estimated at 94.9% (+2.4pp YoY) with a higher loss ratio due to some specific nat. cat. and man-made events. Operating profit is estimated at €939mn (-7% YoY), adversely impacted by insurance financial charges.
- **Change in estimates.** We are revising the AM operating result estimate slightly up after the Conning acquisition and including a better contribution from Banca Generali. We are revising down our estimates for Life NBM for FY24 to 4.23% from 4.92%, impacting CSM stock and release and taking Life operating results down vs our previous estimate. After positive commercial and operating dynamics seen in 1Q and expected for 2Q, at P&C we improve our FY24 estimate for CoR to 93.1% (vs 93.6% previous). Adj. EPS '24/'25/'26 -1.1%/-0.9%/+0.8%.
- **NEUTRAL, target confirmed at €24.** Generali trades at ~9.3/8.6x '24/'25 earnings and we do not expect major estimate swings following the 2Q release. Focus shifting to the new plan (Jan. 2025) and BoD renewal, with presentation of the existing BoD slate increasingly unlikely.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|--------|--------|---------|---------|---------|
| Total Net Premiums (Eu mn) | 75,627 | 82,466 | 96,960 | 99,620 | 102,685 |
| Total Net Income (Eu mn) | 69,770 | 95,384 | 110,735 | 115,092 | 118,480 |
| Operating Profit (Eu mn) | 6,509 | 6,879 | 7,347 | 7,737 | 8,183 |
| Net Profit Adj (Eu mn) | 2,911 | 3,879 | 3,853 | 4,165 | 4,444 |
| EPS New Adj (Eu) | 1.842 | 2.319 | 2.522 | 2.726 | 2.908 |
| EPS Old Adj (Eu) | 1.842 | 2.319 | 2.551 | 2.752 | 2.885 |
| DPS (Eu) | 1.160 | 1.280 | 1.370 | 1.459 | 1.550 |
| P/E Adj | 12.7 | 10.1 | 9.3 | 8.6 | 8.0 |
| Div. Yield | 5.0% | 5.5% | 5.9% | 6.2% | 6.6% |
| P/BVPS | 1.2 | 1.2 | 1.1 | 1.0 | 1.0 |

DISCLAIMER (for more details go to [DISCLAIMER](#))**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

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.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

| | |
|--------------|---------|
| BUY: | 23.97 % |
| OUTPERFORM: | 49.59 % |
| NEUTRAL: | 25.61 % |
| UNDERPERFORM | 00.83 % |
| SELL: | 00.00 % |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

| | |
|--------------|---------|
| BUY: | 38.78 % |
| OUTPERFORM: | 51.02 % |
| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DHH, ELEn, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Go Internet, GPI, Greenthesis (formerly Ambientthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luvè, Matica Fintec, Mondadori, Notorious Pictures, Omer, Pharamanutra, Reevo, Relatech, Reply, Revo Insurance, Reway, Sababa Security, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Allcore, Almwave, Banca Sistema, Bifire S.p.A., B&C Speakers, Casta Diva Group, Cleanbnb, Cofe, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Digitouch, Doxee, Edilziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, High Quality Food, Ikonisys, Intercos, Intred, ISCC Fintech, Lventure Group, Maps Group, Masi Agricola, Matica Fintec, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Wiit.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

| Emittente | % | Long/Short |
|-----------|---|------------|
|-----------|---|------------|

© Copyright 2024 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available