

GENERALI

Sector: Insurance

NEUTRAL

Price: Eu19.46 - Target: Eu21.00

9M23 Results a Mixed Bag but Outlook Reassuring

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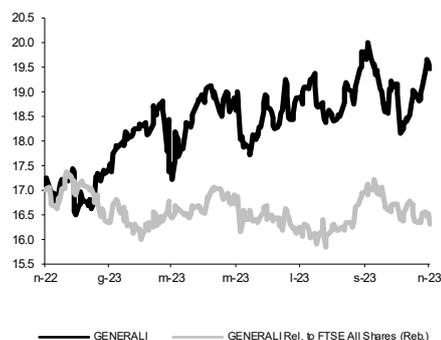
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 19.40 to 21.00		
	2023E	2024E	2025E
Chg in Adj EPS	4.3%	7.5%	11.1%

Next Event

 Investor Day 30th January 2024

GENERALI - 12M Performance



Stock Data

Reuters code:	GASI.MI		
Bloomberg code:	G IM		
Performance	1M	3M	12M
Absolute	1.6%	5.4%	14.5%
Relative	-2.6%	0.1%	-4.9%
12M (H/L)	20.00/16.50		
3M Average Volume (th):	2,875.20		

Shareholder Data

No. of Ord shares (mn):	1,559
Total no. of shares (mn):	1,559
Mkt Cap Ord (Eu mn):	30,344
Total Mkt Cap (Eu mn):	30,344
Mkt Float - Ord (Eu mn):	19,893
Mkt Float (in %):	65.6%
Main Shareholder:	
Mediobanca	13.1%

Balance Sheet Data

Book Value (Eu mn):	15,797
BVPS (Eu):	10.13
Solvency II (%):	228.0%

■ **9M23 results in line as Generali resists headwinds from NATCAT claims and life outflows:** group GWP came in at €60.5bn (+4% YoY), in line with expectations, driven by a strong performance in the P&C business segment. Group operating profit came to €5.1bn (+17% YoY), slightly above consensus, but in line with our estimates. Group adjusted net profit was €3.0bn (+30% YoY), in line with expectations, benefiting from growth in operating profit. The solvency ratio closed at 224%, up 1pp YoY and down 4pp vs. 1H23 (3pp below consensus and our estimates). 2021-2024 Strategic Plan targets were fully confirmed, with an EPS CAGR between 6% and 8%, 2022-2024 cash generation above €8.5bn and 2022-24 shareholder remuneration of €5.2-5.6bn in cumulative dividends.

■ **Conference call feedback:** there were mixed messages from the conference call, with more details on key items to be provided in the 30 January Investor Day. We believe ongoing trends, reiterated during the conference call, should support technical profitability, mainly thanks to price increases to include the impact of inflation on claims in P&C, and to a normalisation of Life outflows, with management ready to launch new products more appropriate for the current “high for longer” interest rates environment. Management also indicated a more structural increase in Nat Cat claims in the coming years, so policy prices will have to rise as Generali factors this into future insurance coverage price calculations. More detail on the main messages emerging from the conference call later in this report.

■ **Change in estimates:** we are updating our model to fully reflect new accounting principles and 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 investment income in Life. As a result, we are raising our expectations for operating profit by +4.7%/+8.6%/+9.8%, mostly driven by Life and a reassessment of holding and intersegment costs, and our adj. EPS forecasts by 4.3%/7.5%/11.1% for 2023/2024/2025. As for DPS, we are updating our estimates to Eu1.25/1.34 for 2023/2024, an implied payout ratio of ~55%.

■ **NEUTRAL; target from €19.4 to €21:** Generali is well placed to fully meet or even exceed 2024 business plan targets. In the Investor Day at the end of January we expect Generali to provide more visibility on trends expected for items like P&C pricing and reinsurance and Life net inflows, while capital management expectations could also be addressed. At this point, we expect Generali to execute a €500mn buyback in 2H24, with potential upside considering the cash-in from the disposal of TUA Assicurazioni announced on 12 October. In terms of fundamentals, Generali is showing the benefits of being exposed to retail but suffered significantly on Life net inflows due to the rise in interest rates. The company is expected to reverse the inflows trend in 2024, especially in the event interest rates stabilise or start to decline. In terms of multiples, the stock is trading at a slight discount to European multiline insurers. Following the increase in our estimates, our fair value goes up to Eu21ps, offering ~8% upside to the current stock price. Upside is limited in our view, and we therefore confirm our NEUTRAL stance on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total Net Premiums (Eu mn)	70,684	75,627	82,012	84,806	87,714
Total Net Income (Eu mn)	89,823	69,770	93,841	97,668	101,956
Operating Profit (Eu mn)	5,852	6,509	6,542	6,833	7,164
Net Profit Adj (Eu mn)	2,847	2,911	3,530	3,792	3,964
EPS New Adj (Eu)	1.801	1.842	2.264	2.432	2.542
EPS Old Adj (Eu)	1.801	1.842	2.170	2.264	2.288
DPS (Eu)	1.070	1.160	1.245	1.337	1.398
P/E Adj	10.8	10.6	8.6	8.0	7.7
Div. Yield	5.5%	6.0%	6.4%	6.9%	7.2%
P/BVPS	1.0	1.9	1.9	1.6	1.4