

GENERALI

Sector: Insurance

NEUTRAL

Price: Eu20.55 - Target: Eu21.00

Buyback Coming in 2024 and More to Come in the Future

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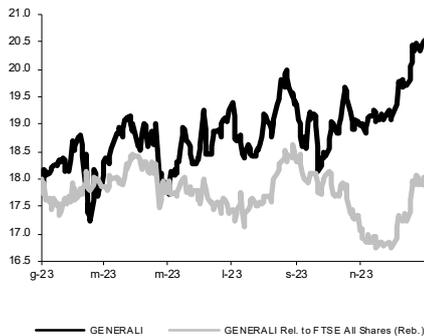
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	3.5%	2.1%	2.4%

Next Event

FY23 Results out 12 March 2024

GENERALI - 12M Performance



Stock Data

Reuters code:	GASI.MI		
Bloomberg code:	G IM		
Performance	1M	3M	12M
Absolute	7.6%	10.8%	14.1%
Relative	6.6%	-1.9%	-0.9%
12M (H/L)	20.55/17.22		
3M Average Volume (th):	2,967.62		

Shareholder Data

No. of Ord shares (mn):	1,559
Total no. of shares (mn):	1,534
Mkt Cap Ord (Eu mn):	32,043
Total Mkt Cap (Eu mn):	32,043
Mkt Float - Ord (Eu mn):	21,008
Mkt Float (in %):	65.6%
Main Shareholder:	
Mediobanca	13.1%

Balance Sheet Data

Book Value (Eu mn):	19,219
BVPS (Eu):	12.53
Solvency II (%):	237.4%

■ **Investor day feedback:** Generali's investor day did not bring major news, as expected. The new business plan will be presented in January 2025 and will definitely be a significant catalyst, along with the BoD renewal in Spring 2025. The investor day was useful, though, and revolved around the concept that the group is in good shape in terms of capital and solvency to deliver good remuneration and continue to pursue M&A opportunities. Key messages in a nutshell:

- 1) Share buyback for €0.5bn announced (as expected), in line with targets and expectations, and will be completed in 2024. Dividends expected in the middle of the 3Y plan range, which implies around €5.3bn, broadly in line with our expectation of €5.4bn based on a DPS of €1.25 for 2023, in line with consensus.
- 2) Contribution from Liberty Seguros expected at €250mn pre-tax in 2029. No major details were provided, but management sounded confident of exceeding targets for 2029 and reaching 75% of synergies by 2027 and 95% by 2029.
- 3) Conning integration to deliver €70/80mn of synergies in five years. Generali Investments is expected to lever on Conning to grow AuM with third-party clients as well as internalizing further management of U/L products thanks to the expansion of products and competencies brought in by Conning.
- 4) The undiscounted group Combined Ratio is set at <96% from the previous 95%, mostly to take higher impacts expected from nat.cat. into account.
- 5) Solvency II sensitivity significantly reduced, enabling the upper end of the Solvency II range for the future to be cut to 230%, which implies opportunities for further capital management action in the future that we expect will be addressed in the new business plan in early 2025.

■ **Fine-tuning estimates to factor operating trends and buyback effect.** We are adjusting our estimates to take into account the indications provided during the investor day for normalized CSM growth, undiscounted CoR ratio and shareholder remuneration. We are slightly increasing our FY23 operating profit expectations to €6,719mn. We still expect some headwinds in early 2024 on life inflows but the environment looks better than in 2023 and the focus on protection should sustain increase of NBV after the erosion suffered from some commercial actions related to decreasing fees in order to keep business. Focus on protection will undoubtedly help margins while P&C expected to benefit from price increases that are continuing very strongly in Italy and other regions to offset higher nat.cat. and reinsurance costs.

■ **NEUTRAL, TP Eu21 confirmed.** We like the group's exposure to profitable segments like retail and Continental Europe and the future room to deliver higher dividends and buybacks in light of the high level of capital and low financial leverage. Buyback anticipation to 2024 is good news and management hinted to the possibility of buybacks becoming more recurrent in the future (more details expected with the new plan). We keep a NEUTRAL rating on the stock and the target price unchanged at €21. In the financial sector we remain more constructive on asset managers and some banks.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total Net Premiums (Eu mn)	70,684	75,627	82,012	84,454	86,698
Total Net Income (Eu mn)	89,823	69,770	93,216	97,301	100,897
Operating Profit (Eu mn)	5,852	6,509	6,719	6,958	7,380
Net Profit Adj (Eu mn)	2,847	2,911	3,654	3,810	3,995
EPS New Adj (Eu)	1.801	1.842	2.343	2.483	2.604
EPS Old Adj (Eu)	1.801	1.842	2.264	2.432	2.542
DPS (Eu)	1.070	1.160	1.250	1.366	1.432
P/E Adj	11.4	11.2	8.8	8.3	7.9
Div. Yield	5.2%	5.6%	6.1%	6.6%	7.0%
P/BVPS	1.1	2.0	2.0	1.7	1.5