

REVO INSURANCE

BUY

Sector: Insurance

Price: Eu8.20 - Target: Eu11.80

Robust Growth Expected to Continue

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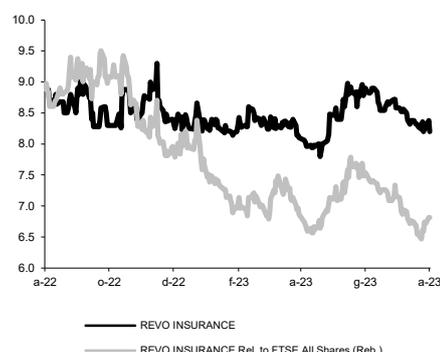
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

REVO INSURANCE - 12M Performance



Stock Data

Reuters code:	REVO.MI		
Bloomberg code:	REVO IM		
Performance	1M	3M	12M
Absolute	-4.4%	-3.1%	-7.7%
Relative	-4.8%	-4.2%	-28.0%
12M (H/L)	9.30/7.80		
3M Average Volume (th):	8.07		

Shareholder Data

No. of Ord shares (mn):	25
Total no. of shares (mn):	25
Mkt Cap Ord (Eu mn):	202
Total Mkt Cap (Eu mn):	202
Mkt Float - Ord (Eu mn):	160
Mkt Float (in %):	79.1%
Main Shareholder:	
Fondazione Cariverona	6.8%

Balance Sheet Data

Book Value (Eu mn):	227
BVPS (Eu):	9.31
Solvency II (%):	

■ **1H23 results in line with expectations and plan:** 1H23 closed with gross premiums booked at Eu100.4mn, +78.6% YoY. Target for FY23 >Eu180mn confirmed and probably conservative in light of the 1H23 performance and good prospects for 2H23. Insurance revenues at Eu65.3mn, up 143% YoY. Insurance income at Eu11.2mn, adjusted operating profit at Eu13.2mn (+113% YoY) and adjusted net profit at Eu8.1mn.

The combined ratio deteriorated in 1H23 to 81.3% (+5.3ppt) with the loss ratio at 31.2% (+7.5ppt) due mainly to what was forecast in the growth plan with a different production mix and the nat.cat. events (flooding in Emilia Romagna) that had a negative impact of Eu2.5mn. In terms of premium mix, surety insurance went from 55.7% in FY22 to 40.2% with agro up to 13.5%, property at 13.3% and engineering at 13.3%. Solvency II dropped to 234.7% (from 269.3% as at the end of 2022 due to growth of the business and the share buyback that had an adverse effect of circa 10pp: the target is still Solvency II around 230% despite expected sustained future growth.

■ **Continuing expansion of range of solutions and commercial network.** In 1H23, the distribution network expanded to 62 brokers (+9) and 118 agencies (+2) while at the end of July an agreement was signed with a network of Axa agents in Italy, who will use some Revo solutions through the OverX platform. Total headcount increased to 181, mostly in underwriting. New distribution agreements may follow with other networks in the future, while on bancassurance the timing is less certain and remains linked to adopting Revo's innovative platform. OverX now offers more than 40 products with a bound ratio (policies issued on no. of quotes) of ~90%. In parametric coverage there has been an acceleration during the summer with over 11k contracts as of today, mostly linked to cancellation of events but also to niche agro products recently launched.

■ **Full confidence on 2024 plan targets.** Revo aims to meet or beat 2024 targets and the recently completed share buyback is thus expected to be fully allocated to management. For 2023, the guidance points to premiums exceeding €180mn, completion of the operating J-curve, and Solvency II at ~230%. The loss ratio is expected to hover around 30/32%, in line with 1H23, with some further tail claims related to natural events, although these are partially shielded by reinsurance.

■ **We broadly confirm our estimates: BUY TP €11.8.** 1H23 showed the robust growth potential of the company despite a challenging environment in terms of natural events and higher tax rate. We confirm our BUY rating and TP of €11.8ps on a fully diluted basis. Our fair value calculation is based on value map and ROAC methodologies, highlighting significant upside to the current stock price which, in our view, does not reflect expectations for future growth and value generation. The areas of business in which the company operates are attractive and less crowded in terms of competition, ensuring higher levels of profitability.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total Net Premiums (Eu mn)		57	92	125	180
Total Net Income (Eu mn)		62	95	128	184
Operating Profit (Eu mn)		10	25	33	53
Net Profit Adj (Eu mn)		11	15	20	33
EPS New Adj (Eu)		0.437	0.607	0.820	1.352
EPS Old Adj (Eu)		0.437	0.607	0.820	1.352
DPS (Eu)		0.000	0.077	0.150	0.325
P/E Adj		18.8	13.5	10.0	6.1
Div. Yield		0.0%	0.9%	1.8%	4.0%
P/BVPS		0.9	0.9	0.8	0.7