REVO INSURANCE

BUY

Sector: Insurance

Price: Eu8.80 - **Target: Eu12.00**

1Q Confirms Growth Trends, Equity Story Remains Attractive

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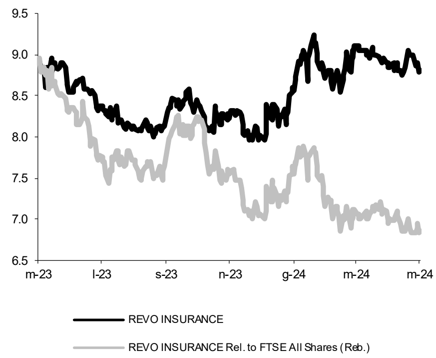
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.5%	1.6%	1.7%

REVO INSURANCE - 12M Performance



Stock Data			
Reuters code:			REVO.MI
Bloomberg code:			REVO IM
Performance	**1M**	**3M**	**12M**
Absolute	-0.5%	0.9%	-1.1%
Relative	-1.2%	-4.4%	-29.5%
12M (H/L)			9.24/7.96
3M Average Volume (th):			12.36

Shareholder Data	
No. of Ord shares (mn):	25
Total no. of shares (mn):	25
Mkt Cap Ord (Eu mn):	217
Total Mkt Cap (Eu mn):	217
Mkt Float - Ord (Eu mn):	171
Mkt Float (in %):	79.1%
Main Shareholder:	
Fondazione Cariverona	6.8%

Balance Sheet Data	
Book Value (Eu mn):	241
BVPS (Eu):	9.80
Solvency II (%):	207.0%

- **A supportive start to the year.** Revo Insurance has reported solid 1Q24 results that confirm our expectations for a continuation of the good growth trajectory. Gross premiums and adjusted operating profit were promising, constituting a good starting point to come into line with our FY24 expectations. In light of these results, we think there may be potential upside to our FY estimates in terms of gross premiums and adjusted operating profit, although 1Q is seasonably favourable for NatCat claims, which could have a greater impact later during the year. In detail:
  - GWP at €72.8mn (+77% YoY), reported operating profit at €8.8mn (+24% YoY) and adj. operating profit at €10.0mn (+22% YoY)
  - Consolidated net profit at €6.0mn (+3.4% YoY), and adj. net profit at €6.8mn (+1.5% YoY).
  - Loss ratio at 26.2%, increasing vs 19.4% in 1Q23, consistent with the portfolio mix diversification strategy. No significant NatCat claims in the first part of the year vs a 2023 in which NatCat claims amounted to €11.6mn gross and €5.9mn net of reinsurance. Expense ratio at 53.9%, slightly higher vs 52.1% in 1Q23, with overall CoR at 80.1%, up from 71.5% in 1Q23, but considerably below 85.8% for FY23.
  - Solvency II ratio 213.2 % (vs 212.0% as at year-end 2023).
- **Estimates confirmed: future years to benefit from lower COR, solvency increasing.** Estimates have been broadly confirmed for 2024 with premiums getting close to the 2025 target of €300mn, a year ahead of the plan. We forecast adj. operating profit at >€30mn and net profit at €21mn despite a more normalized operating profit. We adjust our estimates for an acceleration of the shift in the mix towards segments such as engineering, property and agro which over the next years will imply an improvement in COR, expected at ~75% in 2026 compared to almost 86% in 2023 thanks to a reduction in the expense ratio. We therefore slightly improve our expectations for 2025/2026 Solvency 2, expected to cruise towards 230% in 2026 from the previous 215% thanks to the strong organic capital generation.
- **BUY confirmed, target at €12.0 confirmed.** We think sentiment on insurance is improving: P&C pricing is hardening, driven by the highly negative impact of natural events in 2023. Despite the higher reinsurance cost, we expect market players to benefit and companies such as REVO, which leverage innovation and technology, are very well positioned to exploit the opportunity. We expect the positive equity story drivers to accelerate further, also thanks to AI, the launch of new products, and expansion in Spain. Revo is laying the basis for the company's phase 2: it is now a fully-fledged P&C player with a focus on SMEs and a strong positioning in profitable niches. On our projections, the stock trades at very attractive multiples, making Revo an attractive opportunity for investors looking at innovative players. We confirm our BUY rating with a target price of €12.0ps

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total Net Premiums (Eu mn)	131	216	291	365	418
Total Net Income (Eu mn)	14	23	40	59	69
Operating Profit (Eu mn)	10	16	29	47	55
Net Profit Adj (Eu mn)	11	15	21	34	39
EPS New Adj (Eu)	0.437	0.601	0.856	1.373	1.594
EPS Old Adj (Eu)	0.437	0.601	0.852	1.351	1.567
DPS (Eu)	0.000	0.084	0.120	0.200	0.300
P/E Adj	20.1	14.6	10.3	6.4	5.5
Div. Yield	0.0%	1.0%	1.4%	2.3%	3.4%
P/BVPS	1.0	1.0	0.9	0.8	0.7

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- 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)

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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

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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