

REVO INSURANCE

BUY

Sector: Insurance

Price: Eu8.28 - Target: Eu11.80

Fast Growing Specialty Lines Player Capitalising on Skills, Tech & Distribution

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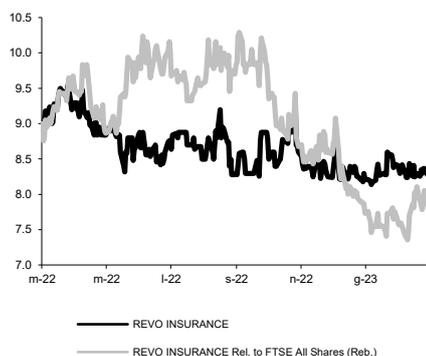
Stock Rating

Rating: BUY (New Coverage)
Target Price (Eu): Eu11.80 (New Coverage)

Next Event

 1Q Results Out May 10th

REVO INSURANCE - 12M Performance



Stock Data

Reuters code:	REVO.MI		
Bloomberg code:	REVO IM		
Performance	1M	3M	12M
Absolute	-1.5%	0.5%	-7.6%
Relative	3.0%	-9.1%	-13.3%
12M (H/L)	9.54/8.14		
3M Average Volume (th):	6.76		

Shareholder Data

No. of Ord shares (mn):	25
Total no. of shares (mn):	25
Mkt Cap Ord (Eu mn):	204
Total Mkt Cap (Eu mn):	204
Mkt Float - Ord (Eu mn):	161
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 (%):	

■ Up-and-coming Italian P&C player with clear mission to become a beacon for Italian SMEs. REVO listed as a SPAC in 2021 (€220mn capital raised) with a project to deliver innovative insurance solutions targeting Italian SMEs and professionals. REVO's promoters and top managers are a group of high-profile professionals in the insurance and technology sectors. A few months after the listing, REVO acquired 100% of a specialist insurance company called Elba Assicurazioni. In November 2022, REVO performed a reverse merger with Elba, transferring its listing to the Euronext STAR index. REVO is focussed exclusively on P&C Specialty lines: the company aims to deliver better, simpler and faster products responding to the largely untapped demand from underinsured Italian SMEs. The reference market is big, estimated at a potential €1.7bn. In addition, REVO is expanding its offer to parametric solutions, an innovative product with significant potential.

The key pillars of the project are human capital, technology and distribution. REVO has been hiring top professionals in insurance underwriting and other technical functions and leveraging on an internally-developed, state-of-the-art tech platform called OverX. Distribution is predominantly through brokers, but also agents and potentially also banks in the future through light distribution agreements. REVO is currently rolling out the transition from Elba legacy systems to the new platform. The combination of experienced underwriters and the OverX features enables the company to price and respond rapidly to intermediaries' requests for quotes, offering a service that is not currently available on the market.

■ Strong FY22 results bode well for delivery on the ambitious 2025 strategic plan, which envisages €300mn in premiums and >€60mn of adj. operating profit. In FY22 REVO has reported GWP of €131mn, adj. operating profit of €13.8mn and adj. net profit of €10.8mn, with Solvency II at 269%, already ahead of the company's strategic plan targets for the year. The plan to 2025, presented in March 2022, points to GWP of >€300mn and adj. operating profit of >€60mn. While expected growth could appear ambitious, we think visibility is quite high, and our estimates envisage for 2025 operating profit at €53mn and net profit of €33.3mn.

■ BUY tp €11.8 fully diluted. We are initiating coverage of REVO with a BUY recommendation and a tp of €11.8ps on a fully diluted basis (€12.6ps on current outstanding shares). 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 company is a unique proposition on the Italian insurance market, having developed hard-to-replicate proprietary assets and skills in a very promising and less competitive niche market. In our estimates and company plans, it is expected to deliver significant profit and capital generation stemming from the full deployment of the OverX platform combined with the growing product portfolio and distribution network. Our valuation does not include potential value accretion from M&A or foreign expansion.

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)					
DPS (Eu)		0.000	0.077	0.150	0.325
P/E Adj		19.0	13.6	10.1	6.1
Div. Yield		0.0%	0.9%	1.8%	3.9%
P/BVPS		0.9	0.9	0.8	0.7