

UNIPOL

Sector: Insurance

NEUTRAL

Price: Eu11.20 - Target: Eu12.00

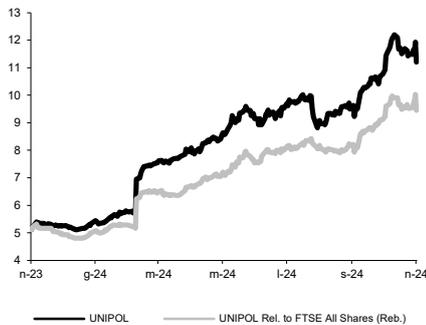
Focus Quickly Moving to New Business Plan

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Stock Rating

Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 10.80 to 12.00		
	2024E	2025E	2026E
Chg in Adj EPS	2.7%	4.3%	3.7%

UNIPOL - 12M Performance



Stock Data

Reuters code:	UNPI.MI		
Bloomberg code:	UNI IM		
Performance	1M	3M	12M
Absolute	3.4%	23.3%	119.3%
Relative	3.1%	17.0%	100.7%
12M (H/L)	12.20/5.11		
3M Average Volume (th):	1,957.86		

Shareholder Data

No. of Ord shares (mn):	718
Total no. of shares (mn):	722
Mkt Cap Ord (Eu mn):	8,047
Total Mkt Cap (Eu mn):	8,047
Mkt Float - Ord (Eu mn):	4,130
Mkt Float (in %):	51.3%
Main Shareholder:	
Coop Alleanza 3.0 SC	22.2%

Balance Sheet Data

Book Value (Eu mn):	9,365
BVPS (Eu):	13.05
Solvency II (%):	224.2%

- 3Q24 results hit by severance indemnity one-offs, Solvency 2 solid at 224%:** overall 3Q/9M24 trends were consistent with our expectations. 3Q closed with premiums at €3.25bn (€1.9bn P&C/ €1.3bn Life) and net profit of €204mn, with a 9M combined ratio at 93.9%, and Unipol booked €134mn of gross provisions for redundancy plans, mostly affecting P&C pre-tax profit. Insurance segment net profit was €662mn in 9M24 including €134mn of dividends cashed in from banking stakes. The Solvency Ratio at 9M24 was 224%, up 3pp from the position at the end of June.
- Conference call indications:** i) P&C: combined ratio business plan target of 92.6% for 2024 is achievable but will very much depend on 4Q trends, which so far look fairly solid. 9M results were hit by additional reserving related to the update of the Court of Milan physical injury claims tables, and the above-mentioned severance indemnity provision. The motor combined ratio was still above 100%, at 102.6%, improving less than expected given the decline in natural events in 9M24, while non-motor showed strong results; ii) Life profitability progress was in line, while volumes were a touch below expectations, with growth slowing from +14% YoY at 1H24; iii) Solvency was strong at 224%, with insurance solvency at 286%; iv) Dividends to be calculated on insurance results (including dividends from banks): the CEO outlined that the future dividend payout will be within the overall industry range at 50/60%, and will be based on insurance net profit (i.e. €662mn in 9M24) and not group reported results, which include consolidated non-cash profits from banking stakes that will only be counted for the dividends cashed in the year.
- Change in estimates: 2024/25/26 adj. net profit up low single-digit on average.** EPS +~3/4% on average as a combination of various moving parts. DPS estimates up slightly to €0.75/0.82/0.86 for 2024/25/26 assuming a 52-53% payout on average.
- Getting closer to fair value after rally, upside potential depends on new business plan: NEUTRAL; target €12:** Unipol is set to renew the BoD with the approval of FY24 results, with no surprises likely: Matteo Laterza was appointed Unipol CEO after the merger was completed. In May 2025 the new plan is expected to outline the group's future ambitions, with banking distribution a pillar of future growth, which could widen further if Unipol works out new agreements (BMPS?). The Chairman has been active with regulators to restore a level playing field on the *Danish Compromise*, as banks are benefitting from lower capital requirements than insurers. We are resetting our fair value calculation for Unipol based on two methodologies: (i) sector peers' P/E multiples, to which we apply a 15% discount to factor in the significant contribution from banking earnings, (ii) a DDM based on our new DPS assumptions, as we think the dividend will remain a key area of interest for investors. The average of these 2 approaches yields a fair value of ~€12ps, or potential upside of under 10% at current prices, so for the time being we move to NEUTRAL as the stock rally has eaten most of the upside, and any further boost can only come from the business plan, due in spring 2025, or M&A news on BMPS in particular. At target the dividend yield would be in the region of 6%, slightly below the sector average.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total Net Premiums (Eu mn)	13,645	15,060	16,329	17,449	18,418
Total Net Income (Eu mn)	13,810	16,207	16,921	18,097	19,100
Operating Profit (Eu mn)	1,240	999	1,274	1,448	1,505
Net Profit Adj (Eu mn)	583	834	1,063	1,154	1,177
EPS New Adj (Eu)	0.813	1.162	1.482	1.609	1.641
EPS Old Adj (Eu)	0.813	1.162	1.443	1.543	1.583
DPS (Eu)	0.370	0.380	0.750	0.820	0.860
P/E Adj	13.8	9.6	7.6	7.0	6.8
Div. Yield	3.3%	3.4%	6.7%	7.3%	7.7%
P/BVPS	0.9	0.8	0.8	0.8	0.8

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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