UNIPOL

OUTPERFORM

Sector: Insurance

Price: Eu4.91 - **Target: Eu6.00**

Discount Should Go Down Thanks to Generous Dividends

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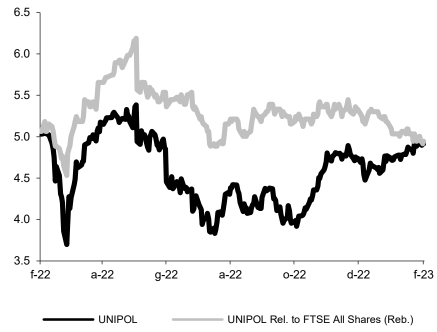
Stock Rating		
Rating:		Unchanged
Target Price (Eu):		Unchanged
	2023E	**2024E**
Chg in Adj EPS	2.0%	3.2%

UNIPOL - 12M Performance



Stock Data			
Reuters code:			UNPI.MI
Bloomberg code:			UNI IM
Performance	**1M**	**3M**	**12M**
Absolute	4.1%	2.3%	-3.0%
Relative	-3.2%	-9.3%	-2.6%
12M (H/L)			5.38/3.70
3M Average Volume (th):			1,293.15

Shareholder Data	
No. of Ord shares (mn):	718
Total no. of shares (mn):	721
Mkt Cap Ord (Eu mn):	3,530
Total Mkt Cap (Eu mn):	3,530
Mkt Float - Ord (Eu mn):	0
Mkt Float (in %):	
Main Shareholder:	
Coop Alleanza 3.0 SC	22.2%

Balance Sheet Data	
Book Value (Eu mn):	
BVPS (Eu):	15.22
Solvency II (%):	

- **FY22 results reflect Unipol SAI operating trends except for dividends, which were higher than expected.** FY22 closed with normalised consolidated net profit at Eu797mn, normalised net profit at Eu605mn reflecting the trends at operating level commented for Unipol SAI.
- **Solvency 2 at 201%, dividend proposal above expectations at Eu37c.** The Solvency margin was 201% as at YE'22, compared to 197% in September and 214% as at YE'21; the excess to solvency capital requirement is equal to Eu4.7bn. Proposed dividend Eu37c, above expectations, with a Eu265mn payout, up from Eu215mn last year; this makes for a payout ratio on local GAAP earnings of 73% compared to 64% last year and a hefty dividend yield at >7%.
- **No overhaul of the group structure but higher dividends in the future.** The key message from the call was that the group has decided to propose higher dividends for the holding company on a stable basis and above the indications provided in the business plan. This comes from the consideration that the holding company needs to offer higher remuneration compared to the operating company and that the current capital position and company prospects grant sufficient room for manoeuvre to enable a more generous dividend policy in the future.
- **Discount to NAV at 34%; fair value remains Eu6.0 assuming a target discount of 20%.** The update to NAV was as follows:
  - Listed assets unchanged, with the Unipol SAI stake stable at 85.22% and BPER at 10.53% for a current market price value of Eu6.2bn
  - Adjusted net financial position was Eu860mn: cash and cash equivalents of Eu1,640mn are invested in liquid fixed income investments yielding above the current cost of debt of 3%. Gross debt is Eu2.5bn with an average maturity of 5 years
  - Holding costs of Eu27mn per annum (up from previous indication of Eu24mn per annum) to which we apply an 8x net of taxes
  - NPV of tax assets at Eu163mn from Eu195mn (gross value at Eu260mn)

  According to our calculations, total NAV equates to Eu5.4bn or Eu7.52ps, basically unchanged since 9M22 and with an implied discount of 34% to the current stock price.

  Despite a collapse of the corporate structure not being on the table for now, we think that the decision to increase shareholder remuneration is a positive step forward in order to further reduce the discount at which the holding company trades, with a positive gap now compared to the operating company and an interesting yield in absolute terms above 7%. We stick to our OUTPERFORM rating, confirming the fair discount to NAV at 20% and hence a target price at Eu6.0ps.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total Net Premiums (Eu mn)	11,694	11,879	11,366	11,707	12,058
Total Net Income (Eu mn)	12,758	13,315	12,289	12,996	13,481
Operating Profit (Eu mn)					
Net Profit Adj (Eu mn)	1,012	605	502	628	655
EPS New Adj (Eu)	1.404	0.839	0.695	0.868	0.905
EPS Old Adj (Eu)	1.404	0.662	0.878	0.851	0.876
DPS (Eu)	0.280	0.370	0.385	0.400	0.400
P/E Adj	3.5	5.9	7.1	5.7	5.4
Div. Yield	5.7%	7.5%	7.8%	8.1%	8.1%
P/BVPS	0.3	0.3	0.3	nm	nm