

# UNIPOL

Sector: Insurance

# OUTPERFORM

Price: Eu8.57 - Target: Eu10.20

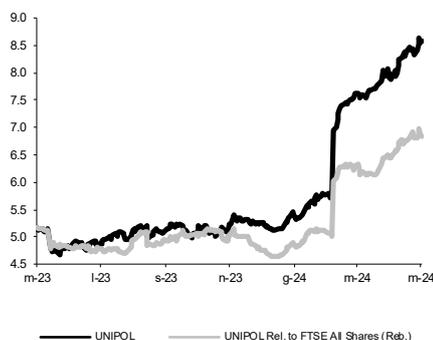
## Strong 1Q24 Technical Trends Support Positive View

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 8.50 to 10.20		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	11.4%	14.7%	16.1%

### UNIPOL - 12M Performance



### Stock Data

Reuters code:	UNPI.MI
Bloomberg code:	UNI IM

Performance	1M	3M	12M
Absolute	7.5%	48.9%	65.7%
Relative	5.7%	38.2%	40.3%
12M (H/L)	8.63/4.67		
3M Average Volume (th):	2,720.03		

### Shareholder Data

No. of Ord shares (mn):	718
Total no. of shares (mn):	722
Mkt Cap Ord (Eu mn):	6,161
Total Mkt Cap (Eu mn):	6,161
Mkt Float - Ord (Eu mn):	3,162
Mkt Float (in %):	51.3%
Main Shareholder:	
Coop Alleanza 3.0 SC	22.2%

### Balance Sheet Data

Book Value (Eu mn):	9,605
BVPS (Eu):	13.39
Solvency II (%):	219.5%

■ **Solid technical performance in 1Q24:** 1Q24 results showed an improving technical P&C trend, with the combined ratio coming to 91.1% from 94.4% and our estimate of 93.3%, thanks to repricing of the P&C portfolio, improved claims frequency and low occurrence of NatCat events, partly for seasonal reasons. Data below are excluding contribution from banks participations excluding were specified:

- **P&C:** premiums came to €2,280mn up 8.7% YoY, with motor +11.2% / UniSalute +23.1% / non-motor +6.6% YoY, in line with expectations. The combined ratio improved strongly to 91.1%. P&C pre-tax profit was €298mn, up only slightly YoY despite the strong technical improvement, due to a lower contribution from financial income especially due to unwinding & tough comp vs exceptional 1Q23.
- **Life:** premiums at €1,920mn in line with est. Life pre-tax profit up 27% YoY to €66mn. CSM was up to €2,414mn from €2,295mn at the start of the quarter thanks to new business (€+113mn) with €59mn of releases.
- **Others segment:** losses limited to €3mn in the quarter (ex-banks contribution).

Group pre-tax profit came to €361mn (excluding the BPER/BPSO contributions). Net profit pre-minorities was €242mn (€363mn including BPER/BPSO) and post minorities it was €195mn (€308mn including BPER/BPSO) while Solvency II was positive and up slightly to 217% vs. our estimate of 218%.

■ **Indications from conference call:** the main messages that emerged from the call are outlined later in this report. We particularly note positive indications on the outcome of the massive price hikes in motor and non-motor in the last 6-12 months, which are driving a significant increase in premiums despite the loss of some contracts. The revision of reinsurance schemes offers more NatCat protection overall. This could lead to a notable technical improvement to arrive close to the business plan combined ratio target of 92.6% for 2024, which appeared to be out of reach after the 2023 spike in the loss ratio. Life outlook is also promising, with 1Q trends indicating a very strong start to the year for new business, leading to a material increase in the CSM reserve, raising visibility on future Life profits.

■ **Change in estimates: 2024/25/26 adj. net profit +11.4%/+14.7%/+16.1%.** Pre-tax profit is expected to reach €1.55bn with net profit after minorities at €1bn, up 8.8% thanks to positive operating trends expected. We are raising our DPS forecasts to factor in higher estimates and a payout in the region of ~40% of consolidated net profit. New DPS expectations are €0.55/0.60/0.65 in 2024/25/26, which could be excessively conservative awaiting new company guidance after Unipol SAI merger.

■ **OUTPERFORM; target raised from €8.5 to €10.2:** we await the de-listing of Unipol SAI, which we expect to happen by July. We think Unipol is strongly positioned to benefit from positive operating trends, and on our new estimates it is trading at very undemanding multiples. We apply a conservative 30% discount to peers' P/E multiples, also reflecting the presence of significant investments in banking assets and bringing the target price to €10.2, that implies multiples of 7.5x/7.0x/6.5x on 2024/25/26 earnings.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total Net Premiums (Eu mn)	13,645	15,060	16,226	17,115	18,014
Total Net Income (Eu mn)	13,810	16,207	17,248	18,123	19,048
Operating Profit (Eu mn)	1,240	999	1,277	1,362	1,396
Net Profit Adj (Eu mn)	583	834	1,005	1,068	1,090
EPS New Adj (Eu)	0.813	1.162	1.400	1.489	1.520
EPS Old Adj (Eu)	0.813	1.162	1.257	1.298	1.309
DPS (Eu)	0.370	0.380	0.550	0.600	0.650
P/E Adj	10.6	7.4	6.1	5.8	5.6
Div. Yield	4.3%	4.4%	6.4%	7.0%	7.6%
P/BVPS	0.7	0.6	0.6	0.6	0.6

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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)

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Frequency of research: quarterly.

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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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