

UNIPOLSAI

Sector: Insurance

NEUTRAL

Price: Eu2.42 - Target: Eu2.50

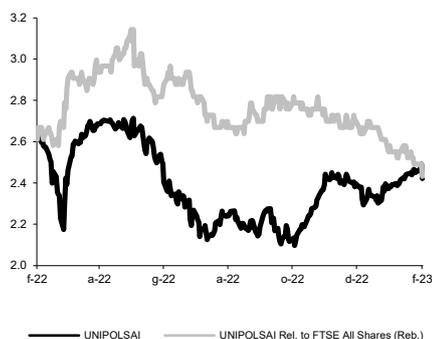
Signs of Worsening CoR but Price Increases Coming

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Stock Rating

Rating:	Unchanged	
Target Price (Eu):	Unchanged	
	2023E	2024E
Chg in Adj EPS	-3.3%	-1.8%

UNIPOLSAI - 12M Performance



Stock Data

Reuters code:	US.MI		
Bloomberg code:	US IM		
Performance	1M	3M	12M
Absolute	1.6%	-0.8%	-7.2%
Relative	-5.7%	-12.4%	-6.9%
12M (H/L)	2.71/2.10		
3M Average Volume (th):	1,006.83		

Shareholder Data

No. of Ord shares (mn):	2,780
Total no. of shares (mn):	2,776
Mkt Cap Ord (Eu mn):	6,733
Total Mkt Cap (Eu mn):	6,733
Mkt Float - Ord (Eu mn):	1,047
Mkt Float (in %):	15.6%
Main Shareholder:	
Unipol	84.5%

Balance Sheet Data

Book Value (Eu mn):	7,220
BVPS (Eu):	2.60
Solvency II (%):	292.0%

■ **4Q results slightly below expectations and hit by one-off charges.** Overall, results in line with expectations but with a proposed dividend of Eu16c vs Eu19c expected. Direct premium inflows at Eu13.6bn vs expectation of Eu13.9bn with P&C at Eu8.3bn vs Eu8.4bn (auto Eu3.9bn, in line with expectations, and non-auto Eu4.4bn), Life at Eu5.3bn vs Eu5.5bn. Net reinsurance combined ratio at 93.8%, in line (direct combined ratio 91%). Motor TPL combined ratio deteriorating to 100.1% vs 95.6% last year with a less pronounced fall in average premiums at -1% YoY. Normalised pre-tax profit at Eu947mn, life Eu293mn, and holding at Eu-140mn. Pre-tax profit Eu1.1bn, in line with expectations and normalised profit at Eu730mn. Reported profit at Eu597mn including a Eu137mn provision for staff solidarity funds booked in 4Q.

■ **Capital solid but dividend below expectations.** Dividend Eu16c (payout Eu453mn), below expectations and Eu19c last year but in line with the 3-year plan targets that foresee a cumulative payout to 2024 of Eu1.4bn. Consolidated solvency margin at 272%, substantially in line with expectations.

■ **Main take-aways from conference call. P&C:** following the evolution of average cost of claims, repricing in motor started from 2H22 to offset higher cost inflation and establish decent profitability for this segment. Unipol SAI does not expect an increase in tariffs to put the company in a difficult competitive position as the whole industry needs to adopt pricing actions in this inflationary scenario. **Life:** operating profit was positively impacted by the contribution from investments and from technical items related to the mortality component. Expectations are for life operating profitability in 2022 to remain on a flat trend in 2023 with financial investments expected to continue to improve their contribution in the current interest rates scenario. We remind that business plan assumptions were cautious in terms of investment yields. This could represent a positive catalyst for life operating profit in the coming years. At the moment, there are no signs of a significant impact from redemptions in traditional life products and the company is monitoring the situation.

■ **NEUTRAL confirmed, TP Eu2.5.** We confirm our Neutral stance on the stock. We see no major catalyst in the short term for a re-rating while we need more visibility on price increase effects and the normalization of trends in P&C in the coming quarters to assess the risks of a combined ratio deterioration in P&C, with the motor segment now running above 100%. Estimates are mostly confirmed with a slight cut to factor price inflation. Our fair value puts the stock at multiples in line with European peers.

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	13,000	13,485
Operating Profit (Eu mn)	1,118	895	920	1,118	1,147
Net Profit Adj (Eu mn)	800	573	733	717	738
EPS New Adj (Eu)	0.288	0.207	0.264	0.258	0.266
EPS Old Adj (Eu)	0.288	0.207	0.281	0.267	0.270
DPS (Eu)	0.190	0.190	0.160	0.170	0.185
P/E Adj	8.4	11.7	9.2	9.4	9.1
Div. Yield	7.8%	7.8%	6.6%	7.0%	7.6%
P/BVPS	0.9	0.8	1.0	0.9	0.9