

UNIPOLSAI

Sector: Insurance

NEUTRAL

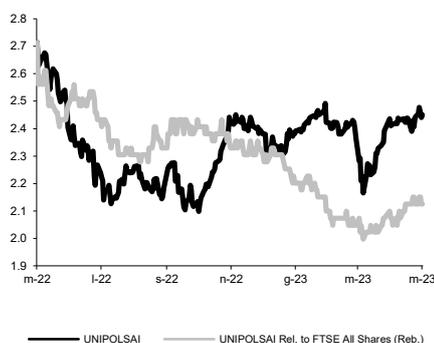
Price: Eu2.45 - Target: Eu2.50

Worse combined ratio but prices +7/8%. Estimates confirmed

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Stock Rating		
Rating:	Unchanged	
Target Price (Eu):	Unchanged	
	2023E	2024E
Chg in Adj EPS	-0.8%	-0.9%

UNIPOLSAI - 12M Performance



Stock Data				
Reuters code:	US.MI			
Bloomberg code:	US IM			
Performance	1M	3M	12M	
Absolute	1.7%	1.2%	-9.7%	
Relative	2.8%	1.1%	-24.4%	
12M (H/L)	2.68/2.10			
3M Average Volume (th):	1,424.51			

Shareholder Data	
No. of Ord shares (mn):	2,780
Total no. of shares (mn):	2,776
Mkt Cap Ord (Eu mn):	6,811
Total Mkt Cap (Eu mn):	6,811
Mkt Float - Ord (Eu mn):	1,059
Mkt Float (in %):	15.6%
Main Shareholder:	
Unipol	84.5%

Balance Sheet Data	
Book Value (Eu mn):	7,215
BVPS (Eu):	2.60
Solvency II (%):	292.0%

- **Results substantially in line.** Premiums at Eu3,865mn, up 12% YoY, pre-tax profit at Eu330mn compared to expectation of Eu310mn and net profit at Eu218mn (expected at Eu210mn). Solvency 2 better than expected at 310% (expected >280%).
- **Feedback from conference call.** The main pointers from the conference call on 1Q23 results: 1) highly sustained non-motor growth in almost all business lines and, in particular, in the health insurance arm via Unisalute (+43% YoY), which benefitted from the extension of distribution to agencies and bank branches; the combined ratio of the arm remains highly profitable and improved slightly YoY; 2) motor: premiums slightly up but combined ratio worsened to 102% (+5ppt): half due to cost inflation on claim compensation and half due to the rise in claim frequency. Unipol SAI significantly increased its prices in November and February. The face-value rise of 15% net of discounts (-3%) and specific initiatives such as the adoption of the black box or obligatory repair at an affiliated shop have led to an increase of net premiums by +7/+8% that should start to have significant positive effects on the combined ratio from 2H23. The impact on customer retention does not appear significant at present; 3) Life: premium inflows benefitting from some institutional mandates related to pension funds. Redemptions on the rise but not to pre-Covid-19 levels and are not a concern: total redemptions of Eu140mn in the agency segment while bancassurance remained positive in terms of net inflows. Unipol SAI aims to revive inflows to traditional life policies by exploiting the rise in investment yields: segregated management highlights an increase in profitability of investments of 6bps in 1Q23 while guaranteed minimums fell a further 1bp: pre-tax profit target confirmed at Eu200/250mn for FY23; 3) investment yields: recurring component improving thanks to higher rates while 1Q23 also benefitted from the favourable performance of financial markets, which are a more volatile, non-recurring component of earnings, above all in P&C; 4) capital: improvement of Solvency 2 driven by capital generation but, above all, by the positive market effect (13ppt of additional Solvency); 5) too early to give indications on the effect of the floods in Emilia but amounts not expected to be too high.
- **Technical profitability remains under observation, above all in P&C, NEUTRAL, TP Eu2.5 confirmed.** It is possible that the increase in tariffs will improve outlook, above all from 2024 and in a scenario of a return to more normal inflation levels. Our estimates are based on a combined ratio around 94%. Good indications from the non-motor segment, which is driving the growth of P&C premiums and profitability. 1Q23 Life pre-tax profit was not particularly brilliant but the target for FY23 remains more than feasible. Estimates remain unchanged after 1Q23 results and we also confirm the NEUTRAL recommendation. The stock trades at a slight premium to the sector at 9.4x earnings and a mix skewed to motor, which does not appear the most attractive segment at this time in our view. The dividend remains a positive factor (~7% yield) although no update was provided, but the level of Solvency is highly reassuring.

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)	1,118	895	920	1,110	1,138
Net Profit Adj (Eu mn)	800	573	733	712	731
EPS New Adj (Eu)	0.288	0.207	0.264	0.256	0.263
EPS Old Adj (Eu)	0.288	0.207	0.264	0.258	0.266
DPS (Eu)	0.190	0.190	0.160	0.170	0.185
P/E Adj	8.5	11.9	9.3	9.6	9.3
Div. Yield	7.8%	7.8%	6.5%	6.9%	7.6%
P/BVPS	0.9	0.8	1.0	0.9	0.9