

UNIPOLSAI

Sector: Insurance

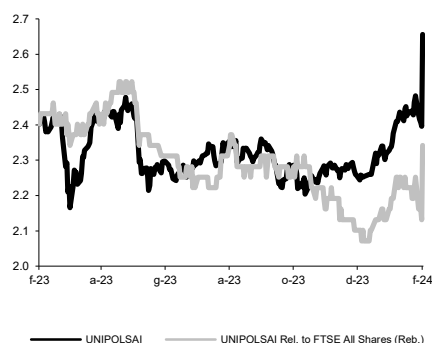
Bye Bye UnipolSai

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 2.50 to 2.70		
	2024E	2025E	2026E
Chg in Adj EPS	-3.7%		

Next Event: BoD for approval of final FY23 results on March 21, 2024

UNIPOLSAI - 12M Performance



Stock Data			
Reuters code:	US.MI		
Bloomberg code:	US IM		
Performance	1M	3M	12M
Absolute	13.8%	17.6%	10.6%
Relative	9.4%	9.1%	-1.9%
12M (H/L)	2.66/2.17		
3M Average Volume (th):	2,127.89		

Shareholder Data	
No. of Ord shares (mn):	2,830
Total no. of shares (mn):	2,830
Mkt Cap Ord (Eu mn):	7,516
Total Mkt Cap (Eu mn):	7,516
Mkt Float - Ord (Eu mn):	1,112
Mkt Float (in %):	14.8%
Main Shareholder:	
Unipol	85.2%

Balance Sheet Data	
Book Value (Eu mn):	6,949
BVPS (Eu):	2.46
Solvency II (%):	292.0%

NEUTRAL

Price: Eu2.66 - Target: Eu2.70

- **FY23 results still hit but high NATCAT tails.** Unipol SAI reported insurance revenues of €9,571mn, net profit of €700mn and pre-tax profit of €1,019mn under new IFRS 17/9 accounting principles.
 - Non-life premiums amounted to €8,651mn of which motor €4,365mn (+3% YoY), welfare €1,772mn (+7.4% YoY), and property €2,541mn (4% YoY). Pre-tax came in at €671mn with a combined ratio of 98.2% (our est. 98.0% - cons 98.4%), burdened by exceptionally high NATCAT events accounting for 14.1pp (21.1pp in non-motor segments). Loss ratio 71.5%, expense ratio 26.7%.
 - Life premiums were €6,409mn, up 20% YoY and driven by traditional life policies and pension funds, bucking the trend of the rest of the industry. Growth of premiums driven by bancassurance (33% YoY to €2.6bn). Life CASM at €2,295mn was stable YoY with release at €233mn (~9%). Pre-tax €333mn.
 - Solvency 2 declined in line with expectations to 288% as at YE23.
 - Dividend proposal at €0.165ps or €467mn with a payout ratio of 75%.
- **Collapse of the control chain finally announced.** Unipol announced the plan to merge Unipol Group and Unipol SAI to create a combined entity called Unipol Assicurazioni. Unipol SAI minorities equal to 14.79% of the capital are invited either to tender the shares to the upcoming VTO at €2.7ps (cum dividend) cash or to opt for an exchange ratio of 3 Unipol Group shares per 10 Unipol SAI shares owned. The merger is expected to be completed by 4Q24 while the VTO will likely be completed before the dividend payment.
- **Tender to cash VTO or opt for 3:10 merger exchange ratio.** At closing stock prices on 16 February, it is still far more attractive to tender the shares at €2.7 rather than keep them and get the 3:10 exchange ratio, which implies a 23% discount to current prices. Options will become neutral at a Unipol Group stock price of €9.0ps.
- **NEUTRAL, TP equal to cash offer of €2.7 (from €2.5).** We confirm our Neutral recommendation on the stock and move the target price to the cash offer of €2.7ps, which implies a limited premium of 12.3% compared to the pre-announcement stock price at the close on 15 February, and a 16% premium to the 6-month average stock price. At the offer price, the implied multiples on Unipol SAI are ~9x earnings, i.e. a slight premium to European insurance sector multiples.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total Net Premiums (Eu mn)	13,645	15,060	15,895	16,769	17,650
Total Net Income (Eu mn)	13,591	15,651	16,509	17,411	18,325
Operating Profit (Eu mn)	1,021	999	1,149	1,174	1,187
Net Profit Adj (Eu mn)	418	700	742	758	767
EPS New Adj (Eu)	0.148	0.247	0.262	0.268	0.271
EPS Old Adj (Eu)	0.264	0.246	0.272		
DPS (Eu)	0.160	0.165			
P/E Adj	18.0	10.7	10.1	9.9	9.8
Div. Yield	6.0%	6.2%			
P/BVPS	1.1	1.0	1.0	1.0	1.0

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- 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;

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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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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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