

UNIPOLSAI

Sector: Insurance

NEUTRAL

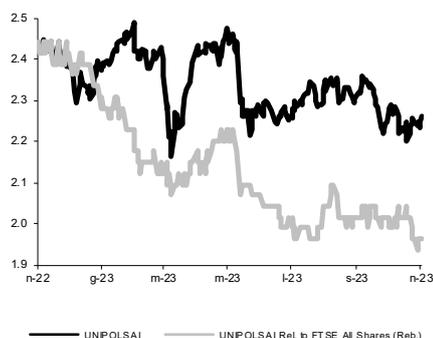
Price: Eu2.26 - Target: Eu2.50

3Q Proving Resilient despite Big Headwinds from NATCAT

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Stock Rating		
Rating:	Unchanged	
Target Price (Eu):	Unchanged	
	2023E	2024E
Chg in Adj EPS	-3.8%	3.5%

UNIPOLSAI - 12M Performance



Stock Data			
Reuters code:	US.MI		
Bloomberg code:	US IM		
Performance	1M	3M	12M
Absolute	-0.7%	-3.7%	-7.4%
Relative	-1.5%	-3.2%	-22.5%
12M (H/L)	2.49/2.17		
3M Average Volume (th):	969.31		

Shareholder Data	
No. of Ord shares (mn):	2,780
Total no. of shares (mn):	2,776
Mkt Cap Ord (Eu mn):	6,288
Total Mkt Cap (Eu mn):	6,288
Mkt Float - Ord (Eu mn):	978
Mkt Float (in %):	15.6%
Main Shareholder:	
Unipol	84.5%

Balance Sheet Data	
Book Value (Eu mn):	7,188
BVPS (Eu):	2.59
Solvency II (%):	292.0%

■ **9M23 results show good trends excluding impact from NATCAT.** Unipol SAI reported a good set of 9M23 results in light of the strong negative impact from natural events. In more detail:

- Premium income €10,570mn vs. €9,244mn expected thanks to a strong contribution from Life. P&C premiums at €6.07bn vs. €6.1bn expected, of which €3,216mn motor and €2,858mn non-motor. Life premium income was €4.5bn vs €3.5bn expected, with Life CSM up to €2.4bn and a €183mn release in 9M.
- P&C combined ratio was 98.6% vs. our 99% estimate, with the expense ratio at 26.7% and the loss ratio at 71.9% burdened by just under €300mn of NATCAT claims in 3Q, with an 11.5% impact in 9M23.
- Divisional pre-tax profit: P&C €527mn vs. €562mn expected, Life €224mn vs. €220mn expected, other segments €20mn vs. €17mn expected for total pre-tax profit of €771mn vs. €800mn expected. Consolidated profit came to €586mn vs. €581mn expected and profit net of minorities was €540mn vs. €544mn expected.
- Solvency 2 stood at 296% and shareholders' equity at €6,675mn, in line with expectations.

■ **Improving technical trends expected.** Messages from the conf call positive overall: (i) excluding NATCAT, the trends in P&C were positive: the average premium increase reached 7% thanks to various price rises implemented in the last 12 months with an average premium increase on renewal of 12%. US has lost some contracts but more from riskier customers, implying a reduction in claim frequency; claim inflation is also showing improvements at +2% YtD. Motor TPL combined ratio was 97.7% in 9M23. (ii) NATCAT impact was equal to 11.5ppt on the combined ratio: the total amount was Eu450mn with 24/25 July events alone in Lombardy amounting to almost Eu150mn. The reinsurance treaty covering Eu85mn was totally exhausted while the excess loss treaty has a retention of Eu150mn. The company expects some pressure from growing reinsurance costs but less than other players given the less burdensome structure of the treaties for reinsurers (iii) Life: positive net inflows also in traditional products driven by bancassurance. Profitability is steady and supported by the rate environment. (iv) Solvency remains strong thanks to capital generation and despite some pressure from financial markets in 3Q.

■ **Estimates fine-tuned. NEUTRAL, TP Eu2.5 confirmed.** We are reducing estimates for 2023 to take account of the impact from NATCAT but partially mitigated by positive technical trends. On the other hand, we are raising 2024 on the back of the positive expected impact of price increases on average premiums and other actions put in place to reduce the combined ratio. We confirm our NEUTRAL stance on the stock but we reckon the indications provided during the conference call are supportive. Stock looks fairly valued compared to multiline insurers 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	13,220	13,543
Operating Profit (Eu mn)	1,118	895	920	1,071	1,206
Net Profit Adj (Eu mn)	800	573	733	685	757
EPS New Adj (Eu)	0.288	0.207	0.264	0.246	0.272
EPS Old Adj (Eu)	0.288	0.207	0.264	0.256	0.263
DPS (Eu)	0.190	0.190	0.160	0.170	0.185
P/E Adj	7.8	11.0	8.6	9.2	8.3
Div. Yield	8.4%	8.4%	7.1%	7.5%	8.2%
P/BVPS	0.8	0.8	0.9	0.9	0.8