

# REVO INSURANCE

**BUY**

Sector: Insurance

Price: Eu8.98 - Target: Eu12.00

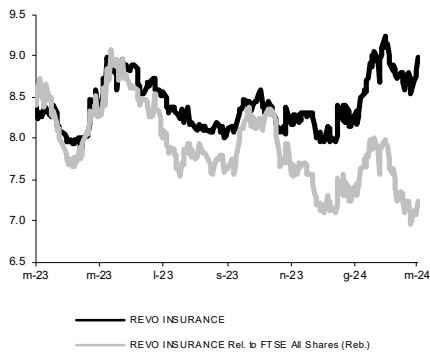
## Solid FY23 despite Headwinds, Strong 24E for GWP & CoR

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 11.80 to 12.00		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	3.8%	0.0%	

### REVO INSURANCE - 12M Performance



### Stock Data

Reuters code:	REVO.MI		
Bloomberg code:	REVO IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-1.8%	12.3%	6.8%
Relative	-9.1%	1.4%	-17.2%
12M (H/L)	9.24/7.80		
3M Average Volume (th):	11.95		

### Shareholder Data

No. of Ord shares (mn):	25
Total no. of shares (mn):	25
Mkt Cap Ord (Eu mn):	221
Total Mkt Cap (Eu mn):	221
Mkt Float - Ord (Eu mn):	175
Mkt Float (in %):	79.1%
Main Shareholder:	
Fondazione Cariverona	6.8%

### Balance Sheet Data

Book Value (Eu mn):	241
BVPS (Eu):	9.80
Solvency II (%):	207.0%

■ **FY23 results solid despite negative hit from natural events.** Revo Insurance FY23 results showed gross premiums of €216.2mn, in line with most recent company indications. Operating profit was €15.5mn reported, €21.3mn adjusted (+53% YoY). Revo completed the J-curve of its business model at the end of 2023 with most of the investments in technology and human capital having been achieved. The combined ratio in FY23 was 85.8% (our exp. 85%), up 10.1pp on 75.7% in FY22. The loss ratio at 42% includes NATCAT related impacts of €5.9mn (~4ppt) while the expense ratio decreased by 11.6ppt to 43.8% as the company benefits from operating leverage. Adj. net profit was €14.8mn, up 37.6% YoY and broadly in line with expectations, and included the positive impact of the patent box on taxes. Shareholders' equity rose to €225.6mn, with Solvency 2 at 212% (from 269% as at YE22) following strong growth of the business. The company proposed a DPS of €0.084, a payout ratio of roughly 20% with a dividend yield around 1%.

■ **Guidance for 2024 points to bringing forward plan targets by one year.** Revo's management is very constructive on the prospects for the business. According to the trends in the last few months, achieving ~€300mn in GWP in 2024 is feasible one year ahead of schedule thanks to growth in most segments. This target implies further growth of premiums by almost 40% YoY, despite the intention to keep a disciplined underwriting stance, especially in segments with higher potential risks like marine and property. The 2024 combined ratio is expected at ~80%, down on 85.8% in 2023 with a normalization of the impact of natural events and a continuation of rebalancing between the loss ratio (up) and expense ratio (down). On investments: no major changes expected but a slight increase in duration is possible. Opening of the Spain branch is expected to add €60mn in premiums in the next 3/4 years with the initial focus on Surety and Financial lines. Revo is also working to explore selective, bolt-on deals with banks to distribute specific products and to further increase the number of brokers and agents served by leveraging on the state-of-the-art OverX platform, which remains one of the most distinctive features of the company, with new investments to exploit AI planned.

■ **Estimates updated to include company indications.** Estimates have been updated to include a sharper acceleration in the growth of premiums, the change in mix and a slightly more challenging environment for technical profitability and reinsurance costs. We are slightly raising our expectations for 2024/2025.

■ **BUY confirmed, target at €12.0 from €11.8.** Revo remains very attractive in the insurance universe in our view and could benefit from opportunities arising on the market by leveraging on its agile model and tech advantage vs large competitors. The push in Spain and tech investments in AI are interesting opportunities that could support further value creation for shareholders and make Revo a unique equity story in the insurance universe. The expected progression of financial results supports our positive stance on the stock. Revo stands out in terms of growth potential and operating cashflow progression while the catch-up on dividend yield vs the sector is expected to be gradual. At target, Revo would be trading at 9x P/E25.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total Net Premiums (Eu mn)	131	216	295	365	415
Total Net Income (Eu mn)	14	23	39	58	69
Operating Profit (Eu mn)	10	16	29	46	55
Net Profit Adj (Eu mn)	11	15	21	33	39
EPS New Adj (Eu)	0.437	0.601	0.852	1.351	1.567
EPS Old Adj (Eu)	0.437	0.607	0.820	1.352	
DPS (Eu)	0.000	0.084	0.120	0.200	0.300
P/E Adj	20.6	14.9	10.5	6.6	5.7
Div. Yield	0.0%	0.9%	1.3%	2.2%	3.3%
P/BVPS	1.0	1.0	0.9	0.8	0.7

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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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BUY:	26.02 %
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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