

REVO INSURANCE

BUY

Sector: Insurance

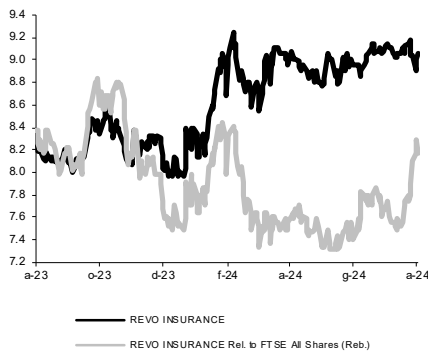
Price: Eu9.06 - Target: Eu12.00

Growth Trends Confirmed, 1H Hit by Tail of 2023 Claims

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-1.7%	-1.9%	-1.1%

REVO INSURANCE - 12M Performance



Stock Data			
Reuters code:	REVO.MI		
Bloomberg code:	REVO IM		
Performance	1M	3M	12M
Absolute	-0.2%	3.4%	8.1%
Relative	6.1%	10.4%	-3.0%
12M (H/L)	9.24/7.96		
3M Average Volume (th):	13.94		

Shareholder Data	
No. of Ord shares (mn):	25
Total no. of shares (mn):	25
Mkt Cap Ord (Eu mn):	223
Total Mkt Cap (Eu mn):	223
Mkt Float - Ord (Eu mn):	176
Mkt Float (in %):	79.1%
Main Shareholder:	
Fondazione Cariverona	6.8%

Balance Sheet Data	
Book Value (Eu mn):	241
BVPS (Eu):	9.79
Solvency II (%):	200.3%

■ **2Q/1H24 results in line, FY target confirmed. Tail of 2023 Nat Cat claims burdens 1H results.** Revo Insurance 1H results highlight the continuation of the strong growth trend for premiums (especially in property), operating profit, and net profit, all up ~50% YoY. The tail of claims for Nat Cat incurred by clients in 2023 adversely impacted results and the combined ratio, but it should have run its course by now. Results confirm the positive trajectory toward the updated Revo GWP target of ~€300mn as early as 2024 or one year earlier than in the published business plan. In detail:

- 2Q24 GWP at €80.3mn (+35% YoY), reported operating profit at €5.4mn (+50% YoY), and adj. operating profit at €6.8mn (+36% YoY)
- 2Q24 consolidated net profit at €3.4mn (vs €0.5mn in 2Q23), and adj. net profit at €4.4mn (vs €1.4mn in 2Q23).
- Solvency II ratio 200.4 % (vs 213.2% as at end-March).
- 1H24 CoR at 84.9%, up from 81.3% in 1H23, but still below 85.8% for FY23 and still in line with the medium-term objectives in the strategic plan. The slightly deterioration of the CoR was mainly due to the higher expense ratio (55.5% vs 50.1% in 1H23), while the loss ratio was down YoY (29.4% vs 31.2% in 1H23). The YoY increase in the expense ratio was down to the higher impact of reinsurance costs (17.3% vs 8.7% in 1H23) after the revision of reinsurance fees as a result of the impact of 2023 Nat Cat.

■ **2023 Nat Cat tail does not change long-term positive outlook.** We broadly confirm 2024 premiums approaching the 2025 target of €300mn, a year ahead of the plan. We continue to forecast adj. operating profit at >€30mn and net profit at almost €21mn for 2024. We have slightly lowered our expectations for the combined ratio in 2024 to include the impact from the tail of 2023 claims. Solvency II is expected at ~200% at the end of 2024, in line with end-June, before an expected recovery driven by operating capital generation driving S2 >220% in 2026 despite gradually rising dividend distribution.

■ **BUY confirmed, target at €12.0 confirmed.** Revo must continue to carefully balance strong growth with capital management and risk. The company has significant opportunities linked to its technological excellence which will be further accelerated by pervasive AI breakthroughs and a presence in new markets. Expansion in Spain is expected to gain traction in 2025, showing that the company's platform is replicable in other markets with limited additional costs. The focus on SMEs remains a key part of the company's DNA, with options on other innovative segments like parametric insurance. We expect the company to update targets in 2025 given the strong anticipated growth. On our current expectations, the stock trades at attractive valuations. At target, Revo would be trading at ~7.6x earnings, which we do not think reflects the value of the company. We therefore confirm our BUY rating with a target price of €12.0ps (unchanged).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total Net Premiums (Eu mn)	131	216	297	365	418
Total Net Income (Eu mn)	14	23	40	58	68
Operating Profit (Eu mn)	10	16	29	46	54
Net Profit Adj (Eu mn)	11	15	21	33	39
EPS New Adj (Eu)	0.437	0.601	0.841	1.347	1.576
EPS Old Adj (Eu)	0.437	0.601	0.856	1.373	1.594
DPS (Eu)	0.000	0.084	0.120	0.200	0.300
P/E Adj	20.7	15.1	10.8	6.7	5.7
Div. Yield	0.0%	0.9%	1.3%	2.2%	3.3%
P/BVPS	1.0	1.0	0.9	0.8	0.8

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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