

Beating FY20 GWP Target

ADD | Fair Value: €7.31 (€7.31) | Current Price: €5.54 | Upside: 32%

€ Million	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Gross Written Premiums	58.4	62.3	84.4	109.2	133.7	154.2	174.1	186.0
Underwriting Result	8.9	27.3	16.6	21.7	31.2	38.4	47.8	51.9
Combined Ratio	87%	78%	86%	88%	89%	88%	86%	85%
Net Profit	-17.5	20.0	12.5	5.1	15.0	18.1	22.7	20.9
EPS	n.m.	1.3	0.8	0.3	1.0	1.2	1.5	1.4

Source: Company Data, KT&Partners' Elaboration

Preliminary FY20 GWPs exceed NET's targets. For the second year in a row, NET has reported better than expected results notwithstanding a second "black swan", the Covid-19 pandemic and almost two months of full lockdown in Italy. The management remained focused on executing its strategy, achieving outstanding results. FY20 GWPs came in at €117mn, +4% above company targets and +7% above our estimates. The current environment has confirmed the validity of NET's strategy and the resilience of the Group's business model.

Stock resilience recorded as well. Among the listed companies in the Italian insurance sector, NET was the only one recording a positive performance during 2020 vs an average drop of -22%.

	2020 Performance	01.01.2020- to date
Net Insurance SpA	0.2%	5.5%
Assiteca SpA	-12.6%	-12.2%
Societa Cattolica di Assicurazioni	-36.9%	-39.3%
Assicurazioni Generali S.p.A.	-22.5%	-14.0%
Poste Italiane SpA	-17.8%	-5.4%
Unipol Gruppo S.p.A.	-23.5%	-14.5%
UnipolSai Assicurazioni S.p.A.	-16.2%	-8.5%
Average	-21.6%	-15.7%

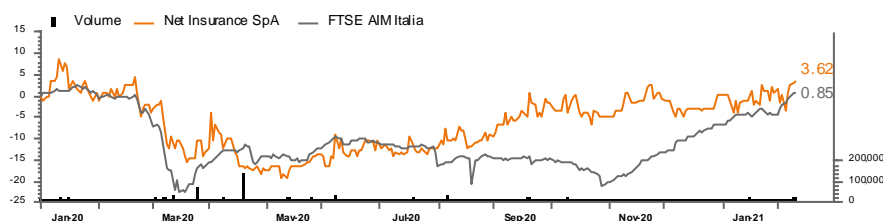
Source: FactSet

Strengthening capital position with a subordinated convertible. In December 2020, NET issued a five-year subordinated convertible bond (Tier II) for a total amount of €5mn that was 2.2x oversubscribed. This will allow the Group to maintain adequate capital strength, also leveraging on its treasury shares (11.86% to date) that will service the eventual bond conversion. The bond conversion price has been set at (i) €6.00 per Ordinary Share, if the Conversion Date occurs by 31 December 2023; and (ii) €7.00 per Ordinary Share, if the Conversion Date falls on or after 1 January 2024.

Update on the "black swan". NET is expected to cash in €10mn related to the fraud that emerged in 2019. This is the third tranche, following the recovery of €8mn in 2019.

Estimates and valuation under review for potential upgrade. Given 2020's strong overperformance in a very challenging environment, we put our estimates under review for a potential upgrade. We will update our estimates after the publication of the FY20 results and management conference call. On the back of our current projections and valuation, we still see a 32% upside on NET's current stock price.

Relative Performance Chart YoY



Research Update

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Market Data

Main Shareholders	
IBL Banca S.p.A.	19.85%
Unicredit S.p.A.	6.11%
Algebris UK Limited	5.16%
Mkt Cap (€ mn)	84.6
Shares issued	17,335,692
Treasury shares	2,056,597
Shares out.	15,279,095
Free Float	57.0%

Stock Data

52 Wk High (€)	5.74
52 Wk Low (€)	4.22
Avg. Daily Trading 90d	3,992
Price Change 1w (%)	7.36
Price Change 1m (%)	9.49
Price Change YTD (%)	5.32

Key Figures – Net Insurance S.p.A.

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	5.5	7.3	Insurance				57.0%
Per Share Data	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Total shares issued (mn)	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Total shares outstanding (mn)	15.3	15.3	15.3	15.3	15.3	15.3	15.3
EPS	1.3	0.8	0.3	1.0	1.2	1.5	1.4
BV Per Share	3.5	4.7	5.0	5.9	6.9	8.0	8.8
Dividend per share (ord)	-	-	-	0.07	0.25	0.36	0.60
Dividend pay out ratio (%)	-	-	0%	20%	25%	30%	40%
Income Statement (EUR million)							
Gross Written Premium (GWP)	62.3	84.4	109.2	133.7	154.2	174.1	186.0
Underwriting Result	27.3	16.6	21.7	31.2	38.4	47.8	51.9
Financial Result	0.1	2.0	1.9	4.4	5.1	6.7	7.2
Operating Income	26.1	8.5	6.8	16.1	20.6	27.2	29.8
Net Income	20.0	12.5	5.1	15.0	18.1	22.7	20.9
Net Income Adj.	6.7	7.0	5.1	11.5	14.6	19.2	20.9
Balance Sheet (EUR million)							
Investments	178.0	167.0	185.7	207.5	232.5	266.4	288.7
Intangible assets	0.9	2.6	3.4	4.2	5.0	5.8	6.6
Deferred acquisition costs	-	-	-	-	-	-	-
Insurance technical reserves	299.5	300.4	300.3	315.2	334.9	359.6	385.7
Senior or subordinated debt	14.7	15.5	15.5	15.5	15.5	15.5	15.5
Shareholder's Equity	53.8	71.8	76.9	90.9	105.3	122.6	134.4
Ratios (%)							
Loss ratio	58.5%	57.1%	52.5%	53.5%	52.2%	51.3%	50.5%
Commission ratio	3.1%	8.1%	17.0%	19.0%	21.0%	21.4%	21.4%
General expenses ratio	16.2%	20.6%	18.0%	16.5%	15.0%	13.6%	13.6%
Combined ratio	77.7%	85.8%	87.5%	89.0%	88.2%	86.3%	85.5%
Solvency ratio	162.9%	165.7%	163.9%	172.0%	181.1%	188.9%	191.7%
ROE	54.8%	19.8%	6.8%	17.9%	18.5%	20.0%	16.3%
ROE Adj.	18.4%	11.1%	6.8%	13.7%	14.9%	16.8%	16.3%
Valuation							
P/E	4.2x	6.8x	16.7x	5.6x	4.7x	3.7x	4.0x
P/BV	1.6x	1.2x	1.1x	0.9x	0.8x	0.7x	0.6x
P/Premiums	1.4x	1.0x	0.8x	0.6x	0.5x	0.5x	0.5x
Dividend yield (%)	-	-	0.0%	1.2%	4.4%	6.4%	10.7%
Growth rates (%)							
GWP	6.7%	35.4%	29.5%	22.4%	15.3%	12.9%	6.8%
Underwriting Result	207.6%	-39.0%	30.2%	43.9%	22.9%	24.7%	8.4%
Operating Income	137.0%	-67.4%	-20.4%	136.3%	28.1%	32.4%	9.3%
Net Income	-114.1%	62.4%	40.8%	296.3%	120.4%	125.5%	92.0%
Net Income Adj.	91.4%	4.5%	-27.4%	126.4%	26.7%	31.7%	9.1%

Source: Company Data, KT&Partners' Elaboration

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- ADD - FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD - FOR A FAIR VALUE <15% AND >-15% ON CURRENT PRICE
- REDUCE - FOR A FAIR VALUE < -15% ON CURRENT PRICE

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