Net Insurance

Sponsored Research

Italy | Insurance

Investment Research

Company Update

Reason: Company results (post view)

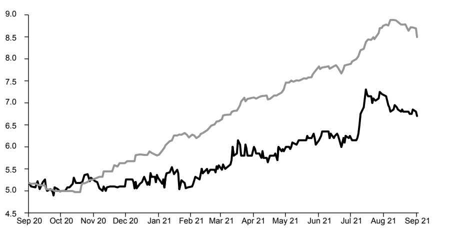
30 September 2021

Buy	
Recommendation unchanged	
Share price: EUR	**6.70**
closing price as of 29/09/2021	
Target price: EUR	**8.10**
from Target Price: EUR	*7.60*
Upside/Downside Potential	**20.9%**
Reuters/Bloomberg	NETI.MI/NET IM
Market capitalisation (EURm)	**123**
Current N° of shares (m)	18
Free float	**58%**
Daily avg. no. trad. sh. 12 mth (k)	11
Daily avg. trad. vol. 12 mth (k)	14.28
Price high/low 12 months	7.30 / 4.90
Abs Perfs 1/3/12 mths (%)	-6.94/8.06/29.34

Key financials (EUR)	**12/20**	**12/21e**	**12/22e**
Life Gross premiums (m)	0	0	0
Non-Life Gross prem.(m)	107	122	145
Total Net Revenues (m)	*63*	*76*	*101*
Life Ins.Tech.Result (m)	0	0	0
Non-Life Ins. Tech.Result	*17*	*11*	*19*
EBIT (m)	9	13	22
Net Profit (adj.) (m)	8	11	15
Shareholders Equity (m)	80	88	98
ANAV (m)	80	88	98
ROE (adj.) (%)	10.0	13.2	15.6
Combined ratio (%)	*-70.0*	*-65.9*	*-65.1*
P/E (adj.)	12.7	11.6	8.8
P/BV	1.2	1.5	1.3
P/ANAV	nm	nm	nm
P/EbV	nm	nm	nm
Dividend yield (%)	1.2	2.1	3.4
EPS (adj.)	0.42	0.58	0.76
BVPS	4.36	4.59	5.12
ANAVPS	0.00	0.00	0.00
EbVPS	*0.00*	*0.00*	*0.00*
DPS	*0.08*	*0.14*	*0.23*

Shareholders

IBL Banca 27%; Management Team 5%; Algebris 5%; First Capital 5%;



Source: FactSet

NET INSURANCE — FTSE AIM Italia (Rebased)

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H1 21 numbers increase the chance to beat the targets

After the H1 21 results, which beat our estimates and seem to be a step ahead of the FY 21 targets, and considering the positive tenor of the conference call, we have relaxed our previous hypothesis on the cost of capital and confirmed our previous estimates, although we believe the likelihood of beating the plan are very high. The numbers will incorporate remarkable growth starting from 2021 when, we believe, the "start-up" phase is likely to be concluded and the financial statements are expected to improve materially, mainly thanks to the new profitable business and to the management team's skills.

We also remind readers that the group could still recover c. EUR 15m from the legal actions over the defrauded assets, which were discovered in 2019. This amount is on top of the business plan targets and our valuation and could be a capital and cash buffer in the medium-long term. We increase our TP to EUR 8.1 from EUR 7.6 and we stick to Buy.

The H1 21 results were overall better than Net's expectations, with a **normalised net profit** of c. EUR 7.6m, vs EUR 3m in H1 20. The **gross written premiums** closed at EUR 79.1m, vs EUR 54.6m in H1 20, mainly thanks to all the business lines, which are growing very well.

- ✓ The **net technical result** totalled c EUR 7.6m, vs EUR 3.8m in H1 20, also thanks to the improvement in the **CoR** (67% vs 76.5% in H1 20, net of reinsurance). In more detail, the **loss ratio** worsened to 45% from 41% in H1 20, while the **expense ratio improved** to 22%, vs 29% in H1 20.

- ✓ Thanks to the **capital generation** and to the **conservative dividend policy, the SII Ratio** achieved c. 181% (it ought to reach 165% / 180% throughout the plan), after the resiliency it showed in 2020 (177.2% vs 165.7% in 2019). The ratio testifies to the **resiliency of the capital position,** without considering **any further recovery from the well-known litigation over the defrauded assets**.

- ✓ Overall, Net has **confirmed its business plan targets** which are almost in line with our current expectations: **net profit adj.** 2019-2023 CAGR of c. 21% with a 2023 net profit adj. of c. EUR 17.1m (EUR 17.5m in Net's numbers). The **ROE Adj.** is seen at c. 16.6% in 2023 from 10% recorded in 2020, while the 2021-2023 average **dividend yield** is expected to be c. 3.5% in the meantime.

- ✓ We deem the **value creation opportunity** still stems from: 1) a resilient and improvable **salary/pension-backed loans** business. The solid background in this business, along with the new competences provided, are the premises to streamline and to further develop the existing portfolio, as well as its technical performance; 2) the **Non-Life bancassurance** market trend, which offers very interesting growth and profitability perspectives; 3) the **management** team's expertise, know-how and business relationships are at the core of the overall development strategy; 4) an **"insurtech" approach** that will embrace the entire plan period (2019-2023) and could also be crucial in the development abroad.

Produced by: Banca Akros GRUPPO BANCO BPM

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Valuation

Based on our Valuation models, we come to an equity value of EUR 155m (EUR 140m). We have based Net Insurance's equity valuation on a distributable income model and on a Gordon approach, considering that there is no real competitor in Italy or abroad. We obtain a new TP of EUR 8.1, vs the previous EUR 7.6. We stick to Buy.

We have used a cost of equity of 9.0% (9.5%). We cautiously still assumed a 1.1 (1.2) Beta to calculate the cost of equity. Indeed, starting from the average 2-year weekly Beta of 0.87 obtained from Bloomberg and calculated considering the main Italian listed companies (Generali, Cattolica and UnipolSai), we decided to go on to apply a sort of adjustment, although it is a bit lower than our previous valuation, in order to consider the risk implied in the business development, which is still in its early stages. We also applied a perpetual growth rate "g" of 0% (0%).

COE calculation

Free Risk Rate (FRR)	*3.5%*
Company Risk Factor or Beta (CRF)	1.10
Market Risk Premium (MRP)	*5.0%*
Cost of Equity (COE)	***9.0%***

Source: Banca Akros estimates

We have therefore **relaxed our previous hypothesis** on the **cost of capital**. After the **H1 21** results, which beat our estimates and were well on track to be higher than Net's 2021 targets, we have cautiously confirmed our estimates.

We remind readers that the numbers will incorporate remarkable growth **starting from 2021**, when we believe the "start-up" phase is likely to be concluded and the financial statements are expected to improve materially, mainly thanks to the **new profitable business** and to the **management team's skills**.

We also remind readers that the group could still **recover c. EUR 15m** from the legal actions over the defrauded assets discovered in 2019. This amount is **on top of the business plan targets and our valuation** and could be a **capital and cash buffer** in the medium-long term.

Distributable income model valuation

To value Net Insurance using a distributable income model we considered: 1) the explicit net profit and solvency ratio forecasts for 2021-2023; 2) the excess capital vs. a minimum solvency ratio of 170% (consistent with a sort of tolerance level we consider safe to avoid any capital management actions) to calculate the potential distributable excess capital at the end of 2023; 3) the terminal value in 2023 calculated considering the net profit we achieved in our explicit estimates.

Distributable income model

	2019	2020	2021E	2022E	2023E
Dividends	-	1.3	2.7	4.4	6.8
NPV of Dividends			2.6	3.9	5.6
Sum of NPV of Dividends - (A)			**12.1**		
Own Funds	**66.4**	**84.2**	**109.5**	**113.4**	**123.6**
SCR	40.1	47.5	61.0	68.0	72.2
Solvency Ratio	*166%*	*177%*	*179%*	*167%*	*171%*
Current excess capital	***26.3***	***36.7***	***48.4***	***45.4***	***51.4***
Solvency Target			***170%***	*170%*	*170%*
Excess Capital Target			*9%*	*-3%*	*1%*
Distributable Excess Capital			**6**	**0**	**1**
Discounted Excess Capital@2023 - (B)			**6.3**		
Discounted Excess Capital & NPV of Dividends – (A) + (B)			**18.4**		
Net Profit @ 2023					**17.1**
Terminal Value			189.6		
Discounted Terminal Value – (C)			**143.1**		
Value of Minorities @BV			**0**		
Equity Value – (A)+(B)+(C)			**161.5**		

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 162m (EUR 146m).

Gordon model valuation

We also applied a Gordon model to the group's financials. In order to calculate the equity value, we considered the average present value of the equity value we estimated for the period 2021-2023. We underline that, based on our hypothesis, the business development ought to reach its full potential in 2023.

Gordon Model

	2019	2020	2021E	2022E	2023E
Book Value	71.8	79.8	87.8	97.9	108.2
Intangible	2.6	5.0	5.0	5.0	5.0
Net income	7.0	7.6	11.1	14.5	17.1
TBV	69.2	74.8	82.8	92.9	103.2
ROTE	*11.5%*	*10.6%*	*14.1%*	*16.5%*	*17.4%*
Equity Value - (ROTE-g)/(Ke-g) x TBV	88.1	87.7	129.3	170.4	199.5
Equity @ valuation date			**126.4**	**152.8**	**164.1**

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 148m (EUR 133m).

By applying the simple average to the equity values obtained with the foregoing two models, we calculated an equity value of EUR 155m (EUR 140m), which implies the following multiples:

Multiples implied in our equity value

	2019	2020	2021E	2022E	2023E
P/BV	2.1	1.9	1.8	1.6	1.4
P/E adj.	21.2	19.5	14.0	10.7	9.1

Source: Banca Akros estimates

Multiple comparison

It must be underlined that **a peer comparison is not so simple in Italy or abroad** and could be misleading. Each company has its own peculiarities in terms of products, asset mix, strategy, network structure and so on. Furthermore, no insurance companies' core business is focused on the same market niches as that of the credit insurance business, which is linked to salary/pension-backed loans and/or bancassurance.

Based on our valuation, the **company doesn't seem expensive** from the 2023 P/E adj. multiple perspective, which is in line with the Italian peer median. Furthermore, the company has a **more profitable business mix** and a **less volatile capital position**.

Italian insurance multiples

	P/E Adj.		
Company	**2021**	**2022**	**2023**
ASSICURAZIONI GENERALI	10.3	10.0	9.7
UNIPOLSAI ASSICURAZIONI SPA	9.4	9.5	9.6
MEDIAN	**9.8**	**9.7**	**9.6**

Source: Bloomberg, as of 27/09/2021

Main investment risks

Here we underline what we consider are the most significant risks:

- ✓ **Macroeconomic risk**: any worsening in the macroeconomic scenario in Italy could increase the frequency of claims linked to the unemployment rate and/or quicken the tightening of the credit cycle, thus impacting the salary/pension-backed loan volumes;
- ✓ **Italian government bond exposure**: the group's capital position, like any other insurer, is linked to the creditworthiness of the Italian state, and any potential worsening of its credit risk could worsen the capital position, as could any tightening of the rules on the possession of government bonds;
- ✓ **Execution risk:** the reshaping and the enlargement of the offer in the bancassurance and broker segments could require more time, or be less intense than planned, due to possible delays in signing and/or in implementing the new agreements;
- ✓ **Digitalisation and increased competition**: the new technologies could support the entrance of new competitors. The competitive pressure is also very high in the non–life bancassurance business, mainly from consolidated and bigger banks and financial groups, with a possible decrease in tariffs that could partially offset the development expected in volumes;
- ✓ **Regulatory risks**: the group is exposed to changes in the legal and regulatory framework, as far as the capital and CQS businesses are concerned.

The strategic pillars were confirmed

After the presentation of its H1 21 results, Net **confirmed** its **business plan targets** and its previous **strategic guidelines**.

Net Insurance aims to set up **the first Italian non-life innovative insurance player** by leveraging on its previous **niche market** (salary-backed loans) and on the management's **background and track record** in the **independent open-platform bancassurance segment**, as well as on the underpenetrated and attractive **Italian P&C market**, also by riding the wave of the **disruptive insurtech segment.**

The financial resources from Archimede SPAC, which were put into the merged entity, will fund the strategic plan and growth, thus **restoring and preserving a solid capital position** at the same time, despite the well-known fraud that was discovered last year.

Net Insurance's future growth is based on the following key strategies.

CQS: a growing market ahead

Net Insurance has a **stable market share** of between 25% and 30%. The reference credit market is growing and is **expected to grow in the medium term**, also thanks to the regulation.

As a matter of fact, ECOFIN has approved a number of **amendments to the Capital Requirements Regulation** (CRR), including the reduction to 35%, from the current 75%, of the risk weighting for loans secured by one fifth of salaries (CQS) or pensions (CQP). This is positive news for the CQS business, whose volumes could be underpinned by the higher **convenience of the products in terms of capital absorption**.

Furthermore, **we believe there are still good opportunities** considering that CQS are secure products with an appealing risk-reward profile and with a lower default rate in the mid-term perspective. Despite the uncertain scenario, the **risk of claims** (unemployment and demographic) is manageable considering that most of the **business in force** is reinsured, has limited exposure to the sector most hurt by the pandemic and is well diversified. The **loan portfolio** is also **partially hedged** thanks to the reinsurance (c. 2/3 of the portfolio), to the severance indemnities ("TFR") and considering that Net convers the unemployment and not the furlough claims ("Cassa Integrazione"). Furthermore, Net's **new business** was quickly adapted to the new market conditions with the aim to safeguard the future profitability.

The starting point of the whole strategic plan will be the company's **focus on Net Insurance's previous core business** in order to:

- ✓ **Restructure -** Net Insurance's previous **core business must be reshaped**, by carrying out further **portfolio pruning** and optimising and strengthening the technical reserves, if and when needed. In this initial stage, all the company's efforts will converge on **technical performance optimisation**, maintaining the current premium almost stable and **cutting the non-operating costs.** On the assets side, the **non-core activities** will be reorganised, while the group's **asset allocation** ought to be optimised. The business review cannot stray from the **rethinking of the internal organisation** to shape it properly in order to face the next level of development;
- ✓ **Development –** the **new management team**'s skills, track record and networking will be crucial in developing and setting up **new distribution agreements on CQS** with new partners and in **improving and revamping the business quality** of the existing agreements, while leveraging on a still solid capital position and, at the same time, on greater bargaining power. On the **organisation side**, the business development may also require implementation, maybe also in outsourcing to other strategic partners, of a **shared service centre**, for example for analytics, credit collection and claims management, in order to improve the service core competencies.

Net's **main action points and goals** are:

- ✓ Important **organisational reorganisation** (separation between business area and operations area) and review of the processes: the main target is to **consolidate the company's leadership** (market share steadily above 25%; 30% at the end of H1 21) and ensure **high quality standards** and service specialisation;
- ✓ **Repricing**, by introducing different charging levels and new criteria for risk selection (e.g. tele-underwriting): the main goal is to increase the level of **business profitability** (product and technical profitability) and **protection against fraud** (e.g. tele-underwriting in the retired sector);
- ✓ Numerous **technical roundtables** have been started with partners to offer targeted and personalised commercial solutions: the main target is to improve **customer satisfaction** (from the partner side), to develop the **relationship** and to increase the **quality of the risks assumed** (from Net's side).

Bancassurance: an underpenetrated and profitable segment

The Bancassurance distribution channel has recorded the highest growth rate in recent years. That said, it still has **significant growth potential,** especially in the Non-Motor segment. Compared to other European countries, Italian **Non-Life distribution still looks very conventional**, with huge growth opportunities for channels other than agents, which have lost ground since 2013.

In the last couple of years, the most important **Italian banks**, such as Banca Intesa and BBPM (which signed a partnership agreement with Cattolica Assicurazioni), **financial groups** (e.g. Poste Italiane) or **diversified insurance companies** (e.g. UnipolSai) have decided to **push the Non-Auto business much more** due to its **interesting profitability** and to the need to underpin their revenues, which are still suffering from the modest NII. At the moment, the Italian **small-to-mid-sized banks** are also extremely interested in developing the bancassurance channel, attracted by its margins and by the still favourable growth prospects, also considering the still low interest rates.

Due to its degree of **underdevelopment** compared to other European countries, the **attractiveness of the Italian Non-Life business** (Non-Motor), - its **traditional distribution model -** based mainly on insurance's agencies - and its very interesting **growth rate** and **profitability** are the premise to create an independent and open Non-Life **bancassurance platform**, mainly dedicated to **small-to-mid-sized banks and financial institutions**.

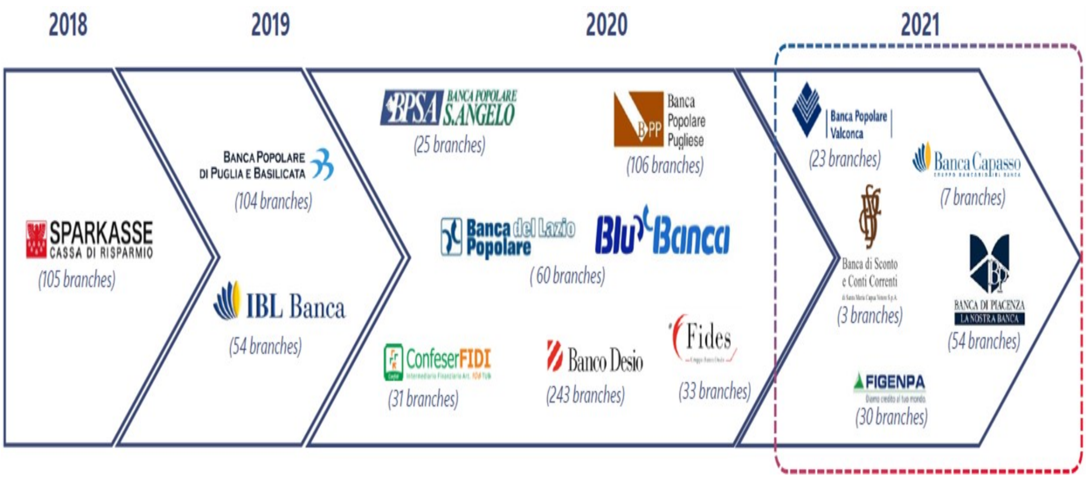
The main **pillars of Net's strategy** are:

- ✓ **Distribution capacity build-up –** once again the new management team's thorough knowledge of the banking sector and their track record will be crucial in entering into and signing **promising distribution agreements with new partners**. It is also worth underlining that in order to build up the distribution capacity, the company will also have to rely on **cross-selling** and leverage on the existing distribution agreements, which will be improved and enlarged to other non-life products, in addition to the traditional core business (CQS).
- ✓ **Offering and "service-machine" set-up –** the development of an innovative Non-Life bancassurance business cannot but include the company considering **introducing new products**, also by drawing on the know-how of other insurance companies. The business plan provides for the **setting up of new non-life policies for retail and family** (like Home, Health, Pets, Travel, Assistance & Legal, General TPL) as well as an **ad-hoc multi-risk product** targeted at SMEs. The new portfolio will also leverage on **bundling offers** with banking, credit and financial products as well as proposing a **pure cross selling** offering. In order to support the **reshaping of the offer**, the business plan includes the adoption of some organisational improvements, like the **creation of a dedicated commercial/channel assistance business unit** and the **hiring** of highly skilled managerial and operating staff. The "new" product portfolio should also be combined with an **excellent service**. The plan

includes the creation of the necessary **devoted service structure**, starting from the existing ICT & Operation assets. New channels, new products and new customers will be supported by the implementation of **innovative processes** and by some new industrial **service-partnerships** (i.e. assistance, call & contact centres, claims management, customer care…etc.). To conclude, the strategy will also promote a **full paperless or digital approach** to the bancassurance business, inside and outside the organisation.

Overall, the development of Net's Bancassurance segment has been **faster than expected.** At the moment, the group has some partnerships with **institutions of national and regional importance.**

Bancaassurance partners - a snapshot



Source: company presentation

<u>In **2019**:</u>

- ✓ Net Insurance announced it had signed two 10-year distribution agreements with "**Cassa di Risparmio di Bolzano**" **(Sparkasse)**, the aim being to start a long-term strategic partnership in non-motor insurance and in the protection business, both for private and corporate customers. The sale launch date was 3rd May 2019. We remind readers that Cassa di Risparmio di Bolzano has more than 100 branches in one of the most attractive areas in Italy;
- ✓ Net Insurance has signed a new ten-year agreement with **Banca Popolare di Puglia e Basilicata.** The five-year agreement, renewable for a further 5 years, will focus on the Non-Auto business. Banca Popolare di Puglia has c. 100 branches at the moment. The sale launch is due in the first half of July.
- ✓ Net Insurance and **IBL Banca**, which is already one of Net Insurance's historic partners and a leader in financing through salary- backed or pension-backed loans, are strengthening their cooperation though a Protection insurance policies distribution agreement through IBL Assicura, a subsidiary of IBL Banca. Net Insurance's products, in particular personal and home insurance policies, are going to be distributed by IBL Assicura through its 53 bank branches nationwide, and through the exclusive agents' and insurance brokers' indirect network.

<u>In **2020**:</u>

- ✓ The company signed a distribution agreement with **Banca Popolare S. Angelo**. The agreement envisages the distribution of some specific products with a focus on SMEs, the agricultural business and travel services and digital products.
- ✓ Net signed an agreement with **Banca Popolare Pugliese regarding** the Non-Life business linked to the agricultural segment with the aim to meet SMEs' needs.

- ✓ Net signed a new distribution agreement with **Banca Popolare del Lazio,** which envisages the distribution of Non-Auto products targeed towards Italian families. Banca Popolare del Lazio will distribute a credit protection product on the bank's loans alongside an insurance product focused on agricultural risks. In June 2020, Net also extended the agreement to **Banca Svilupo Tuscia**, which is controlled by Banca Popolare del Lazio. The new agreement envisages the offer of a product for agriculture risks alongside a credit protection product linked to the banks' loans.
- ✓ **Banco Desio Group:** Net and Banca Desio signed a distribution partnership in the P&C Non-Auto and Protection segments. The agreement with Banco Desio lasts 5 years and we estimate it could generate premiums worth c. EUR 30m.

In **2021**:

- ✓ Net has signed a new distribution agreement with **Banca Popolare Valconca**. The new agreement is for the distribution of Non-Auto P&C products (pet insurance, dental insurance, policies covering agricultural risks, key-man insurance for companies) through the bank's branches in the regions of Emilia Romagna and Marche.
- ✓ Net announced a new agreement with **Banca Capasso** and **Banca di Sconto**, which are both controlled (100%) by IBL Banca, to develop the protection business for SMEs and families.
- ✓ Net has signed a distribution agreement with **Banca di Piacenza**. In the first stage, the agreement envisages the distribution of Credit Protection policies in order to protect the clients who have subscribed to a loan with the bank.
- ✓ Net has announced a new distribution agreement with **Figenpa**, which is a leading company in the salary-backed loans sector. The agreement envisages the distribution, thanks to Figenpa's 30 branches, of P&C Non-Auto products such as: term-life insurance; loan insurance; travel insurance; pet insurance products; TPL and legal protection products; dental care insurance products. Net and Figenpa already have in place a partnership for the distribution of salary-backed loan products.

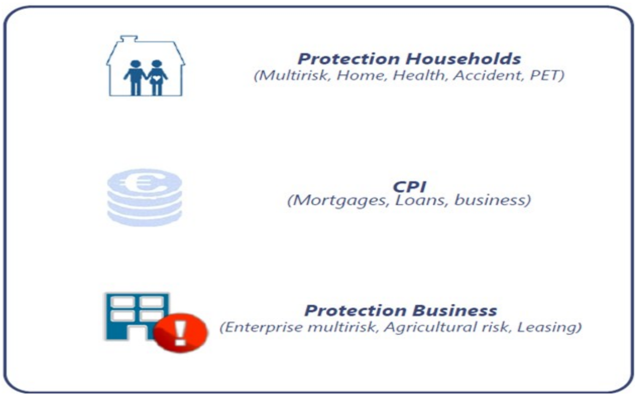
We remind readers that **Cassa di Risparmio di Bolzano, Banca Popolare di Puglia e Basilicata** and **IBL Banca** are shareholders of Net Insurance with a stake of c. 4%, c. 1% and c. 27%, respectively.

Thanks to the agreements signed in the last three years, Net can count on a **distribution network of c. 850 branches**. Some further agreements are also already in pipeline.

Coverage

Source: company presentation

Product offer



Source: company presentation

Brokers: another opportunity to further diversify the distribution

In order to further **diversify the distribution** channels and to **cover other niches or business segments** with more flexibility, the project provides for the development of well-known and proven intermediaries like brokers.

- ✓ **Distribution capacity build-up –** like in the development of the bancassurance channel, building up the capacity will imply **entering into some agreements** with selected brokers with a distribution network structure, specific skills and/or expertise. Based on the strategy, selection and management of this channel will also be supported by hiring or partnering with specialists.
- ✓ **Offering and "service-machine" set-up –** setting the offer and the service structures will be done by extracting synergies from what has already been set up for the bancassurance channel, but with a more flexible approach. An innovative credit protection related product (rent protection) is already available, as is an agricultural product with strong reinsurance protection.

Several negotiations are underway with medium-sized brokers:

- ✓ In May 2019, Net Insurance announced it had signed a distribution agreement with the broker **Vitanuova** to distribute Net's products through more than 300 of its advisors. Net's products will be addressed to the protection of Family and Heritage and the offer will soon be enriched with the introduction of an innovative health policy.
- ✓ In January 2021, **ForGreen Spa, Net Insurance and Axieme Srl**, which is an innovative social digital broker, started a new partnership with the launch of a new policy called ForGreen Protection. Net Insurance's ForGreen Protection policy, reserved for ForGreen Spa, aims to offer a digitalised and "tailor-made" service, offering a revolutionary and collective product that provides support for the payment of invoices of 100% renewable electricity supply, in the event of professional and extra-professional accidents, illness or loss of employment.

Digital Innovation & Insurtech will embrace the whole plan period

To conclude, the strategic plan emphasises the role the new technologies will play in the future of the insurance industry, considering that the sector, like Fintech and Mobile banking some years ago, is still **in its technological infancy**. It's impossible to find an industry that has not been **materially transformed** by the introduction of technology and data usage, and a move forward in this field will undoubtedly be a competitive advantage.

This strategic phase will **embrace the whole plan period** (2018-2022) with the aim to permeate the entire organisation and the whole value chain with an insurtech approach. The journey could be simplified by two core guidelines/stages of the **innovation model:**

1. Starting as **add-on/cross selling on the client base** to then improve towards a mixed "**Open-platform core-satellite**" innovation model, with the aim to enhance all the business lines and services (e.g. the front end, the data analysis and the product offer as a whole);
2. **Stand-alone development** after the plan period (2023) of a business line which can guarantee growth in the long term. Net has also already introduced an insurtech catalogue in order to test the market and to pave the way for this step of the strategy.

The drivers behind this ambitious strategic objective are:

Setting up a continuous innovation model – the first step will be to **introduce technology** at every stage of the value chain in order to improve the efficiency and efficacy of the offer. A trial and error approach and the learning-by-doing strategy will be the mantras, along with the mixed "open platform core-satellite" innovation model.

Innovative distribution channel support – technology will support the **analysis of the customer base**, with the aim to enhance the targeting process and the market psychographic segmentation, also thanks to contextual information gathering through mobile apps. Particular attention will be given to **Text Messages,** through the introduction of a smart front-end in order to sell standardised products. On the **CQS** side, the company will introduce an innovative **CQS multi-year selling proposition** thanks to apps and web applications that will provide clients with a simple and flexible self-service post sales service.

Insurtech-enabled products – the offer will immediately be enriched by the introduction of a new" **connected-home**" product and by the add-on **mobile instant insurance** proposition.

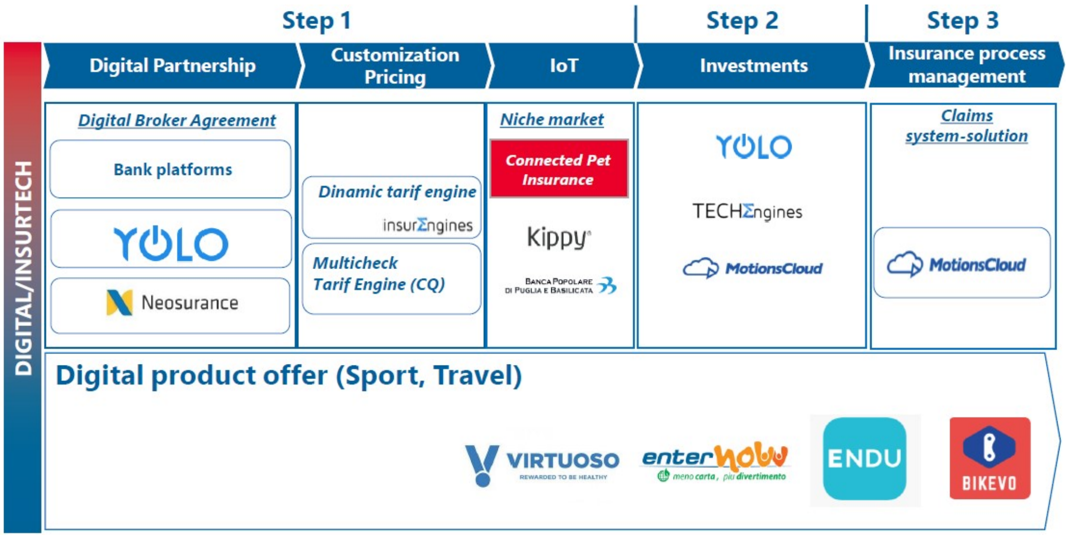
Furthermore, new **interactive ways of networking** for customers will be developed, alongside the whole relationship/product lifecycle.

Bancassurance platform – the last driver behind the strategic objective will be to position the bancassurance platform in order to attract **fintech newcomers** in Italy, as well as to develop the **incidental channel business**. The platform could also be very attractive for players that want to develop partnerships in order to enhance their positioning on high value-added channels and products.

Net Insurance has acquired a stake in **Yolo Group** and signed a distribution agreement with it. Yolo is one of the best insurtech companies in Italy. The total consideration for the deal was c. EUR 1.2m through Yolo's two-tranche capital increase. Net owns a c. 10% stake in Yolo now. Net Insurance will also have access to Yolo's wide digital marketplace, the aim being to improve and develop it and offer innovative insurance products. The partnership has been consolidated also thanks to the distribution of white-label products on **Intesa Sanpaolo's network**. The agreement with Yolo could be crucial for Net's **medium-long term development abroad, firstly in Spain** where the company is ready to start selling process in freedom of service. Net's management believes Net could also consider expanding **into other European markets,** again through digital partnerships and thanks to the scalability of the digital offer.

Net and **Neosurance** also entered into a new partnership and an instant bike product has been in place since May 2019. Net also aims to **acquire minority shareholdings** in digital and/or insurtech business partners, like marketplace, data analytics, claims tool and Instant Insurance engine, a total investment of up to EUR 3-4m over the plan period.

Net's digital/insurtech product range



Source: company presentation

NET will progressively **complete the product range** (e.g., Pet, Shared mobility, device protection), strengthening and innovating its value proposition. Net already has in place some important partnerships with **PayDo** (digital system payment through **Plick**) and with **MotionsCloud** in the claim management field.

In **2020**:

- ✓ **Net Insurance announced a new agreement with Nexi**. In more detail, Net will become a partner of Nexi Open, which is Nexi's digital open banking service platform that was launched in April 2020. Thanks to this agreement, Nexi will offer Net's innovative insurance services to its bank partners, which could offer focused, real time and digital insurance products to their clients. In this way, the banks' clients can immediately buy a temporary insurance policy, focused on their needs and linked to the product and/or service bought (e.g. sport, events, travels, mobility, baggage, etc…).
- ✓ The company signed a **new partnership with Fabrick**, which is the first Italian company focused on the open banking business. Fabrick is the first structured company created in Italy with the clear objective of promoting open banking. Fabrick's mission is to support meetings and collaboration between new fintech firms, large corporate entities and traditional players in the world of finance, by involving them, based on open banking, in designing the future of the sector, by leveraging the new paradigms dictated by technological innovation and generating practical advantages for all. Fabrick enables and promotes new growth models for banks, start-ups and companies by facilitating collaboration and dialogue and creating growth opportunities, thanks to the expertise, technologies and services that it provides to all players through its technological platform and the real ecosystem of relationships and cultural synergies, which it has created and fosters around itself.

  Net Insurance has chosen to **integrate Fabrick's Payment & Collection Engine solution** in its systems, hence adopting the widest possible selection of electronic payment instruments, optimising and automating the payment process and reconciliation of said payment, thanks to centralised upstream controlled management. The solution is designed to bring added value to the entire chain and allow the automatic splitting of payments between the players involved, the splitting of premiums, distance sales and direct crediting to the company's accounts. Irrespective of the channel used for the purchase and the method of payment for the policy by the customer, Payment & Collection Engine carries out the automatic reconciliation on the insurance company's accounts: the flow is fully automated and processes are optimised. Net Insurance is also the first company to employ an Account Aggregation solution, which will enable it to optimise the relationship with the various banks it operates with. Thanks to Fabrick's capacity to access the operations of the company's current accounts and those of the intermediaries of the distribution network, the insurance company is able to view all movements from a single platform.

  Through the new agreement, **Net will optimise the internal processes, expanding its offer to the market** at the same time. In fact, thanks to the implementation of the Payment & Collection Engine, Net will respond effectively to the need that has always been a hallmark of the insurance world, i.e. managing premium income and reconciling the policies subscribed through the various networks.

  We also remind readers that Net signed an agreement with **EnelX**, which is the first Italian player on multiutilities, with the aim to **leverage its big customer base.**

Other development options ahead

The business model could also generate **other additional development options**.

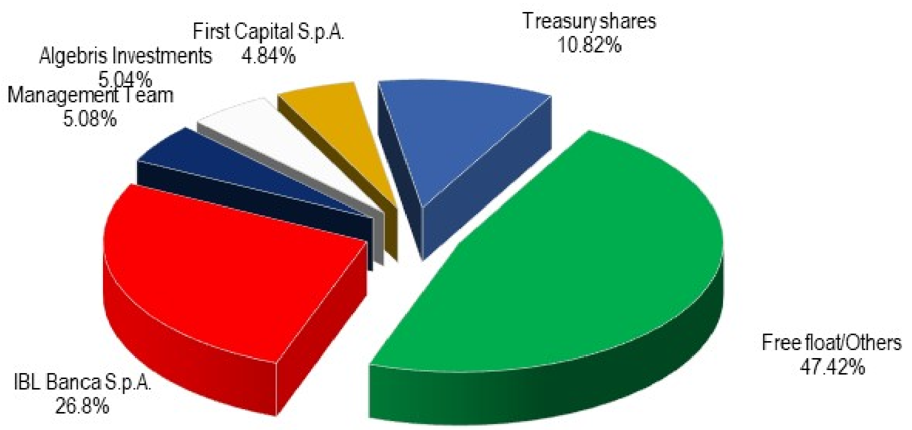
Net Insurance and the **Italian Association of Referees** signed a new **official sponsorship agreement** lasting from 1st July 2019 until 2023. The contract envisages Net Insurance's name on the shirts of over 30k Italian referees (more than 600k official matches each year) with the aim to improve **Net Insurance's brand awareness**, which are two of the main qualitative targets of the plan.

Net's offer could also be enriched by the introduction of some **protection collective policies** like Long Term Care or offering business under the freedom to **provide digital services**. Furthermore, Net could offer its products through other channels like the **financial advisor networks**.

Main shareholders in a nutshell

We remind readers that Net's capital is owned by a **stable and diversified group of partners**, such as banks, insurance companies and investment funds, which oversee and support the business.

Net's shareholders



Source: Banca Akros; company data

IBL Banca, the Italian market leader in the salary-backed loan business, is Net's main shareholder with a 26.8% stake. The other main shareholders are the **management team** (5.08%), **Algebris** (5.04%) and **First Capital S.p.A.** (4.84%).

Financials

H1 21 was better than our estimates

As far as the **COVID-19** pandemic is concerned, the financial and economic impacts were manageable and the business plan targets have been confirmed, as have the strategic guidelines. The **SII ratio** has been resilient and the strategic trends are well on-track, also thanks to Net's distribution network, which can rely on 850 bank branches.

The H1 21 results were overall **better than our expectations**. The **normalised net profit**, which was adjusted for the non-recurring items, closed at EUR 7.6m, vs EUR 3.0m in 2020 and vs EUR 11.3m in Net's plan for FY 21.

The **gross written premiums** closed at EUR 79.1m, up vs EUR 54.6m in H1 20, mainly thanks to all the business lines, which are growing very well.

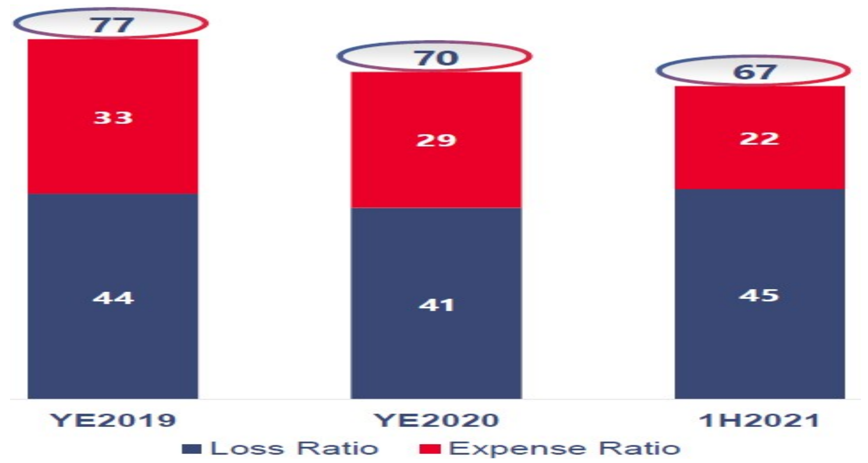
H1 21 results

	H1 20	H1 21	Ch. Y/Y
Gross written premiums	54.6	79.1	*+45%*
Operating expenses	-6.4	-5.7	*-12.2%*
Net technical result	**3.8**	**7.6**	***n.m.***
Net profit	2.6	7.2	*n.m.*
Normalized net profit	**3.0**	**7.6**	*n.m.*
Shareholders' Equity	72	85.3	*+18%*
CoR (net of reinsurance)	***76.5%***	***67%***	*-9.5pp*
SII ratio	***161%***	***181%***	*+20pp*

Source: company data

The **net technical result** totalled c EUR 7.6m, vs EUR 3.8m in H1 20, also thanks to a better **CoR** (67% vs 76.5% last year). In more detail, the **loss ratio** closed up at 45% from 41% in 2020 while the **expense ratio closed** at 22%, vs 29% in 2020.

CoR (net of reinsurance) evolution

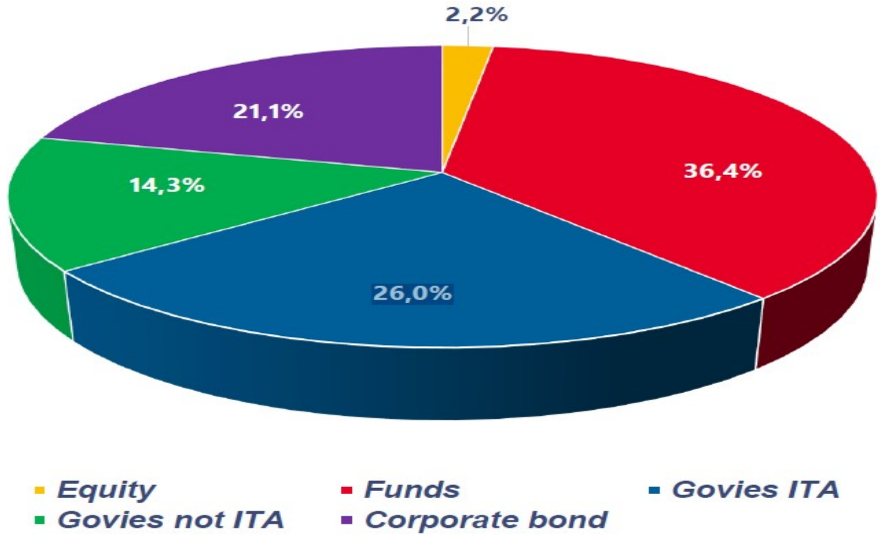


Source: company presentation

After the decline from 178m to EUR 167m in 2019, mainly due to the pay-back of some reinsurance deposits (EUR 17.9m), which were particularly expensive, the **total financial assets** increased to c. EUR 177.5m in 2020, achieving c. EUR 190m in H1 21, mainly thanks to the H1 21 net inflows and to the portfolio revaluation, which was driven by the market performance.

The **asset allocation** is in line with the plan and highly diversified: Italian government bonds weigh for c. 26%, equity for c. 2.2% and corporate bonds c. 21.1%; the **duration** ought to be c. 3 years, while the **bond portfolio** is composed of **c. 80% of investment grade** bonds. The **financial result** amounted to EUR 1.8m vs EUR 2.2m last year.

Asset allocation



Source: company presentation

The **SII ratio** closed at c. 181% (183.7% in Q1 21), which is widely above the regulatory minimum, resilient despite the still uncertain situation and still better than Net's plan assumptions.

Business plan targets have been confirmed

Overall, Net **confirmed its business plan targets**. The **mood of the conference call** on the H1 21 results was positive and the message was reassuring.

Net's 2021 – 2023 plan sets the following **financial targets**, which **do not include any recovery from the ongoing litigation** but only the costs incurred.

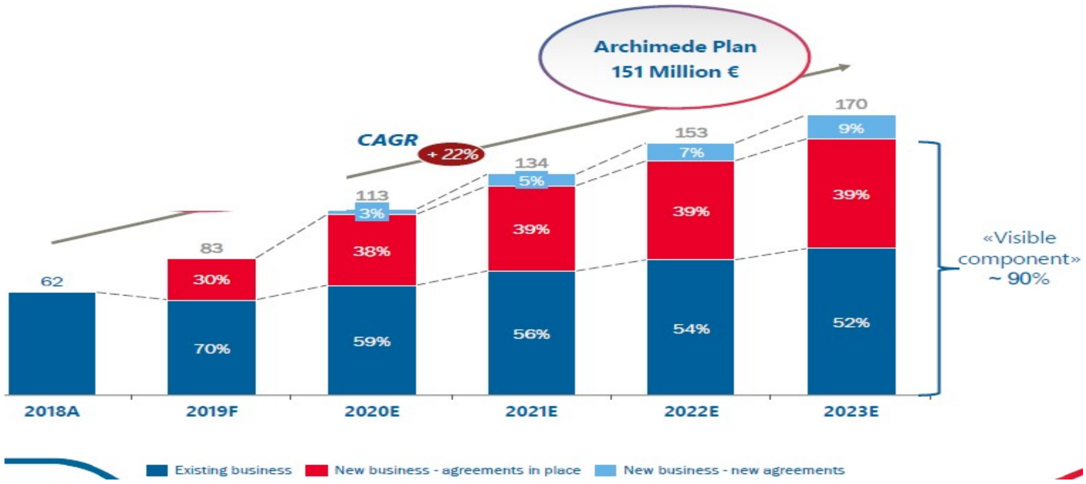
2021-2023 Targets - EUR m

	2018	2019	2020	2021 E	2022 E	2023 E
GWP	62.3	84.4	117.7	134.0	153.0	170.3
Net Technical Result	8.9	7.8	10.1	12.7	n.a.	19.7
Net Profit	4.1	12.5	6.5	11.0	n.a.	17.5
Normalized Net Profit	**6.7**	**7.0**	**7.6**	**11.3**	**14.2**	**17.5**
Shareholder Equity	53.8	71.8	79.7	71.5	n.a.	92.0
ROE - %	11.3	19.7	8.6	14.6	n.a.	20.2
CoR (Gross of Reinsurance) - %	77.9	85.9	89.0	84.5	83.7	81.4
SII Ratio - %	162.9	165.6	177.2	~ 165-175	n.a.	~ 170-180
Dividend pay-out - % *	-	-	20.0	25.0	30.0	40.0

*Source: company data; Banca Akros - * If SCR Ratio ≥ 150%*

The **gross written premiums** are seen at c. EUR 170m in 2023, growing at a 2019-2023 CAGR of c. 22%, mainly thanks to the new business related to the agreements in place.

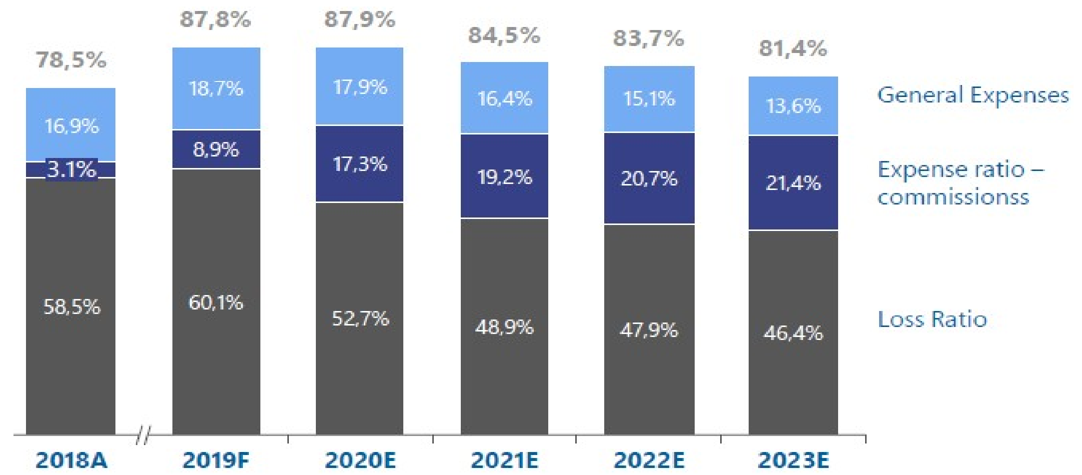
GWP development



Source: company presentation

The **technical profitability** is expected to improve year after year. The net technical result is seen at around EUR 20m in 2023, from c. EUR 7.8m in 2019, mainly thanks to the decline the company expects in the **CoR**, which ought to achieve 81.4% in 2023 from 85.9% in 2019. The improvement will be driven by the **excellent profitability from the bancassurance products** and by the **decrease in the loss ratio** as an effect of the strong increase Net expects in gross written premiums.

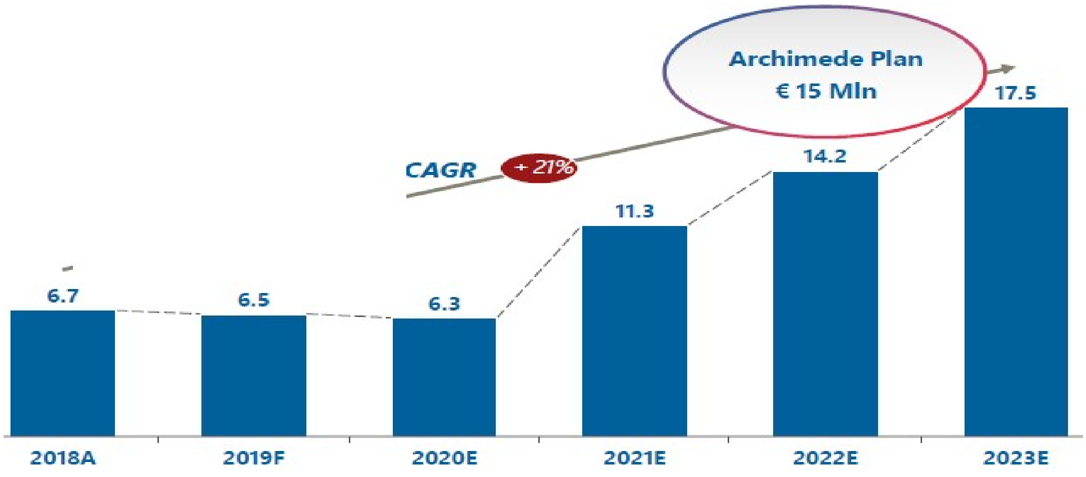
2018 – 2023 CoR development



Calculated on earned premiums, gross of reinsurance - Source: company presentation

The improvement in the technical profitability, along with the streamlining of the investment portfolio, will push the **normalised net profit** to c. EUR 17.5m in 2023 from EUR 7.0m in 2019 and EUR 7.6m in 2020.

2021 – 2023 Normalised net profit evolution was confirmed



Source: company presentation

Solvency well above 150% throughout the plan

Thanks to the **capital generation** and to the **conservative dividend policy, the Solvency Ratio** ought to reach 165% / 180% throughout the plan, after the resiliency it showed in 2020, closing at 177.2% (165.7% in 2019; 181% in H1 21), which was a tad higher than the 175% expected by Net. The ratio testifies to the **resiliency of the capital position**, also in difficult times, and not considering **any further recovery from the well-known litigation on the defrauded assets**.

We confirm our FY 2021/23 estimates

Our estimates consider **all the strategic guidelines** in the project. After the H1 21 presentation, we have decided to confirm **our 2021-2023 EPS Adj. estimates,** although the solid results seem **a step ahead of the plan development**.

We have estimated **net premiums** increasing by a CAGR 2019-2023 of c. 30% based on the following assumptions:

- ✓ The strong development in **bancassurance agreements** in the P&C segment, as well as in the **broker retail channel** from 2019, thanks to the new business we expect. The potential for these two markets is justified by the still low market share and by the efforts the new management team is making to put them in place and to exploit their business connections and experience;
- ✓ The almost flat premiums in the **core business are linked to CQS**, mainly due to the optimisation of the current portfolio and to our cautious approach, considering this credit insurance product is closely linked to the credit cycle and to the macroeconomic scenario;
- ✓ **Insurtech's** contribution may not become evident, though still negligible, until the end of 2022;
- ✓ The progressive decrease in the portion of **premiums transferred to reinsurers**, related to the different business mix going forward.

Consolidated P&L

	2019	2020	2021E	2022E	2023E	CAGR19-23
Gross earned premiums	80.8	106.7	122.0	145.0	155.0	*18.9%*
- growth rate	*23.7%*	*32.1%*	*14.4%*	*18.9%*	*6.9%*	*28.8%*
Premiums transferred under reinsurance	-47.5	-60.3	-66.2	-68.5	-73.2	*11.1%*
- on gross earned premiums	*-58.9%*	*-56.6%*	*-54.2%*	*-47.2%*	*-47.2%*	*-6.5%*
Net premiums	**33.2**	**46.3**	**55.8**	**76.5**	**81.8**	***30.0%***
Net claims paid	**-16.6**	**-25.1**	**-31.7**	**-33.7**	**-35.5**	***27.4%***
- on net premiums	*49.9%*	*54.2%*	*56.8%*	*44.0%*	*43.4%*	*-2.0%*
Net income from investments	**2.0**	**-7.6**	**2.5**	**2.7**	**2.9**	***93.5%***
- on avg. Investments	*1.1%*	*-4.4%*	*1.3%*	*1.1%*	*1.0%*	*76.2%*
Operating expenses	**-20.5**	**-28.9**	**-31.0**	**-45.3**	**-47.0**	***30.2%***
Commissions received from reinsurers	**10.4**	**18.1**	**19.4**	**21.4**	**23.3**	***15.5%***
EBT	**15.8**	**8.9**	**13.0**	**21.6**	**25.5**	***32.4%***
Taxes	-3.4	-2.4	-2.3	-7.1	-8.4	*31.3%*
Tax rate	*-21.3%*	*-27.3%*	*-18.0%*	*-33.0%*	*-33.0%*	*-0.9%*
Net profit adjusted	**7.0**	**7.6**	**11.1**	**14.5**	**17.1**	***20.6%***

Source: Banca Akros estimates

We expect a **sizable improvement in technical results and profitability** with a technical result, net of net income from investments, of around EUR 22.6m at the end of 2023 from EUR 6.6m in 2019.

Technical result net of net income from investments

	2019	2020	2021E	2022E	2023E	CAGR19-23
Technical result	6.6	10.0	12.5	18.9	22.6	*17.2%*
Technical results / Net premiums	*19.8%*	*21.7%*	*22.4%*	*24.7%*	*27.6%*	*n.m.*

Source: Banca Akros estimates

At the same time, as far as **margins** are concerned, **CoR** is seen improving to 81.0% in 2023, from 85.9% in 2019, mainly thanks to the **loss ratio** (from 57.6% in 2019 to 50.0% in 2023) and despite the progressive worsening of the **expense ratio** (from 28.3% in 2019 to 31.0% in 2023) and due to the company growth.

CoR Analysis

	2019	2020	2021E	2022E	2023E
Loss Ratio	*57.6%*	*55.0%*	*54.0%*	*53.0%*	*50.0%*
Expense ratio	*28.3%*	*34.0%*	*31.0%*	*31.0%*	*31.0%*
CoR (Gross Reinsurance)	***85.9%***	***89.0%***	***85.0%***	***84.0%***	***81.0%***

Source: Banca Akros estimates

Along with the development of the top line, as explained above, **our assumptions in estimating the abovementioned trend in profitability** could be summarised as follows:

- ✓ The improvement in the **loss ratio.** We expect lower implied claims going forward **due to the new business**, mainly coming from the bancassurance agreements, which ought to have a better loss ratio compared to the current business, which is still mainly focused on the CQS segment;
- ✓ The worsening of the **expense ratio**. We expect the start-up phase and the introduction of the new businesses to squeeze operating expenses (CAGR 2019-2023 of c. 30%), while the increase in commissions received from reinsurers (CAGR

2019-2023 c. 15%) ought to be more limited and mainly due to the optimisation of the company's current business and to the new business, mainly Non-Auto P&C, which usually has a lower reinsurance policy compared to the core business;

The **net income from investments** is estimated at EUR 2.9m in 2023, from EUR -7.6m (EUR 2.2m adjusted for the non-recurring items) in 2020, considering the expansion of investments, which we estimate are consistent with the evolution in premiums and technical reserves, and the stable **average yield on investments**, which we expect at 1.0% in 2023.

After applying a **stable tax rate** of around 33% in 2022-2023, we obtain an adjusted **net profit** of EUR 17.1m in 2023 from EUR 7.6m in 2020 (CAGR 2019-2023 c. 21%).

RoE adj. is seen improving consequently from 11.1% in 2019 to 16.6% at the end of 2023.

Consolidated Balance Sheet

	2019	2020	2021E	2022E	2023E	CAGR 19-23
Intangible assets	2.6	5.0	5.0	5.0	5.0	*41.5%*
Tangible assets	16.3	15.9	15.9	15.9	15.9	*0.1%*
Investments	**167.0**	**176.8**	**220.5**	**259.8**	**301.4**	***11.1%***
Other assets	73.6	95.5	160.8	160.8	160.8	*21.5%*
Net Provisions	**114.7**	**130.4**	**165.3**	**202.3**	**241.4**	***16.6%***
Financial liabilities	15.5	20.1	20.0	20.0	20.0	*6.4%*
Other liabilities	**57.5**	**62.8**	**129.0**	**121.1**	**113.4**	***8.7%***
Shareholders' equity	**71.8**	**79.8**	**87.8**	**97.9**	**108.2**	***15.0%***

Source: Banca Akros estimates

RoE & Dividend

	2019	2020	2021E	2022E	2023E
ROE (adj.)	*11.1%*	*10.0%*	*13.2%*	*15.6%*	*16.6%*
Pay-out ratio	*0.0%*	*20.0%*	*25.0%*	*30.0%*	*40.0%*
Total Dividend	-	1.3	*2.7*	*4.4*	*6.8*

Source: Banca Akros estimates

Assuming a **pay-out ratio** of 40% in 2023, from 20% in 2020, and considering the capital injection resulting from the business combination, we believe the solvency ratio is likely to stay around 179% in 2023 thanks to the capital generation and although we have estimated the above-mentioned strong business expansion in 2019-2023.

Solvency ratio

	2019	2020	2021E	2022E	2023E
Solvency Ratio	*165.7%*	*177.2%*	*179.4%*	*175.3%*	*179.2%*

Source: Banca Akros estimates

SWOT analysis

STRENGTHS	WEAKNESSES
▪ Strategy: low execution risk thanks to promoters' experience, track record, commitment and relationship networks; ▪ Stable and strong positioning in the core business of the insurers linked to salary/pension-backed loans; ▪ Diversified and outstanding partnerships, as well as shareholders, with some of the most important financial intermediaries; ▪ Clear and innovative approach to managing the digital transformation; ▪ Solid and strong capital position over the plan;	▪ The project will take time to accomplish (from 2 to 4 years) and it could face some problems in achieving its targets; ▪ Current still small size of the Italian Non-Auto P&C market; ▪ Strategy strictly linked to the management team; ▪ Exposure to Italian sovereign credit risk with consequences on the capital position;
OPPORTUNITIES	**THREATS**
▪ Attractiveness and profitability of the still underpenetrated Italian Non-Auto P&C business; ▪ Business diversification in other new complementary insurance lines of business or abroad; ▪ Opportunities to enter other attractive specialty finance business/ specialised financing mainly thanks to the open platform approach and insurtech; ▪ Competitive business model with potential M&A appeal in the medium term.	▪ More aggressive competition both in credit and life insurance, linked to CQS and in bancassurance business, with pressure on pricing; ▪ Changes in industry regulation; ▪ Deterioration in the macroeconomic scenario with worsening unemployment rate; ▪ Execution risk of the plan or delay in achieving the strategic guidelines; ▪ M&A in the mid-small Italian banks, which are the main clients and targets of the project; ▪ Contraction in the salary/pension-backed loans market due to other credit restriction policies.

Upcoming Corporate Events Calendar

Date	Event Type	Description	Period
10/11/21	Trading Update	Q3 2021 Sales	2021Q3

Source: Precise

Net Insurance: Summary tables

PROFIT & LOSS (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Life Gross Premiums	0.0	0.0	0.0	0.0	0.0	0.0
Life Gross Premiums (APE) (1)	0.0	0.0	0.0	0.0	0.0	0.0
Non-Life Gross Premiums	65.3	80.8	107	122	145	155
Total Reinsurance (Life & Non-Life)	-43.3	-47.5	-60.3	-66.2	-68.5	-73.2
Insurance Investment Income	0.1	2.0	-7.6	2.5	2.7	2.9
Other Revenues	7.3	17.7	24.2	17.4	21.4	23.3
Total Net Revenues	**29.4**	**52.9**	**63.0**	**75.7**	**101**	**108**
Total Claims & Provisions	-10.6	-16.6	-25.1	-31.7	-33.7	-35.5
Operating Expenses	-12.6	-20.5	-28.9	-31.0	-45.3	-47.0
Life Insurance Technical Result	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non-Life Insurance Technical Result	**6.1**	**13.9**	**16.5**	**10.5**	**18.9**	**22.6**
Pre-Tax Profit Insurance	0.0	0.0	0.0	0.0	0.0	0.0
o/w Pre-Tax Profit (Non-Life)	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Profit Banking	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Interest & Tax (EBIT)	**6.3**	**15.8**	**8.9**	**13.0**	**21.6**	**25.5**
Paid interests on sub/hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0
Tax	-2.2	-3.4	-2.4	-2.3	-7.1	-8.4
Tax rate	*34.4%*	*21.3%*	*27.3%*	*18.0%*	*33.0%*	*33.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (Reported)	**4.1**	**12.5**	**6.5**	**10.7**	**14.5**	**17.1**
Net Profit (adj.)	**6.7**	**7.0**	**7.6**	**11.1**	**14.5**	**17.1**

BALANCE SHEET & OTHER ITEMS (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Intangibles	**0.9**	**2.6**	**5.0**	**5.0**	**5.0**	**5.0**
of which Goodwill	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which Deferred Acquisition Costs (DAC)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Insurance Investments (Own Account)	**178**	**167**	**177**	**220**	**260**	**301**
of which Fixed Income	*138*	*120*	*117*	*136*	*160*	*186*
of which Equity	*8.7*	*3.9*	*3.8*	*1.8*	*2.1*	*2.4*
of which Real Estate	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which Other Investments	*30.8*	*42.7*	*56.2*	*82.8*	*97.5*	*113*
Unit-Linked Investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking Assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which Banking Interest Earnings Assets	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other Assets	76.4	89.9	111	177	177	177
Total Assets	**255**	**260**	**293**	**402**	**441**	**483**
Technical Provisions Life	0.0	0.0	0.0	0.0	0.0	0.0
Technical Provisions Non-Life	112	115	130	165	202	241
Financial Debt (2)	0.1	0.8	0.6	0.0	0.0	0.0
Sub/hybrid debt	14.6	14.7	19.5	20.0	20.0	20.0
Other Liabilities	74.7	57.5	62.8	129	121	113
Banking Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which Banking Interest Bearing Liabilities (IBL)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Shareholders Equity	**53.8**	**71.8**	**79.8**	**87.8**	**97.9**	**108**
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**255**	**260**	**293**	**402**	**441**	**483**

GROWTH RATES	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Life Gross Premiums Growth						
Non-Life Gross Premiums Growth	*1.9%*	*23.7%*	*32.1%*	*14.4%*	*18.9%*	*6.9%*
EBIT Growth	*+chg*	*153.0%*	*-43.5%*	*45.5%*	*66.2%*	*17.7%*
Net Profit Growth (adj.)	***48.1%***	***4.5%***	***8.6%***	***45.8%***	***30.9%***	***17.7%***

Banca Akros
GRUPPO BANCO BPM

Net Insurance: Summary tables

KEY RATIOS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Insurance Investment Yield (average)	*0.1%*	*1.1%*	*-4.4%*	*1.3%*	*1.1%*	*1.0%*
ROE (adj.)	***18.4%***	***11.1%***	***10.0%***	***13.2%***	***15.6%***	***16.6%***
WACC (3)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Expense Ratio (Life)	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Expense Ratio (Non-Life)	*6.0%*	*33.0%*	*29.0%*	*20.1%*	*20.1%*	*20.1%*
Claims Ratio (Non-Life)	*48.0%*	*44.0%*	*41.0%*	*45.8%*	*45.0%*	*42.5%*
Combined Ratio (Non-Life)	***-54.0%***	***-77.0%***	***-70.0%***	***-65.9%***	***-65.1%***	***-62.5%***
Retention Ratio (Non-Life)	*33.7%*	*41.1%*	*43.4%*	*45.8%*	*52.8%*	*52.8%*
Reserving Ratio (Non-Life)	*508.7%*	*345.4%*	*281.4%*	*296.1%*	*264.4%*	*295.2%*
Solvency-Ratio (4)	***162.9%***	***165.7%***	***177.2%***	***179.4%***	***175.3%***	***179.2%***
Financial Leverage (5)	***27.1%***	***20.5%***	***24.4%***	***22.8%***	***20.4%***	***18.5%***

PER SHARE DATA (EUR)(6)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Average diluted number of shares	17.0	18.3	18.3	19.1	19.1	19.1
EPS (reported)	0.24	0.68	0.36	0.56	0.76	0.89
EPS (adj.)	**0.39**	**0.38**	**0.42**	**0.58**	**0.76**	**0.89**
BVPS	3.16	3.92	4.36	4.59	5.12	5.66
ANAVPS	0.00	0.00	0.00	0.00	0.00	0.00
EbVPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
DPS	0.00	0.00	0.08	0.14	0.23	0.36

VALUATION	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
P/Premiums	3.2	2.7	2.0	2.2	1.6	1.5
P/E (Reported)	**17.4**	**7.7**	**14.8**	**12.0**	**8.8**	**7.5**
P/E (adj.)	10.7	13.7	12.7	11.6	8.8	7.5
P/BV	1.3	1.3	1.2	1.5	1.3	1.2
P/ANAV	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**
P/EbV	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Payout ratio	***0.0%***	***0.0%***	***19.5%***	***25.0%***	***30.0%***	***40.0%***
Dividend Yield (gross)	*0.0%*	*0.0%*	*1.2%*	*2.1%*	*3.4%*	*5.3%*

PRICE & SHARES & MKT CAP (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Price (7) (EUR)	4.2	5.3	5.3	6.7	6.7	6.7
Outstanding number of shares for main stock	16.9	17.3	17.3	18.4	18.4	18.4
Total Market Cap (8)	**70.9**	**91.0**	**91.2**	**123**	**123**	**123**
Assets under management (9)	0.0	0.0	0.0	0.0	0.0	0.0
NAV	53.8	71.8	79.8	87.8	97.9	108
Adjusted Net Asset Value (ANAV)	**53.8**	**71.8**	**79.8**	**87.8**	**97.9**	**108.2**

Source: Company, Banca Akros estimates

Notes
(1) Annual Premium Equivalent (APE) is a measure of the amount of new business in an accounting period
(2) Financial debt is operating financial debt net of subordinate/hybrid debt
(3) The Cost of Debt is calculated only on subordinated and hybrid instruments
(4) Solvency-one ratio = Capital available/Capital required under Solvency-one framework
(5) Financial Leverage is (Subordinated + Hybrid instruments) / (ANAV + Minorities)
(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.
(7) Price (in local currency):Fiscal year end price for Historical Years and Current Price for current and forecasted years
(8) Total Market Cap includes also other categories of shares (preferred and/or savings)
(9) Assets under management is third-party-assets excluding life separate accounts (e.g. unit/linked)

Sector: Insurance/Non-life Insurance

Company Description: Archimede S.p.A. is an Italian SPAC. It was listed on the AIM Italia segment of the Italian Stock Exchange in May 2018 and raised EUR 48m from the IPO. On 18th June 2018, Archimede S.p.A. and Net Insurance Group ("NET"), the Italian market leader in the insurance of salary and pension-backed loans, announced they had signed a binding framework agreement for a business combination involving the reverse merger of Archimede into NET

European Coverage of the Members of ESN

Automobiles & Parts	Mem(*)
Brembo	BAK
Faurecia	CIC
Ferrari	BAK
Gestamp	GVC
Indelb	BAK
Michelin	CIC
Pirelli & C.	BAK
Plastic Omnium	CIC
Sogefi	BAK
Stellantis	BAK
Valeo	CIC

Banks	Mem(*)
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankinter	GVC
Bbva	GVC
Bnp Paribas	CIC
Bper	BAK
Caixabank	GVC
Credem	BAK
Credit Agricole Sa	CIC
Intesa Sanpaolo	BAK
Liberbank	GVC
Natixis	CIC
Societe Generale	CIC
Unicredit	BAK

Basic Resources	Mem(*)
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Ence	GVC
Imerys	CIC
Semapa	CBI
The Navigator Company	CBI
Tubacex	GVC

Chemicals	Mem(*)
Air Liquide	CIC
Arkema	CIC
Plasticos Compuestos	GVC

Consumer Products & Services	Mem(*)
Abeo	CIC
Basicnet	BAK
Beneteau	CIC
Brunello Cucinelli	BAK
Capelli	CIC
De Longhi	BAK
Europcar	CIC
Fila	BAK
Geox	BAK
Givaudan	CIC
Groupe Seb	CIC
Hermes Intl.	CIC
Hexaom	CIC
Interparfums	CIC
Kaufman & Broad	IAC
Kering	CIC
L'Oreal	CIC
Lvmh	CIC
Maisons Du Monde	CIC
Moncler	BAK
Monnalisa	BAK
Ovs	BAK
Piaggio	BAK
Richemont	CIC
Safilo	BAK
Salvatore Ferragamo	BAK
Smcp	CIC
Swatch Group	CIC
Technogym	BAK
Tod'S	BAK
Trigano	CIC
Ubisoft	CIC

Energy	Mem(*)
Cgg	CIC
Ecoslops	CIC
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Gtt	CIC
Maurel Et Prom	CIC
Plc	BAK
Repsol	GVC
Rubis	CIC
Saipem	BAK
Siemens Gamesa Re	GVC
Technip Energies	CIC
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Totalenergies	CIC
Vallourec	CIC

Fin. Serv. Holdings	Mem(*)
Cir	BAK
Corp. Financiera Alba	GVC
Digital Magics	BAK
Eurazeo	CIC
Gbl	CIC
Peugeot Invest	CIC
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Wendel	CIC

Fin. Serv. Industrials	Mem(*)
Abitare In	BAK
Dovalue	BAK
Nexi	BAK
Tinexta	BAK

Financial Services Banks	Mem(*)
Amundi	CIC
Anima	BAK
Azimut	BAK
Banca Generali	BAK
Banca Ifis	BAK
Banca Mediolanum	BAK
Banca Sistema	BAK
Bff Bank	BAK
Dea Capital	BAK
Finecobank	BAK
Mediobanca	BAK
Poste Italiane	BAK
Rothschild & Co	CIC

Food & Beverage	Mem(*)
Advini	CIC
Bonduelle	CIC
Campari	BAK
Danone	CIC
Diageo	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Italian Wine Brands	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Nestle	CIC
Orsero	BAK
Pernod Ricard	CIC
Remy Cointreau	CIC
Tipiak	CIC
Vilmorin	CIC
Viscofan	GVC
Vranken	CIC

Healthcare	Mem(*)
Abionyx Pharma	CIC
Amplifon	BAK
Atrys Health	GVC
Crossject	CIC
Diasorin	BAK
El.En.	BAK
Fermentalg	CIC
Fine Foods	BAK
Genfit	CIC
Gpi	BAK
Guerbet	CIC
Korian	CIC
Oncodesign	CIC
Orpea	CIC
Prim Sa	GVC
Recordati	BAK
Shedir Pharma	BAK
Theraclion	CIC
Vetoquinol	CIC
Virbac	CIC

Industrial Goods & Services	Mem(*)
Applus	GVC
Avio	BAK
Biesse	BAK
Bollore	CIC
Bureau Veritas	CIC
Caf	GVC
Catenon	GVC
Cellnex Telecom	GVC
Cembre	BAK
Clasquin	IAC
Cnh Industrial	BAK
Corticeira Amorim	CBI
Ctt	CBI
Danieli	BAK
Datalogic	BAK
Enav	BAK
Exel Industries	CIC
Fiera Milano	BAK
Fincantieri	BAK
Getlink	CIC
Global Dominion	GVC
Haulotte Group	CIC
Interpump	BAK
Inwit	BAK
Leonardo	BAK
Logista	GVC
Manitou	CIC
Nicolas Correa	GVC
Openjobmetis	BAK
Osai	BAK
Prima Industrie	BAK
Prosegur	GVC
Prosegur Cash	GVC
Prysmian	BAK
Rai Way	BAK
Rexel	CIC
Saes	BAK
Salcef	BAK
Talgo	GVC
Teleperformance	CIC
Verallia	CIC
Vidrala	GVC
Zardoya Otis	GVC

Insurance	Mem(*)
Axa	CIC
Catalana Occidente	GVC
Cattolica Assicurazioni	BAK
Generali	BAK
Mapfre	GVC
Net Insurance	BAK
Unipolsai	BAK

Materials, Construction	Mem(*)
Acs	GVC
Aena	GVC
Atlantia	BAK
Buzzi Unicem	BAK
Cementir	BAK
Cementos Molins	GVC
Clerhp Estructuras	GVC

Eiffage	CIC
Fcc	GVC
Ferrovial	GVC
Groupe Adp	CIC
Groupe Poujoulat	CIC
Groupe Sfpi S.A.	CIC
Herige	CIC
Holcim	CIC
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Sacyr	GVC
Saint Gobain	CIC
Sergeferrari Group	CIC
Sonae Industria	CBI
Spie	CIC
Tarkett	CIC
Thermador Groupe	CIC
Vicat	CIC
Vinci	CIC
Webuild	BAK
Media	**Mem(*)**
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Cairo Communication	BAK
Digital Bros	BAK
GI Events	CIC
Il Sole 24 Ore	BAK
Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6	CIC
Mediaset	BAK
Mediaset Espana	GVC
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Tf1	CIC
Vivendi	CIC
Personal Care, Drug, Grocery Stores	**Mem(*)**
Carrefour	CIC
Casino	CIC
Jeronimo Martins	CBI
Marr	BAK
Sonae	CBI
Unilever	CIC
Winfarm	CIC
Real Estate	**Mem(*)**
Almagro Capital	GVC
Igd	BAK
Lar España	GVC
Merlin Properties	GVC
Realia	GVC
Retail	**Mem(*)**
Burberry	CIC
Fnac Darty	CIC
Inditex	GVC
Unieuro	BAK
Technology	**Mem(*)**
Agile Content	GVC
Akka Technologies	CIC
Almawave	BAK
Alten	CIC
Amadeus	GVC
Atos	CIC
Axway Software	CIC
Capgemini	CIC
Cast	CIC
Esi Group	CIC
Exprivia	BAK
Gigas Hosting	GVC
Indra Sistemas	GVC
Lleida.Net	GVC
Memscap	IAC
Neurones	CIC
Reply	BAK
Sii	CIC
Sopra Steria Group	CIC
Stmicroelectronics	BAK
Tier 1 Technology	GVC
Visiativ	CIC
Vogo	CIC
Telecommunications	**Mem(*)**
Bouygues	CIC
Ekinops	CIC
Euskaltel	GVC
Ezentis	GVC
Iliad	CIC
Nos	CBI
Orange	CIC
Retelit	BAK
Telecom Italia	BAK
Telefonica	GVC
Tiscali	BAK
Unidata	BAK
Vodafone	BAK
Travel & Leisure	**Mem(*)**
Accor	CIC
Autogrill	BAK
Compagnie Des Alpes	CIC
Edreams Odigeo	GVC
Elior	CIC
Fdj	CIC
Groupe Partouche	IAC
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Melia Hotels International	GVC
Nh Hotel Group	GVC
Pierre Et Vacances	CIC
Sodexo	CIC
Utilities	**Mem(*)**
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Alerion Clean Power	BAK
Audax	GVC
Derichebourg	CIC
Edp	CBI
Edp Renováveis	CBI
Enagas	GVC
Encavis Ag	CIC
Endesa	GVC
Enel	BAK
Erg	BAK
Falck Renewables	BAK
Greenalia	GVC
Hera	BAK
Holaluz	GVC
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Naturgy	GVC
Red Electrica Corporacion	GVC
Ren	CBI
Snam	BAK
Solaria	GVC
Terna	BAK
Voltalia	CIC

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores, SV, SA — as at 14 July 2021

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

Il presente documento è stato redatto da Enrico Esposti (socio AIAF) che svolge funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 30 September 2021, ore 08:37 italiane.**
L'analista di Banca Akros, che ha redatto il presente documento, ha maturato una significativa esperienza presso Banca Akros e altri intermediari.

Detto analista e i suoi familiari non detengono Strumenti Finanziari emessi dagli Emittenti oggetto di analisi, né svolgono ruoli di amministrazione, direzione o consulenza per gli Emittenti, né l'analista riceve bonus, stipendi o altre forme di retribuzione correlate, direttamente o indirettamente, al successo di operazioni di investment banking.

Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 9 agosto, 1 e 23 settembre 2021.

Ai sensi degli artt. 5 e 6 del Regolamento Delegato 2016/958, **Banca Akros ha specifici interessi nei confronti della società oggetto di analisi nel presente documento, in quanto Banca Akros svolge il ruolo di Corporate Broker**
Banca Akros è una banca autorizzata anche alla prestazione di servizi di investimento appartenente al Gruppo Banco BPM (il "Gruppo"), ed è soggetta all'attività di direzione e coordinamento di Banco BPM (la "Capogruppo"). La banca è iscritta all'albo delle Banche al n. 5328 ed è soggetta alla regolamentazione e alla vigilanza di Banca d'Italia e Consob.

La banca ha prodotto il presente documento solo ed esclusivamente per i propri clienti professionali ai sensi della Direttiva 2014/65/EU, del Regolamento Delegato 2016/958 e dell'Allegato 3 del Regolamento Intermediari Consob (Delibera Consob n. 20307).
Banca Akros rende disponibili informazioni sui conflitti di interesse, ai sensi delle disposizioni contenute nell'art. 20 del Regolamento EU 2014/596 (Regolamento sugli Abusi di Mercato) e in particolare ai sensi degli artt. 5 e 6 del Regolamento Delegato EU 2016/958, sul proprio sito internet:
https://www.bancaakros.it/documentazione/avvertenze-legali/
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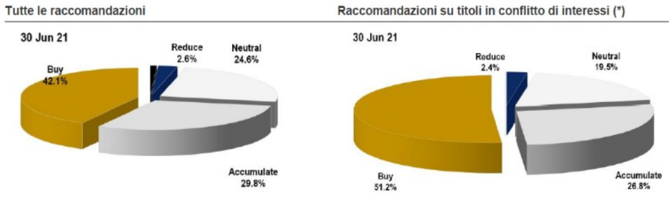
Percentuale delle raccomandazioni al 30 giugno 2021

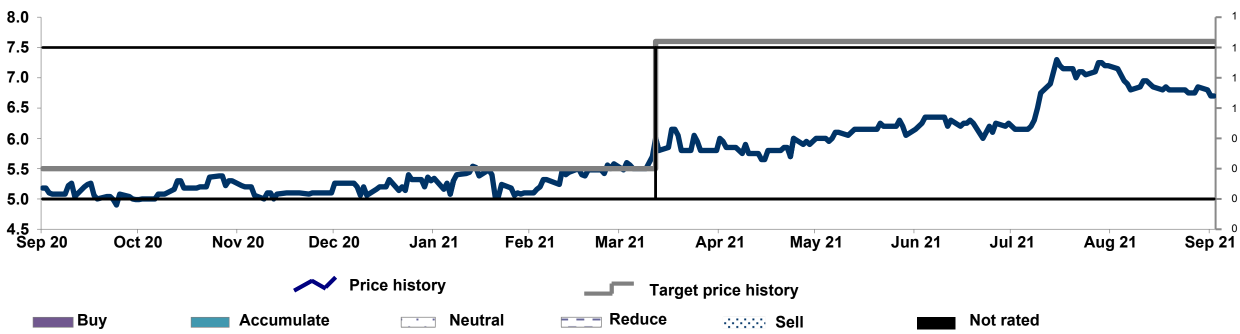


(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 35.96% del totale degli emittenti oggetto di copertura

Recommendation history for NET INSURANCE

Date	Recommendation	Target price	Price at change date
08-Apr-21	Buy	7.60	6.00
26-Mar-20	Accumulate	5.50	4.70
05-Jul-19	Buy	6.00	4.24
20-Jun-19	Buy	5.50	4.26
01-Apr-19	Neutral	5.50	3.78
11-Feb-19	Buy	6.80	4.44

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Enrico Esposti, CIIA (since 01/12/2018)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

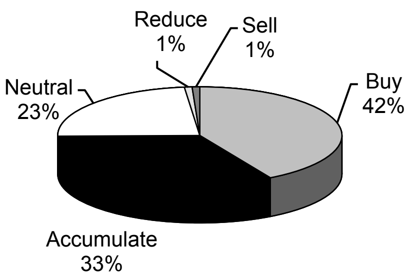
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended**: the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated**: there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website Link
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