

Net Insurance

Sponsored Research

Italy | Insurance

Investment Research



Company Update

Reason: Company results (post view)

22 July 2022

Buy

Recommendation unchanged

Share price: EUR 7.10

closing price as of 21/07/2022

Target price: EUR 10.20

from Target Price: EUR 8.10

Upside/Downside Potential 43.7%

Reuters/Bloomberg

NETI.MI/NET IM

Market capitalisation (EURm) 131

Current N° of shares (m) 18

Free float 58%

Daily avg. no. trad. sh. 12 mth (k) 6

Daily avg. trad. vol. 12 mth (k) 5.70

Price high/low 12 months 7.56 / 6.10

Abs Perfs 1/3/12 mths (%) -4.05/-0.28/14.52

Key financials (EUR) 12/21 12/22e 12/23e

Life Gross premiums (m) 0 0 0

Non-Life Gross prem.(m) 141 160 180

Total Net Revenues (m) 85 94 105

Life Ins.Tech.Result (m) 0 0 0

Non-Life Ins. Tech.Result 8 17 23

EBIT (m) 13 20 27

Net Profit (adj.) (m) 12 13 15

Shareholders Equity (m) 89 99 113

ANAV (m) 89 99 113

ROE (adj.) (%) 13.7 14.1 14.5

Combined ratio (%) 81.0 77.8 77.1

P/E (adj.) 11.4 10.3 8.9

P/BV 1.5 1.4 1.2

P/ANAV nm nm nm

P/EbV nm nm nm

Dividend yield (%) 2.4 3.2 4.4

EPS (adj.) 0.60 0.69 0.80

BVPS 4.64 5.18 5.90

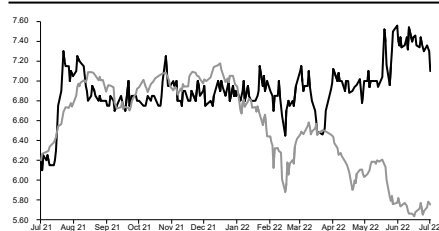
ANAVPS 0.00 0.00 0.00

EbVPS 0.00 0.00 0.00

DPS 0.17 0.23 0.31

Shareholders

IBL Banca 27%; Management Team 5%; Algebris 5%; First Capital 6%;



Source: FactSet

NET INSURANCE FTSE AIM Italia (Rebased)

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Ready to reap the fruits of the work already done

In the 2022 – 2025 plan period, growth, capital strength and shareholders' remuneration are the mantra. Net aims to grow its market share in the CQS business and preserve good profitability as well. In the bancassurance segment, which still offers very interesting growth and profitability perspectives, the group will reap the fruits of the labour done in the past few years, continuing to expand its distribution network as well; the Broker channel will still be complementary to the bancassurance business with the aim to create a wider offer. The digital catalogue will be improved further, thanks also to the support of digital tools and platforms, which are likely to permeate the entire value chain. The group could also seize any external growth opportunities. We believe that the execution risk is moderate thanks to the proven management team, the business diversification and Net's reinsurance policy. The only risk we see is the extreme volatility of Italian spread, although the SII ratio has also been resilient in choppy waters. The planned listing on the "Star" segment, which ought to be finalised this summer, is likely to improve the company's liquidity and visibility and represents a new milestone in Net's growth and development path. Based on our Valuation models and after the business plan presentation, we come to a fair value of EUR 195m for Net Insurance. This gives a new TP of EUR 10.2 per share compared to the previous EUR 8.1. We confirm our Buy rating on the stock.

✓ In the coming years, Net Insurance will **accelerate profitable growth**, bringing the operating models of all business lines to maturity: **Salary-Backed Loans**: 1) defence of its **competitive advantage and lead position** (30% share) among the top Salary-Backed Loan players; 2) **increased presence** among the top players, with still limited share of wallet and development of medium-sized players; 3) maintenance of a **high quality of risk underwriting** against moderately increasing volumes, thanks to service quality and advanced analytics applied to best pricing and underwriting practices. **Bancassurance**: 1) **consolidation of the distribution potential** with primary bancassurance partners on CPI, Non-Life (Family, Health and Home) and Life Protection; 2) **enhancement of the differential service model** to increase the share of wallet in still underdeveloped partners; 3) selective development of **new distribution agreements** with local banks. **Broker**: 1) **business development** with a dedicated digital platform and focus on business Affinity; 2) **consolidation of specialties** (Suretyship and Agriculture policies) with a prudent underwriting and reinsurance policy; 3) **gradual growth of existing digital insurance partnerships** and proposition of specific products for digital channels.

✓ **2022-2025 estimates** – Our estimates, which are almost in line with the company's targets, consider all the strategic guidelines of the plan. We have estimated **net premiums** as increasing by a CAGR 2022-2025 of c. 12%. We expect a sizable improvement in **technical result** and **profitability** with a technical result, net of net income from investments, of around EUR 29m at the end of 2025, compared to EUR 17.2m expected in 2022. At the same time, as far as margins are concerned, **CoR** is seen improving to 82.0% in 2025, compared to 91% in 2021, mainly thanks to the loss ratio (from 55% in 2021 to 44% in 2025) and despite the slight worsening of the expense ratio and due to the company growth. We calculate an **adjusted net profit** of EUR 25m in 2025 compared to c. EUR 13.2m expected in 2022 (CAGR 2022-2025 c. 21%). Thanks to the generation of capital ensured by the business activity and the prudent dividend policy, the **Solvency Ratio** ought to achieve 182% in 2025, almost stable vs. 2021. The **dividends** are seen growing due to the increase in profit, with a constant pay-out ratio of 30% during the plan period.

Produced by:

GRUPPO BANCO BPM

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Valuation

Based on our Valuation models, we come to an equity value of EUR 195m (EUR 155m). 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. This gives a new TP of EUR 10.2, vs. the previous EUR 8.1. We stick to Buy.

We have used a cost of equity of 9.5% (9.0%). We have cautiously increased the company's Beta to calculate the cost of equity to 1.2 from 1.1. Indeed, starting from the average 2-year weekly Beta of 0.89 obtained from Bloomberg and calculated considering the main Italian listed companies (Generali and UnipolSai), we decided to apply a sort of adjustment, which is higher than our previous valuation, in order to incorporate a higher risk profile of the company in facing the current macroeconomic uncertainties. 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)	1.20
Market Risk Premium (MRP)	5.00%
Cost of Equity (COE)	9.5%

Source: Banca Akros estimates

We have therefore **relaxed our previous hypothesis** on the **cost of capital**. Our **current 2022 – 2025 estimates** are coherent with Net's new business plan.

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 2022-2025; 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 2025; 3) the terminal value in 2025 calculated considering the net profit we achieved in our explicit estimates.

Distributable income model

	2021	2022 E	2023 E	2024 E	2025 E
Dividends	2.8	4.4	5.9	6.1	7.5
NPV of Dividends		4.2	5.2	4.9	5.5
Sum of NPV of Dividends - A		19.7			
Own Funds	87.6	91.3	108.8	107.8	117.5
SCR	48.5	53.0	58.0	64.0	71.0
Solvency Ratio	181%	172%	188%	168%	165%
Current excess capital	39.1	38.3	50.8	43.8	46.5
Solvency Target		170%	170%	170%	170%
Excess Capital Target		2%	18%	-2%	-5%
Distributable Excess Capital		1	10	0	0
Discounted Excess Capital@2022 - B		10.0			
Discounted Excess Capital & NPV of Dividends - A+B		29.7			
Net Profit @ 2025		25.0			
Terminal Value		262.8			
Discounted Terminal Value - C		191.7			
Value of Minorities @BV		0			
Equity Value - A+B+C		221.4			

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 221m (EUR 162m).



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 2022-2025 period.

Gordon Model

	2020	2021	2022 E	2023 E	2024 E	2025 E
Book Value	79.8	88.8	98.9	112.7	127.0	144.4
Intangible	5.0	6.1	6.1	6.1	6.1	6.1
Net income	7.6	11.5	13.2	15.3	20.3	25.0
TBV	74.8	82.6	92.8	106.6	120.8	138.3
ROTE	10.6%	14.6%	15.1%	15.4%	17.9%	19.3%
Equity Value - $(ROTE-g)/(K_e-g) \times TBV$	83.1	127.1	147.2	172.3	227.4	280.5
Equity @ valuation date			141.0	150.7	181.7	204.6

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 170m (EUR 148m).

By applying the simple average to the equity values obtained with the foregoing two models, we calculated an equity value of EUR 195m (EUR 155m), which implies the following multiples:

Multiples implied in our equity value

	2022E	2023E	2024E	2025E
P/BV	2.0	1.7	1.5	1.3
P/E adj.	14.8	12.7	9.6	7.8

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 company's 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 adj. EPS estimates, the **company doesn't seem expensive** from the 2024 P/E adj. multiple perspective (c. 7x), which is almost in line with the Italian peer median. Furthermore, the company has a **more profitable business mix, higher expected growth rates** and a **less volatile capital position**.

Italian insurance multiples

Company	P/E Adj.		
	2022	2023	2024
ASSICURAZIONI GENERALI	7.7	7.0	6.5
UNIPOLSAI ASSICURAZIONI SPA	8.3	8.0	7.6
MEDIAN	8.0	7.5	7.0

Source: Bloomberg, as of 21/07/2022

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 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.



SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ Non-exclusive banking partnerships which could limit the business development potential; ▪ Currently still small size of the Italian Non-Auto P&C market; ▪ Strategy strictly linked to the management team; ▪ Broker channel still fragmented; ▪ Exposure to Italian sovereign credit risk with consequences on the capital position; ▪ High exposure to the credit protection business.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ 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.

The strategic pillars are in continuity with the previous plan

On 23 June 2022, Net Insurance unveiled its **new 2022-2025 business plan**.

Leveraging on the positive performance recorded in recent years, Net Insurance aims to **consolidate its positioning** and **brand awareness** as the **first Italian Non-Life innovative insurance player** by bringing the operating models of all its business lines to maturity and leveraging on its historical **niche market** (salary-backed loans) as well as on the underpenetrated and still attractive **Italian P&C market**, also by riding the wave of the **disruptive insurtech segment**.

A dynamic balance between **growth**, **capital strength** and **shareholders' remuneration** is the new **fundamental objective**.

The expected growth and the improvement in the profitability ought to **finance the plan**, preserving a high level of **capital strength** and **rating** at the same time. The **pay-out ratio**, which has been set at c. 30%, ought to guarantee an attractive remuneration for a growth company as Net Insurance. That said, any **external growth opportunity** consistent with the business model will be assessed carefully.

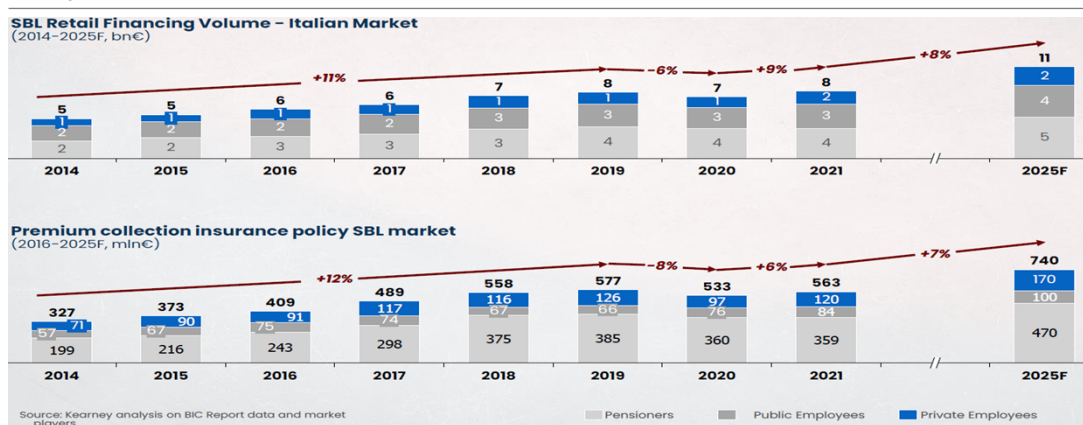
The **fundamental objective** will be achieved by pursuing the following actions:

- Consolidation of Net Insurance's position as a **Leader in Salary-backed Loans**;
- **From start-up to scale-up of the Bancassurance business** to become a market leader for local banks, constructing an open, independent and specialised B2B2C platform in the protection business;
- **Ramp-up of the Broker channel** with a strong **digital** and specialty business-oriented approach through targeted partnerships;
- **Efficient and digital operating machine** at scale, ensuring strong customisation of service to partners;
- Evolution of the business and operating model towards **ESG "Good practice"**.

CQS: defending the lead position in the growing market ahead

Net Insurance has a **stable market share** of between 25% and 30%. In 2021, Net was the 1st player in the Salary segment and overall 2nd in the Salary and Pension segments. 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 of the risk weighting for loans secured by one fifth of salaries (CQS) or pensions (CQP) to 35% from 75%. 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**.

Salary-backed loans (CQS) market 2014 – 2025e

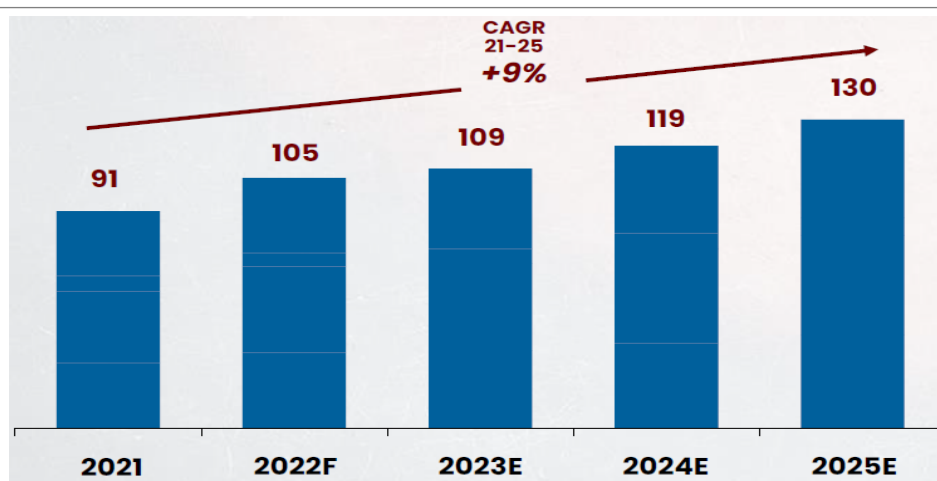


Source: company presentation

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 sectors 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 covers 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 future profitability.

After Gross Written Premiums of around EUR 91m at the end of 2021, **Net estimates premiums of around EUR 130m** in 2025, up at a 21-25 CAGR of c. 9%, which is a bit better than the market growth as a whole (+7%).

Gross written premiums (CQS) – EUR m



Source: company presentation

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

- Defence of its **competitive advantage and lead position** (30% share) among the top Salary-Backed Loan players. It will be crucial to set up **new distribution agreements** with new partners and **improve the business quality** of the existing agreements, offering distinctive business services and support (e.g. training, call centres) while leveraging on greater bargaining power;
- Increased **presence among the top players** with still limited share of wallet and development of medium-sized players;
- Maintenance of a **high quality of risk underwriting** against **moderately increasing volumes**, thanks to **service quality** and **advanced analytics**, which will be applied to the best pricing and underwriting practices (e.g. tele-underwriting), and to the high **reinsurance protection**, which ought to stabilise results even if the economic conditions worsen. The main goal is to increase the level of **business profitability** and **protection against fraud** (e.g. tele-underwriting in the retired sector);
- Investments to improve the level of **digitalisation of processes**.

Bancassurance: becoming the market leader for local banks in a still attractive segment

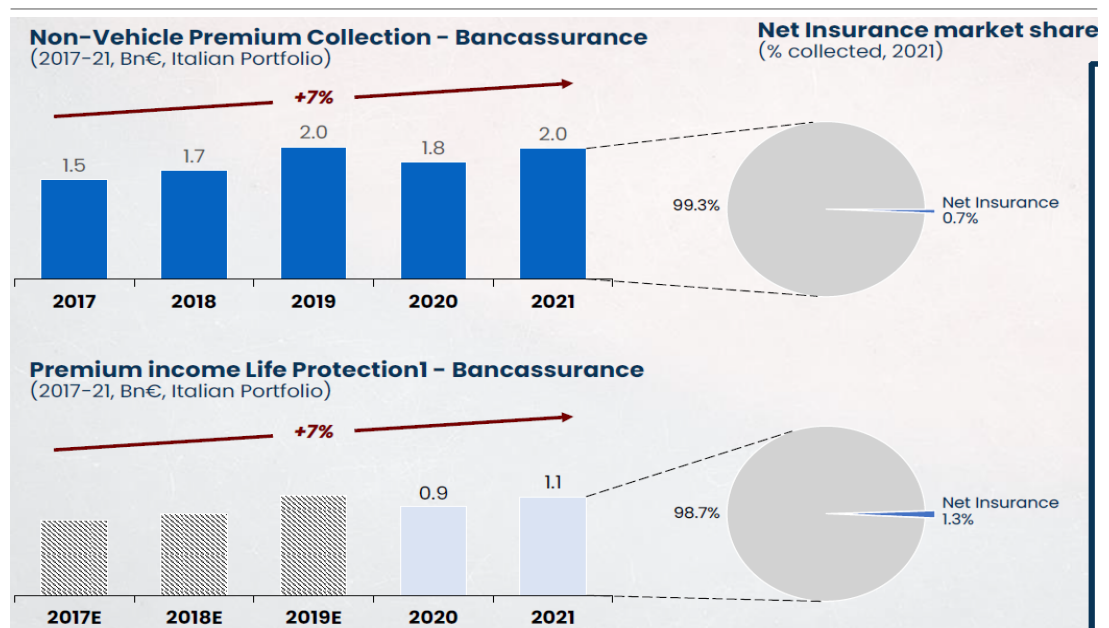
The Bancassurance distribution channel has recorded the **strongest growth rate** in recent years, in a market that has been quite stable but resilient. It still has **significant growth potential**, especially in the Non-Motor segment. Compared to other European countries, Italian **Non-Life distribution still looks very conventional**, with huge growth opportunities for channels other than agents, which have lost ground since 2013.

In the last few years, the most important **Italian banks**, such as Banca Intesa and BBPM, **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 a modest NII.

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.

The **attractiveness of the Italian Non-Life business** (Non-Motor), due to its **underdevelopment** compared to other European countries, to its **traditional distribution model**, based mainly on insurance agencies, and to its very interesting **growth rate** and **profitability**, is the premise for scaling up Net Insurance Bancassurance business mainly dedicated to **small-to-mid-sized banks and financial institutions**.

Bancassurance – Net Insurance's market share



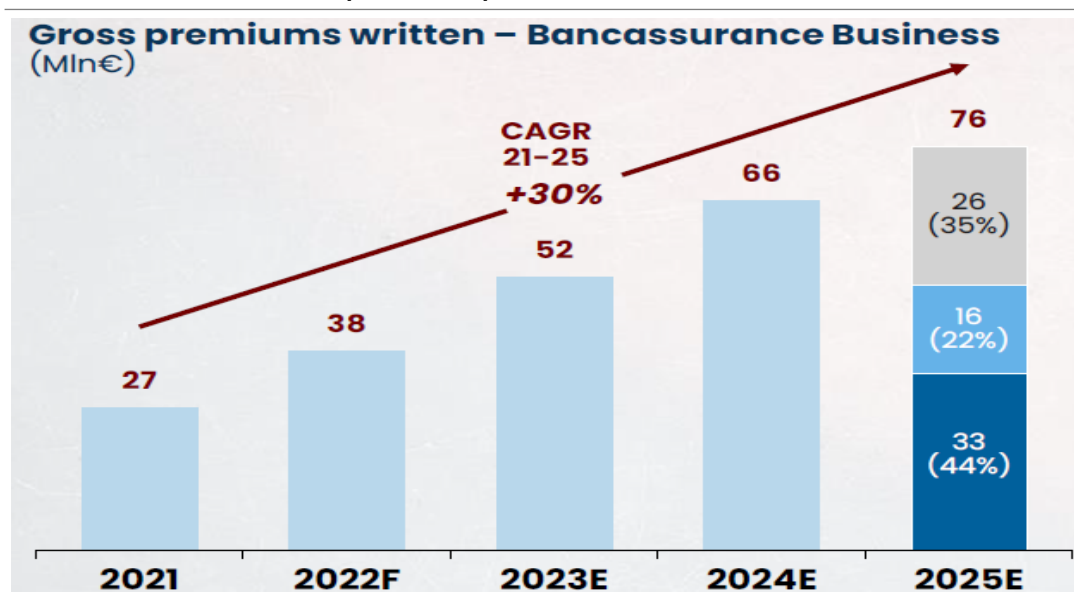
Source: company presentation

That said, **Net Insurance is well positioned for: riding the expected growth** of Non-life bancassurance in medium and medium-small banks, which do not have an internal company and are estimated to be approx. 15-20% of the market; **strengthening of agreements** with local bancassurance players; **leveraging the distinctive service machine** for Bancassurance partners (liquidation through digital channels, Academy Net for training, technology to support sales, etc.).

Net's main action points and goals are:

- **Consolidation of the distribution potential** with primary bancassurance partners (agreements with upfront investments) on CPI, Non-Life (Family, Health and Home) and Life Protection;
- **Enhancement of the differential service model** to increase the share of wallet in still underdeveloped partners. Net aims to offer commercial and technical support to its partners, also thanks to the continuous evolution of technological tools;
- Selective development of **new distribution agreements** with local banks.

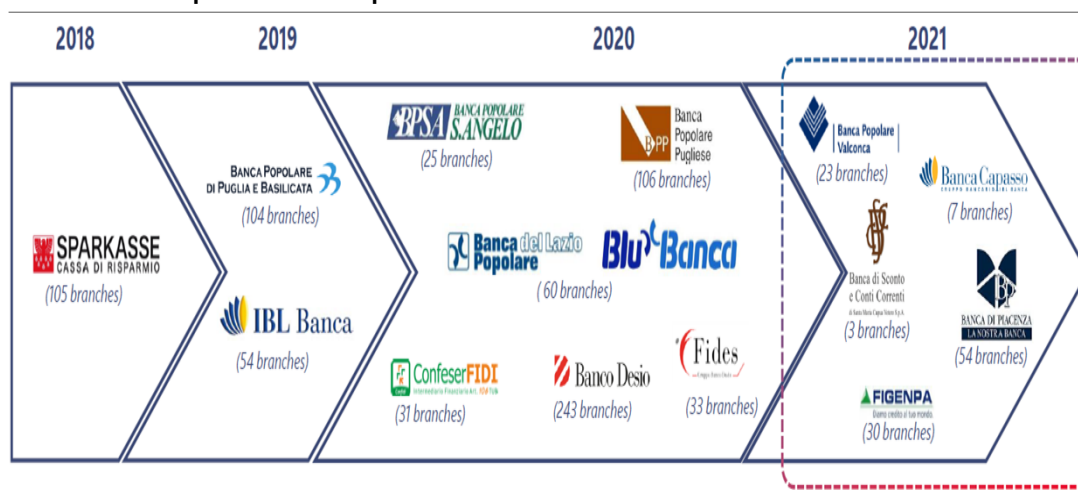
Bancassurance – from Start-up to Scale-up



Source: company presentation

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**.

Bancassurance partners - a snapshot



Source: company presentation

In 2019:

- ✓ 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 through 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.

In 2020:

- ✓ 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 targeted 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:

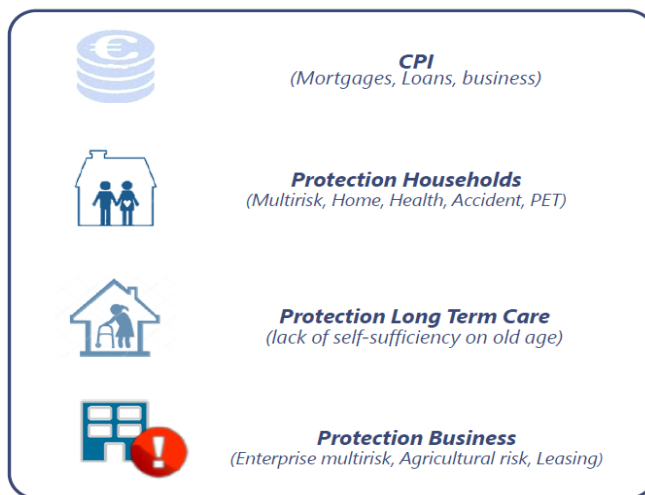
- ✓ Net has signed a new distribution agreement with **Banca Popolare Valconca**. The new agreement is for the distribution of Non-Auto P&C products (pet insurance, dental insurance, policies covering agricultural risks, key-man insurance for companies) through the bank's branches in the regions of Emilia 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.

In 2022:

- ✓ Net has signed a distribution agreement with **Cassa di Risparmio di Volterra**. The agreement envisages the distribution of Non-Auto insurance products thanks to the bank's 62 branches, such as: CPI Mutui products; CPI business policy; insurance policies linked to the agricultural risks; policies dedicated to dental protection. The target will be families and SMEs.
- ✓ Net has signed an agreement with **Banca di Credito Popolare**. The agreement envisages the distribution of Non-Auto and protection insurance products, thanks to

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

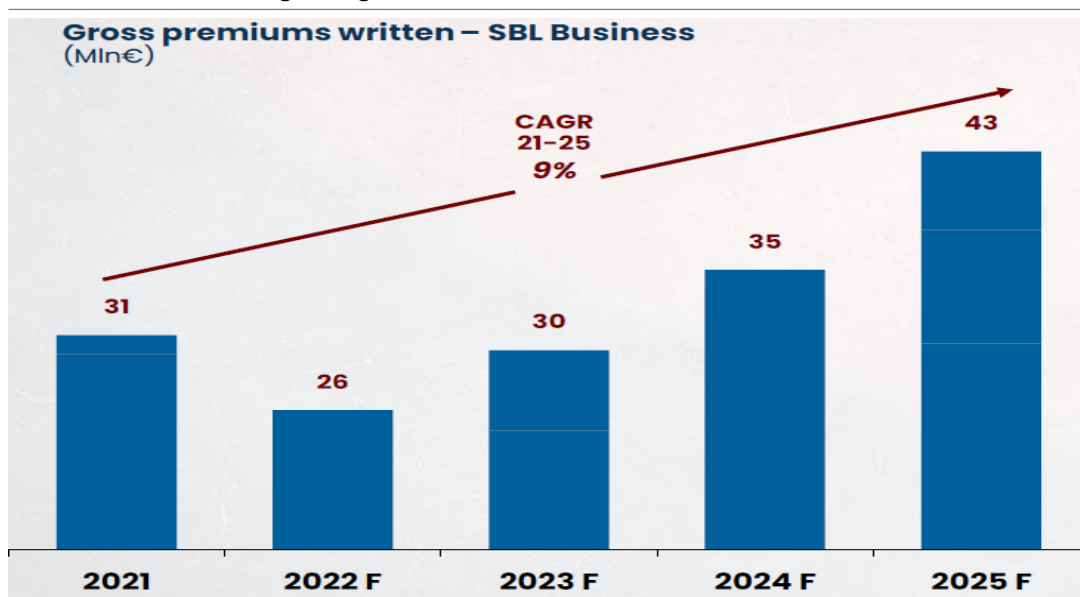
Product offer



Source: company presentation

- ✓ 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.
- ✓ Net has introduced some **new insurance solutions** on dental, health products, and CAT risks as well as it has increased its presence in some niche-market risks like suretyship.

Broker channel is seen growing further



Source: company presentation

Net's main action points and goals are:

- ✓ **Broker business development** with a dedicated digital platform ("Digital Attacker") and focus on business affinity;
- ✓ Consolidation of **specialties and market niches** (Suretyship and Agriculture policies) for the distribution of targeted products, with a prudent underwriting and reinsurance policy;
- ✓ Gradual growth of existing **digital insurance** partnerships and proposition of specific products for **digital channels**.

Several negotiations are still underway with medium-sized brokers; over 50 mandates are outstanding.

Efficient and digital operating machine

Net's main action points and goals are:

- ✓ **Strengthening the organisation** to support growth and increase attractiveness for talent and specialised profiles;
- ✓ **IT machine efficiency**, completing the transition to greater digitisation and process automation
- ✓ Maintaining current levels of **investment in cyber security** and a strong focus on **protecting the information** assets of companies and customers.

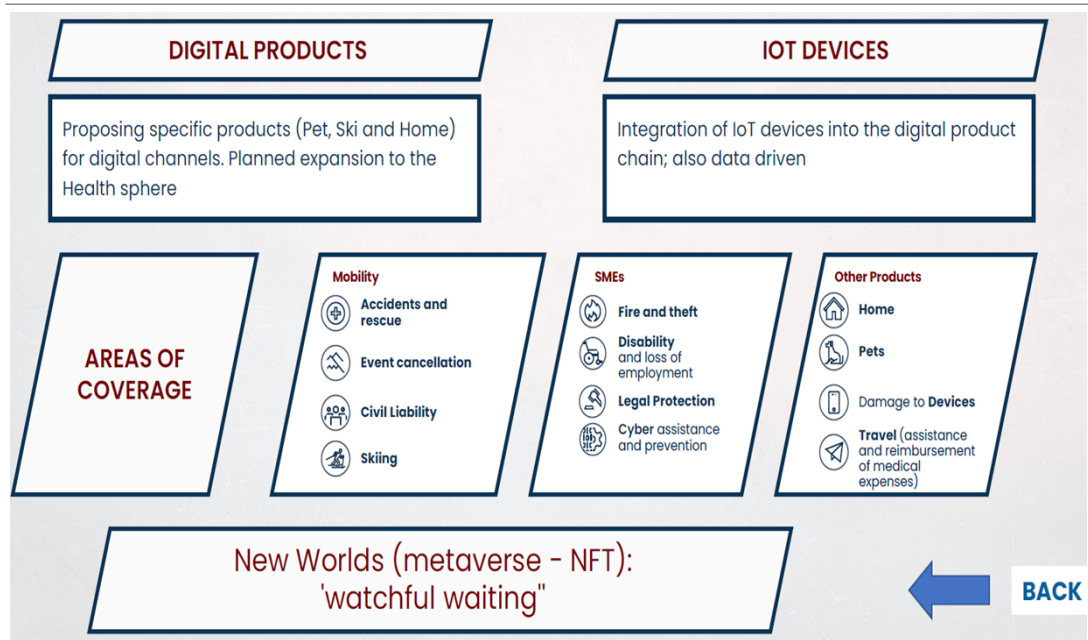
Digital Innovation & Insurtech

Net's strategy 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 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** 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.

Digital in a nutshell



Source: company presentation

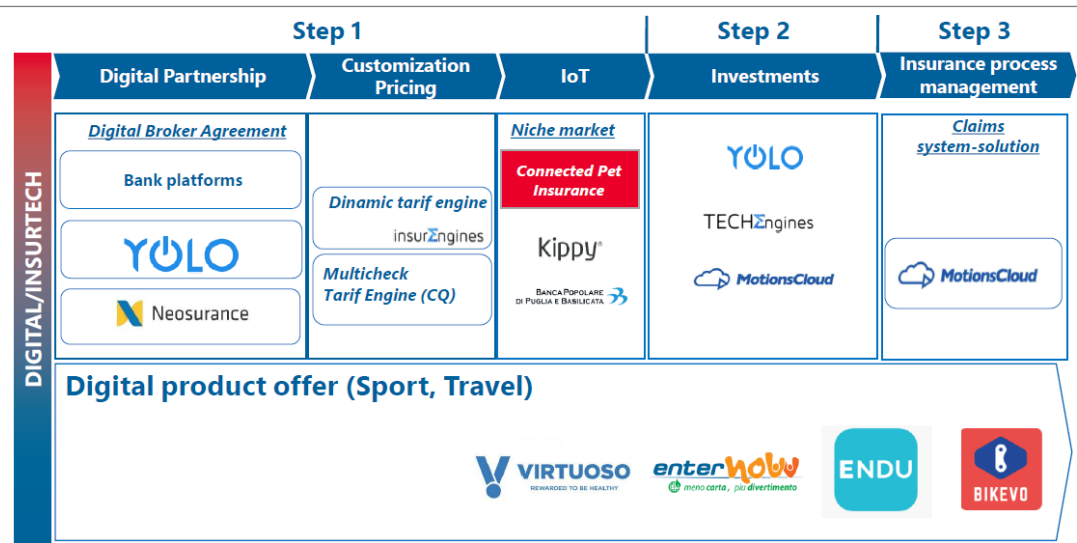
The **drivers** behind these strategic objectives are:

- ✓ **Setting up a continuous innovation model** – the group aims to introduce **technology** at every stage of the value chain in order to improve the efficiency and efficacy of the offer.
- ✓ **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.

We remind readers that 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 also been consolidated thanks to the distribution of white-label products on **Intesa Sanpaolo's digital 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 the 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 **fill out 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**, thanks to which Net will become a partner of Nexi Open (digital open banking service platform).
- ✓ 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** into 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 relationships with the various banks with which it operates. 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 agreements, **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 and TIM** with the aim to **leverage its big customer base**. Net's offer can also rely on a **rich and "full-digital" product catalogue** at the moment, ranging from PET and Device insurance coverage to new policies dedicated to People ("mobility green" and dental) and SMEs (cyber risk).

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 places 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**.

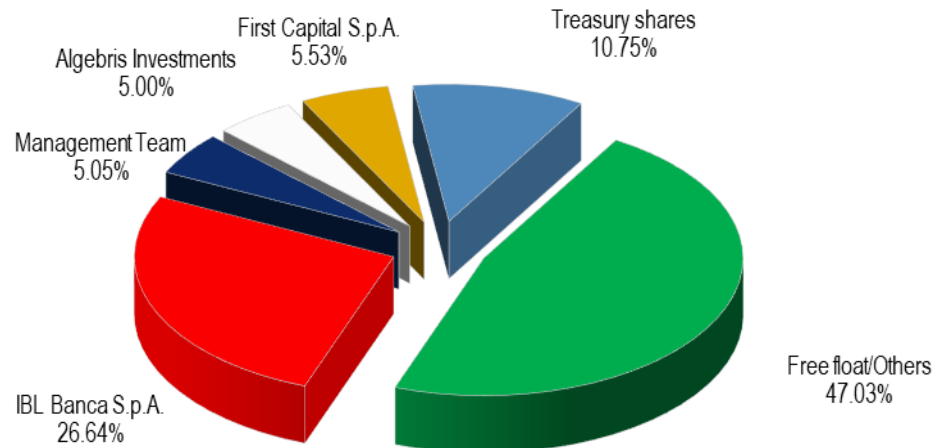
Net's offer could also be enriched by the introduction of some **collective protection policies** like Long Term Care or offering business under the freedom to **provide digital services**. Furthermore, Net could offer its products through other channels like the **financial advisor networks**.



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 26.6% stake. The other main shareholders are the **management team** (5.05%), **Algebris** (5.00%) and **First Capital S.p.A.** (5.53%).

Financials

Business plan: ambitious but achievable targets for a new growth path driven by bancassurance

Net's 2022 – 2025 plan has set the following **financial targets**:

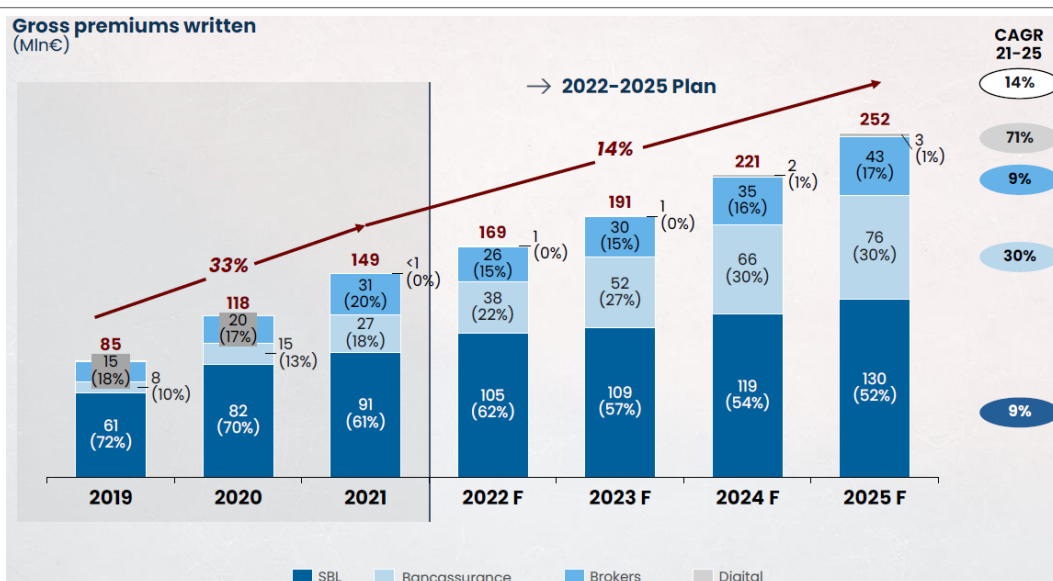
2022 – 2025 targets

	2021	2022 F	2023 P	2024 P	2025 P
Gross premiums written € Min	149.3	169.2	191.3	221.4	252.1
Ordinary Expenses € Min	21.0	23.1	26.0	28.0	28.9
Net Tech. Result € Min	10.6	17.0	19.0	23.2	31.7
Financial Result € Min	3.3	2.5	3.7	4.5	5.2
Net Profit € Min	11.3	14.9	20.2	19.3	25.9
Normalised Net Profit € Min	11.5	13.6	15.8	19.3	25.9
ROE	13.4%	16.2%	19%	15.7%	18.8%

Source: company presentation - Normalised net profit includes non-recurring expenses and income linked to extraordinary events

The **gross written premiums** are seen at c. EUR 252m in 2025, growing at a 2022-2025 CAGR of c. 14%, mainly thanks to the strong performance of **Bancassurance** (+30%), mainly driven by the agreements signed in the last couple of years; the **SBL business** is seen growing (+9%) a little bit higher than the market as a whole (+7%), while the **broker channel** (+9%) ought to be still impacted by a sort of start-up phase of some product lines.

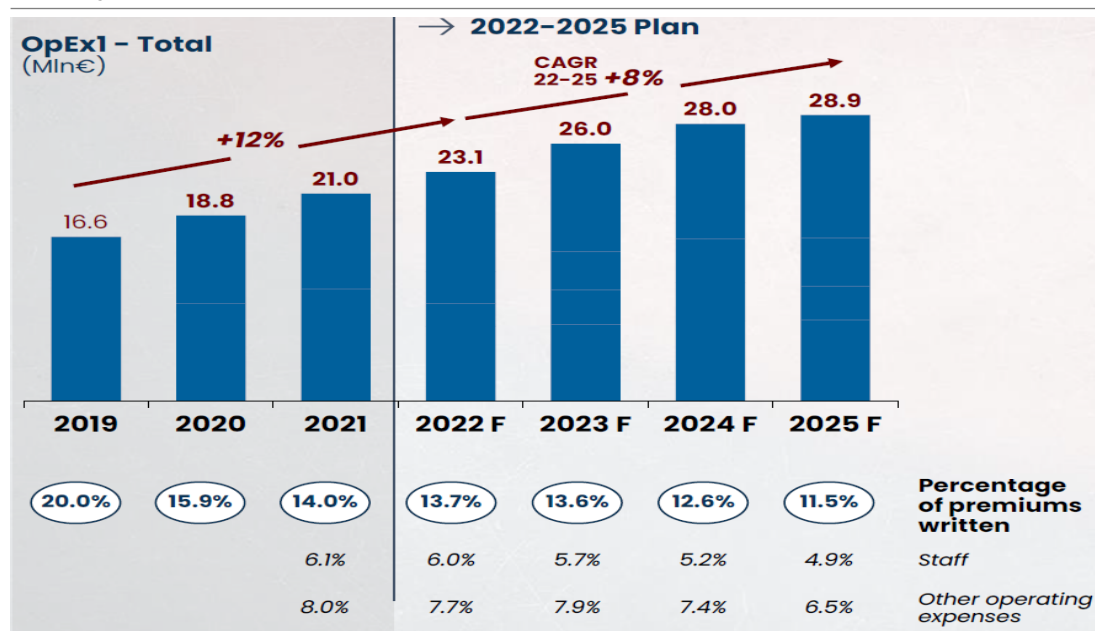
GWP development



Source: company presentation

The **ordinary expenses** will support the top line growth path, strengthening the operational structure. In 2025, the plan has envisaged expenses of c. EUR 29m, compared to c. EUR 23m expected in 2022, growing at a 2022-2025 CAGR of c. 8% but with a declining incidence on premiums written (from 14% in 2021 to 11.5% in 2025).

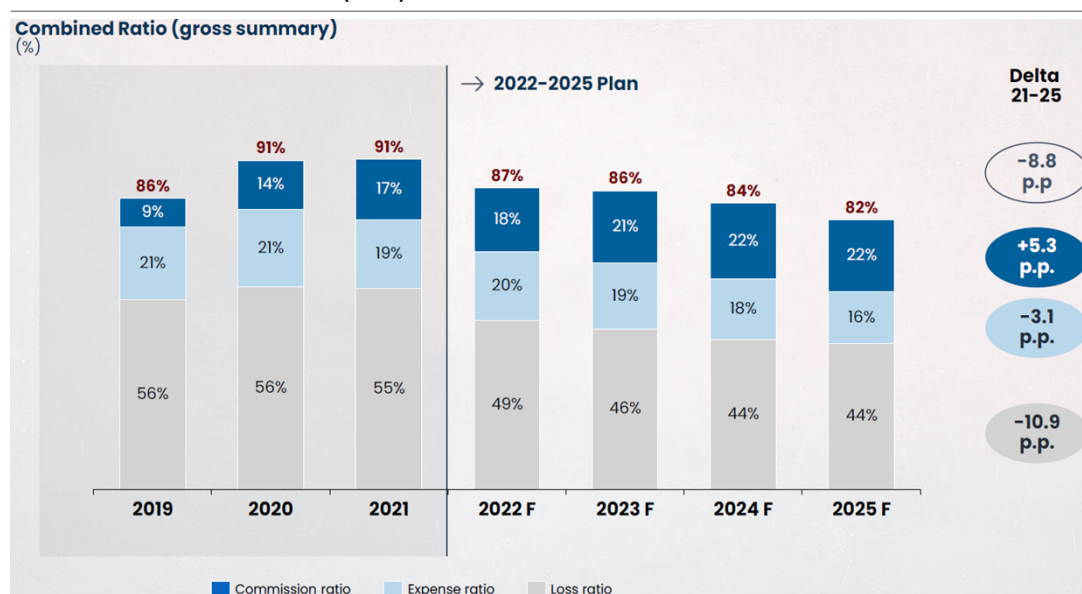
Ordinary expenses



Source: company presentation

In more detail, the **personnel expenses** are seen rising by c. EUR 2.3m in 2025 vs. 2022 (employees 151 in 2025, compared to 130 in 2022), while the **other operating expenses** ought to grow by c. EUR 3.5m in 2025 vs. 2022, of which c. EUR 1.7m are **directly allocable to growing business lines**, in particular: a) new credit assessment services (CQS); b) increased services related to training and support to partner banks (Bancassurance); c) D&A, for higher investments also in 2023.

2022 – 2025 Combined Ratio (CoR) evolution

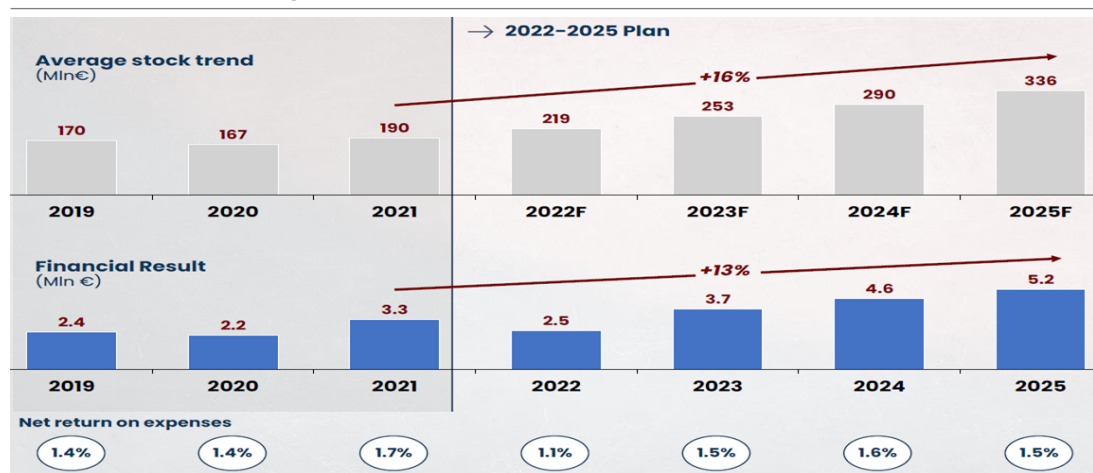


Calculated on earned premiums, gross of reinsurance - Source: company presentation



The **technical profitability** is seen improving materially year after year. The net technical result is seen around EUR 31.7m in 2025, compared to c. EUR 17m assumed for 2022, mainly thanks to the **planned strengthening of the operational machine** and to the decline the company expects in the **Combined Ratio (CoR)**, which ought to achieve 82% in 2025, compared to 91% in 2021. The improvement will be driven by the **excellent profitability of the bancassurance products**, which are likely to drive down the **Loss Ratio** by c. 11p.p. and by the **decrease in the Expense Ratio** thanks to the strong increase Net expects in gross written premiums. On the other hand, the **Commission Ratio** is seen at 22% in 2025, compared to 17% in 2021 as a consequence of the higher weight of the bancassurance channel.

Result of financial management



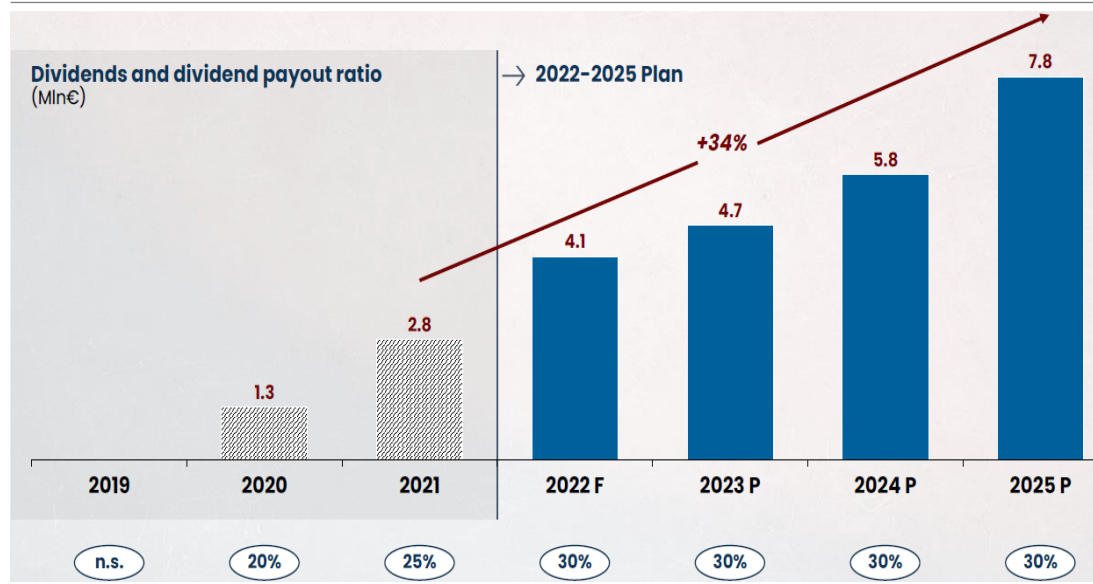
Source: company presentation

The **portfolio optimization**, which was completed at the end of 2021, alongside the **increased interest rates**, is likely to underpin the **result of financial operations**, which is expected to grow to EUR 5.2m by 2025, compared to EUR 2.5m expected in 2022.

The **improvement in the technical profitability** and in the **result of financial operations** will push the **normalised net profit** to c. EUR 25.9m in 2025, compared to EUR 13.6m expected in 2022.

The **dividends** are expected to **grow** thanks to the increase in the bottom line, with a **constant pay-out ratio of c. 30%** during the plan period.

Dividend pay-out

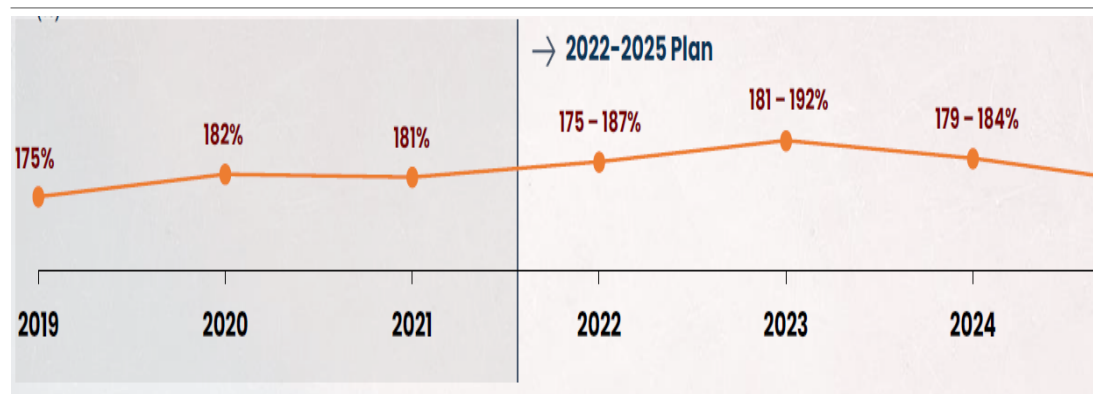


Source: company presentation

Solvency between 170 – 175% in 2025

Thanks to the organic **capital generation** and to the **conservative dividend policy**, the **Solvency Ratio** ought to reach 170 - 175% in 2025, compared to 175 – 187% expected in 2022. The more limited exposure to the Italian government bond risk, the higher resilience to the spread volatility and the better diversification are likely to smooth the **risk** and the **capital absorption**, even in a stress scenario.

Solvency II Ratio evolution



Source: company presentation

Our FY 2022/25 estimates

Our estimates consider **all the strategic guidelines** of the project. We have estimated **net premiums** as increasing by a CAGR 2022-2025 of c. 12% based on the following assumptions:

- The strong development in the **bancassurance agreements** in the P&C segment signed in the last few years, as well as in the **Salary-Baked-Loans (SBL)** business and in the **Broker channel**, thanks to the new business we expect.
- **Insurtech's** contribution could become evident, though still negligible, only at the end of 2025.

Consolidated P&L

	2021	2022E	2023E	2024E	2025E	CAGR22-25
Gross earned premiums	140.6	159.6	180.3	208.2	237.4	14.0%
- growth rate	31.8%	13.5%	13.0%	15.5%	14.0%	-18.5%
Premiums transferred under reinsurance	-76.8	-89.4	-102.8	-120.7	-137.7	15.7%
- on gross earned premiums	-54.6%	-56.0%	-57.0%	-58.0%	-58.0%	1.5%
Net premiums	63.8	70.2	77.5	87.4	99.7	11.8%
Net claims paid	-37.2	-33.7	-35.7	-38.5	-41.9	3.0%
- on net premiums	58.2%	48.0%	46.0%	44.0%	42.0%	-7.8%
Net income from investments	4.8	2.7	3.7	4.6	5.2	1.9%
- on avg. Investments	2.6%	1.3%	1.5%	1.6%	1.6%	-11.4%
Operating expenses	-35.0	-40.7	-41.9	-50.7	-55.8	12.4%
Commissions received from reinsurers	18.2	21.4	23.3	25.0	27.0	10.4%
EBT	12.7	19.9	27.0	27.9	34.2	28.1%
Taxes	-1.4	-5.4	-7.3	-7.5	-9.2	60.3%
Tax rate	-11.0%	-27.0%	-27.0%	-27.0%	-27.0%	25.1%
Net profit adjusted	11.5	13.2	15.3	20.3	25.0	21.4%

Source: Banca Akros estimates

We expect a **sizable improvement in technical result and profitability** with a technical result, net of net income from investments, of around EUR 29m at the end of 2025, compared to EUR 17.2m expected in 2022.

Technical result net of net income from investments

	2021	2022E	2023E	2024E	2025E	CAGR22-25
Technical result	9.8	17.2	19.3	23.3	29.0	31.1%
Technical results / Net premiums	15.4%	24.5%	24.9%	26.6%	29.1%	17.2%

Source: Banca Akros estimates

At the same time, as far as **margins** are concerned, **CoR** is seen improving to 82.0% in 2025, compared to 91% in 2021, mainly thanks to the **loss ratio** (from 55% in 2021 to 44% in 2025) and despite the slight worsening of the **expense ratio** and due to the company growth. The trend is justified mainly by the **good profitability of the bancassurance channel**, which is the pivot of Net's plan. Indeed, 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 CQS segment.

CoR Analysis

	2021	2022E	2023E	2024E	2025E
Loss Ratio	55.0%	49.0%	46.0%	44.0%	44.0%
Expense ratio	36.0%	38.0%	40.0%	40.0%	38.0%
CoR (Gross Reinsurance)	91.0%	87.0%	86.0%	84.0%	82.0%

Source: Banca Akros estimates

The **net income from investments** is estimated at EUR 5.2m in 2025, compared to EUR 2.7m expected in 2022, considering the expansion of investments, which we estimate are consistent with the evolution in premiums and technical reserves, and the improvement in the



average yield on investments, which we expect at 1.6% in 2025, compared to 1.3% expected in 2022 and mainly linked to the higher market yields.

After applying a **stable tax rate** of around 27% in 2022-2025, we obtain an adjusted **net profit** of EUR 25m in 2025, compared to c. EUR 13.2m expected in 2022 (CAGR 2022-2025 c. 21%).

RoE adj. is consequently seen improving to 18.4% in 2025, compared to 14.1% at the end of 2022.

Consolidated Balance Sheet

	2021	2022E	2023E	2024E	2025E	CAGR 22-25
Intangible assets	6.1	6.1	6.1	6.1	6.1	0.0%
Tangible assets	15.3	15.3	15.3	15.3	15.3	0.0%
Investments	201.5	222.3	262.5	306.2	354.2	15.1%
Other assets	97.1	97.1	97.1	97.1	97.1	0.0%
Net Provisions	148.5	165.3	201.0	239.4	281.3	17.3%
Financial liabilities	17.0	16.6	16.6	16.6	16.6	-0.6%
Other liabilities	65.8	60.0	50.7	41.7	30.3	-17.6%
Shareholders' equity	88.8	98.9	112.7	127.0	144.4	12.9%

Source: Banca Akros estimates

RoE & Dividend

	2021	2022E	2023E	2024E	2025E
ROE (adj.)	13.6%	14.1%	14.5%	17.0%	18.4%
Pay-out ratio	25.0%	30.0%	30.0%	30.0%	30.0%
Total Dividend	2.8	4.4	5.9	6.1	7.5

Source: Banca Akros estimates

Assuming a stable **pay-out ratio** of 30% in 2022 - 2025, we believe the **Solvency ratio** is likely to stay around 181% in 2025 thanks to the **capital generation**, although we have estimated the above-mentioned strong business expansion in 2022-2025.

Solvency ratio

	2021	2022E	2023E	2024E	2025E
Solvency Ratio	180.7%	172.3%	189.6%	186.2%	181.5%

Source: Banca Akros estimates

FY 21 was in line with 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 over 850 bank branches.

The FY 21 results were overall **in line with our expectations**. The **normalised net profit**, which was adjusted for the non-recurring items, closed at EUR 11.5m, vs. EUR 7.6m in 2020 and vs. EUR 11.3m in Net's plan for FY 21.

The **gross written premiums** closed at EUR 149.3m, up vs. EUR 117.7m in FY 20, mainly thanks to all the business lines.



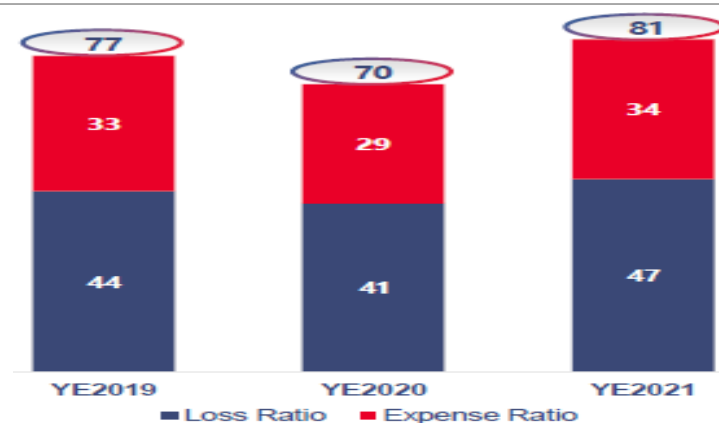
FY 21 results

	FY 20	FY 21	Ch. Y/Y
Gross written premiums	117.7	149.3	26.8%
Net technical result	10.1	10.6	5.0%
Net profit	6.5	11.3	73.8%
Normalized net profit	7.6	11.5	51.3%
Shareholders' Equity	79.7	88.8	11.4%
CoR (net of reinsurance)	70%	81%	15.7%
SII ratio	177.2	180.7%	2.0%

Source: company data

The **net technical result** totalled c EUR 10.6m vs. EUR 10.1m in FY 20, although the **CoR (net of reinsurance)** worsened to c. 81%, compared to c. 70% in FY 20, mainly due to the business mix, to the adverse context of increased mortality linked to COVID and to the increased unemployment risk due to current economic trends. In more detail, the **loss ratio** closed up at 47%, compared to 41% in 2020, while the **expense ratio** closed at 34% vs. 29% in 2020.

CoR (net of reinsurance) evolution



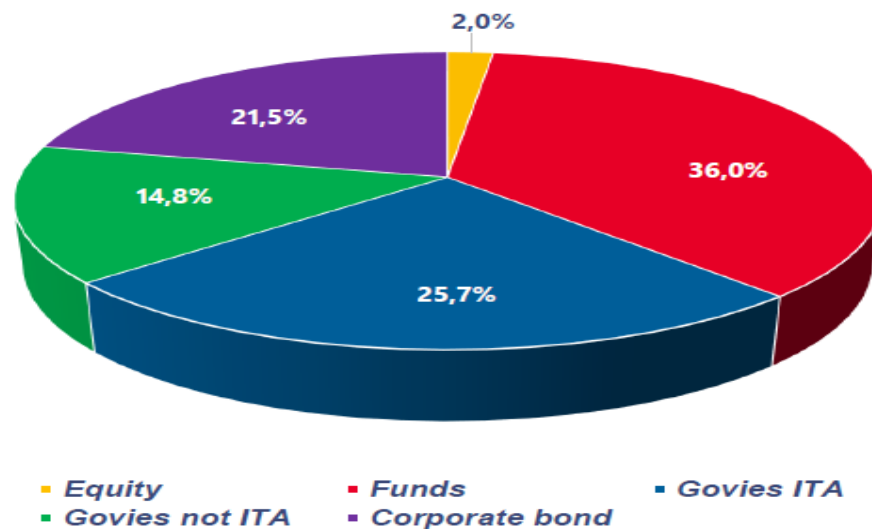
Source: company presentation

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 201.5m in FY 21, mainly thanks to the 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. 25.7%, equity for c. 2.0% and corporate bonds c. 21.5%; the **duration** is c. 3.2 years, while the **bond portfolio** is composed of **c. 80% of investment grade** bonds. The **financial result** amounted to EUR 3.2m vs. EUR 2.2m last year.

Asset allocation



Source: company presentation

The **SII ratio** closed at c. 180.7% (177.2% in FY 20), which is widely above the regulatory minimum, resilient despite the still uncertain situation and still better than Net's plan assumptions.

ESG Focus: evolution towards good practices

Consolidation of ESG policies

	Initiatives started/ in progress	Plan Guidelines
Environment	<ul style="list-style-type: none"> Responsible use of natural resources at company sites (e.g. recycled paper, waste separation, plastic reduction) Producing renewable energy by installing a photovoltaic system Digitising paper (e.g. insurance records) 	Reduction of environmental impact and responsible use of natural resources
Social	<ul style="list-style-type: none"> Focus on employees and work-life balance Continued investment in employee training also through partnerships with external business schools Developing initiatives to support the local community and vulnerable groups (e.g. donation of unused holidays, Miguel's race) Achieving gender parity at all levels (in area 40% of the least represented gender) 	Commitment to inclusion, employee welfare and communities
Governance	<ul style="list-style-type: none"> Creating a an ESG committee Gender equality on the Board of Directors 	Consolidating internal ESG safeguards and alignment of business objectives with ESG Good Practices

Source: company presentation

The new strategic plan has emphasised the role of the ESG topics in Net's guidelines, introducing **six macro-targets**:

- ✓ Increased focus on **selecting investments** that comply with ESG criteria and/or asset companies operating in "non-critical" sectors;
- ✓ **Reduction of CO2 emissions** from offices and data centres by 15% during the plan period and increase of the share of **renewable energy** used;
- ✓ Continuous **improvement of the working environment** and maintenance of "Great Place to Work" recognition (score >60%);
- ✓ Commitment to maintaining the levels of **gender representation** (40% of the least represented gender) and **absence of Gender Pay Gap** with full compliance with the **meritocracy** logic;
- ✓ Development of the **internal ESG committee** in terms of developing initiatives to disseminate the culture of sustainability within the organisation;
- ✓ **Integration** of sustainability objectives **into the variable remuneration** of management during the plan period.



Upcoming Corporate Events Calendar

Date	Event Type	Description	Period
05/08/22	Results	Interim 2022 Earnings Conference Call / Webcast	2022H1
04/08/22	Results	Interim 2022 Results	2022H1

Source: *Precise*



Net Insurance: Summary tables

PROFIT & LOSS (EURm)	12/2020	12/2021	12/2022e	12/2023e	12/2024e	12/2025e
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	107	141	160	180	208	237
Total Reinsurance (Life & Non-Life)	-60.3	-76.8	-89.4	-102.8	-120.7	-137.7
Insurance Investment Income	-7.6	4.8	2.7	3.7	4.6	5.2
Other Revenues	24.2	16.3	21.4	23.3	25.0	27.0
Total Net Revenues	63.0	84.9	94.3	105	117	132
Total Claims & Provisions	-25.1	-37.2	-33.7	-35.7	-38.5	-41.9
Operating Expenses	-28.9	-35.0	-40.7	-41.9	-50.7	-55.8
Life Insurance Technical Result	0.0	0.0	0.0	0.0	0.0	0.0
Non-Life Insurance Technical Result	16.5	7.9	17.2	23.3	23.3	29.0
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)	8.9	12.7	19.9	27.0	27.9	34.2
Paid interests on sub/hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0
Tax	-2.4	-1.4	-5.4	-7.3	-7.5	-9.2
<i>Tax rate</i>	<i>27.3%</i>	<i>11.0%</i>	<i>27.0%</i>	<i>27.0%</i>	<i>27.0%</i>	<i>27.0%</i>
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)	6.5	11.3	14.5	19.7	20.3	25.0
Net Profit (adj.)	7.6	11.5	13.2	15.3	20.3	25.0

BALANCE SHEET & OTHER ITEMS (EURm)	12/2020	12/2021	12/2022e	12/2023e	12/2024e	12/2025e
Intangibles	5.0	6.1	6.1	6.1	6.1	6.1
<i>of which Goodwill</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>of which Deferred Acquisition Costs (DAC)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Insurance Investments (Own Account)	177	201	222	262	306	354
<i>of which Fixed Income</i>	<i>117</i>	<i>125</i>	<i>138</i>	<i>163</i>	<i>190</i>	<i>220</i>
<i>of which Equity</i>	<i>3.8</i>	<i>4.0</i>	<i>4.4</i>	<i>5.2</i>	<i>6.1</i>	<i>7.0</i>
<i>of which Real Estate</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>of which Other Investments</i>	<i>56.2</i>	<i>72.5</i>	<i>80.0</i>	<i>94.4</i>	<i>110</i>	<i>127</i>
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
<i>of which Banking Interest Earnings Assets</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other Assets	111	112	112	112	112	112
Total Assets	293	320	341	381	425	473
Technical Provisions Life	0.0	0.0	0.0	0.0	0.0	0.0
Technical Provisions Non-Life	130	148	165	201	239	281
Financial Debt (2)	0.6	0.4	0.0	0.0	0.0	0.0
Sub/hybrid debt	19.5	16.6	16.6	16.6	16.6	16.6
Other Liabilities	62.8	65.8	60.0	50.7	41.7	30.3
Banking Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>of which Banking Interest Bearing Liabilities (IBL)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Shareholders Equity	79.8	88.8	98.9	113	127	144
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	293	320	341	381	425	473

GROWTH RATES	12/2020	12/2021	12/2022e	12/2023e	12/2024e	12/2025e
<i>Life Gross Premiums Growth</i>						
<i>Non-Life Gross Premiums Growth</i>	<i>32.1%</i>	<i>31.8%</i>	<i>13.5%</i>	<i>13.0%</i>	<i>15.5%</i>	<i>14.0%</i>
<i>EBIT Growth</i>	<i>-43.5%</i>	<i>42.2%</i>	<i>56.3%</i>	<i>35.8%</i>	<i>3.2%</i>	<i>22.8%</i>
<i>Net Profit Growth (adj.)</i>	<i>8.6%</i>	<i>51.3%</i>	<i>14.9%</i>	<i>15.8%</i>	<i>32.8%</i>	<i>22.8%</i>



Net Insurance: Summary tables

KEY RATIOS	12/2020	12/2021	12/2022e	12/2023e	12/2024e	12/2025e
Insurance Investment Yield (average)	-4.4%	2.6%	1.3%	1.5%	1.6%	1.6%
ROE (adj.)	10.0%	13.7%	14.1%	14.5%	17.0%	18.4%
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)	29.0%	34.0%	35.9%	37.8%	37.8%	35.9%
Claims Ratio (Non-Life)	41.0%	47.0%	41.9%	39.3%	37.6%	37.6%
Combined Ratio (Non-Life)	70.0%	81.0%	77.8%	77.1%	75.4%	73.5%
Retention Ratio (Non-Life)	43.4%	45.4%	44.0%	43.0%	42.0%	42.0%
Reserving Ratio (Non-Life)	281.4%	232.6%	235.4%	259.2%	273.8%	282.2%
Solvency-Ratio (4)	177.2%	180.7%	172.3%	189.6%	186.2%	181.5%
Financial Leverage (5)	24.4%	18.7%	16.8%	14.8%	13.1%	11.5%

PER SHARE DATA (EUR)(6)	12/2020	12/2021	12/2022e	12/2023e	12/2024e	12/2025e
Average diluted number of shares	18.3	19.1	19.1	19.1	19.1	19.1
EPS (reported)	0.36	0.59	0.76	1.03	1.06	1.31
EPS (adj.)	0.42	0.60	0.69	0.80	1.06	1.31
BVPS	4.36	4.64	5.18	5.90	6.64	7.56
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	0.08	0.17	0.23	0.31	0.32	0.39

VALUATION	12/2020	12/2021	12/2022e	12/2023e	12/2024e	12/2025e
P/Premiums	2.0	2.0	1.9	1.7	1.5	1.3
P/E (Reported)	14.8	11.6	9.3	6.9	6.7	5.4
P/E (adj.)	12.7	11.4	10.3	8.9	6.7	5.4
P/BV	1.2	1.5	1.4	1.2	1.1	0.9
P/ANAV	nm	nm	nm	nm	nm	nm
P/EbV	nm	nm	nm	nm	nm	nm
Payout ratio	19.5%	0.0%	30.0%	30.0%	30.0%	30.0%
Dividend Yield (gross)	1.6%	2.4%	3.2%	4.4%	4.5%	5.5%

PRICE & SHARES & MKT CAP (EURm)	12/2020	12/2021	12/2022e	12/2023e	12/2024e	12/2025e
Price (7) (EUR)	5.3	6.9	7.1	7.1	7.1	7.1
Outstanding number of shares for main stock	17.3	18.4	18.4	18.4	18.4	18.4
Total Market Cap (8)	91.2	126	131	131	131	131
Assets under management (9)	0.0	0.0	0.0	0.0	0.0	0.0
NAV	79.8	88.8	98.9	113	127	144
Adjusted Net Asset Value (ANAV)	79.8	88.8	98.9	112.7	127.0	144.4

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(*)	Kaufman & Broad	IAC	Banca Ifis	BAK	Avio	BAK
Brembo	BAK	Kering	CIC	Banca Mediolanum	BAK	Biesse	BAK
Faurecia	CIC	L'Oreal	CIC	Banca Sistema	BAK	Bollere	CIC
Ferrari	BAK	Lvmh	CIC	Bff Bank	BAK	Bureau Veritas	CIC
Gestamp	GVC	Maisons Du Monde	CIC	Dea Capital	BAK	Caf	GVC
Indelb	BAK	Moncler	BAK	Finecobank	BAK	Catenon	GVC
Michelin	CIC	Monnalisa	BAK	Illimity Bank	BAK	Cellnex Telecom	GVC
Pirelli & C.	BAK	Ovs	BAK	Mediobanca	BAK	Cembre	BAK
Plastic Omnium	CIC	Piaggio	BAK	Poste Italiane	BAK	Clasquin	IAC
Renault	CIC	Richemont	CIC	Rothschild & Co	CIC	Cnh Industrial	BAK
Sogefi	BAK	Safilo	BAK	Food & Beverage	Mem(*)	Corticeira Amorim	CBI
Stellantis	BAK	Salvatore Ferragamo	BAK	Advini	CIC	Ctt	CBI
Valeo	CIC	Smcp	CIC	Bonduelle	CIC	Danieli	BAK
Banks	Mem(*)	Swatch Group	CIC	Campari	BAK	Datalogic	BAK
Banca Mps	BAK	Technogym	BAK	Danone	CIC	Enav	BAK
Banco Sabadell	GVC	Tod'S	BAK	Diageo	CIC	Enogia	CIC
Banco Santander	GVC	Trigano	CIC	Ebro Foods	GVC	Exel Industries	CIC
Bankinter	GVC	Ubisoft	CIC	Enervit	BAK	Fiera Milano	BAK
Bbva	GVC	Energy	Mem(*)	Fleury Michon	CIC	Fincantieri	BAK
Bnp Paribas	CIC	Cgg	CIC	Italian Wine Brands	BAK	Getlink	CIC
Bper	BAK	Ecoslops	CIC	Lanson-Bcc	CIC	Global Dominion	GVC
Caixabank	GVC	Eni	BAK	Laurent Perrier	CIC	Haulotte Group	CIC
Credem	BAK	Galp Energia	CBI	Ldc	CIC	Interpump	BAK
Credit Agricole Sa	CIC	Gas Plus	BAK	Lindt & Sprüngli	CIC	Inwit	BAK
Intesa Sanpaolo	BAK	Gtt	CIC	Nestle	CIC	Leonardo	BAK
Societe Generale	CIC	Maurel Et Prom	CIC	Orsero	BAK	Logista	GVC
Unicaja Banco	GVC	Plc	BAK	Pernod Ricard	CIC	Manitou	CIC
Unicredit	BAK	Repsol	GVC	Remy Cointreau	CIC	Nicolas Correa	GVC
Basic Resources	Mem(*)	Rubis	CIC	Tipiak	CIC	Openjobmetis	BAK
Acerinox	GVC	Saipem	BAK	Vilmorin	CIC	Osai	BAK
Altri	CBI	Technip Energies	CIC	Viscofan	GVC	Prima Industrie	BAK
Arcelormittal	GVC	Technipfmc Plc	CIC	Vranken	CIC	Prosegur	GVC
Ence	GVC	Tecnicas Reunidas	GVC	Healthcare	Mem(*)	Prosegur Cash	GVC
Imerys	CIC	Tenaris	BAK	Abionyx Pharma	CIC	Prysmian	BAK
Neodecortech	BAK	Totalenergies	CIC	Amplifon	BAK	Rai Way	BAK
Semapa	CBI	Vallourec	CIC	Atrys Health	GVC	Rexel	CIC
The Navigator Company	CBI	Fin. Serv. Holdings	Mem(*)	Biomerieux	CIC	Saes	BAK
Tubacex	GVC	Cir	BAK	Crossject	CIC	Salcef	BAK
Chemicals	Mem(*)	Corp. Financiera Alba	GVC	Diasorin	BAK	Talgo	GVC
Air Liquide	CIC	Digital Magics	BAK	El.En.	BAK	Teleperformance	CIC
Arkema	CIC	Eurazeo	CIC	Fermentalg	CIC	Verallia	CIC
Plasticos Compuestos	GVC	Gbl	CIC	Fine Foods	BAK	Vidrala	GVC
Consumer Products & Services	Mem(*)	Peugeot Invest	CIC	Genfit	CIC	Zardoya Otis	GVC
Abeo	CIC	Rallye	CIC	Gpi	BAK	Zignago Vetro	BAK
Beneteau	CIC	Tip Tamburi Investment Partners	BAK	Guerbet	CIC	Insurance	Mem(*)
Brunello Cucinelli	BAK	Wendel	CIC	Korian	CIC	Axa	CIC
Capelli	CIC	Fin. Serv. Industrials	Mem(*)	Oncodesign	CIC	Catalana Occidente	GVC
De Longhi	BAK	Abitare In	BAK	Orpea	CIC	Cattolica Assicurazioni	BAK
Europcar	CIC	Dovalue	BAK	Prim Sa	GVC	Generali	BAK
Fila	BAK	Nexi	BAK	Recordati	BAK	Linea Directa Aseguradora	GVC
Geox	BAK	Tinexta	BAK	Shedir Pharma	BAK	Mapfre	GVC
Givaudan	CIC	Financial Services Banks	Mem(*)	Theraclion	CIC	Net Insurance	BAK
Groupe Seb	CIC	Amundi	CIC	Vetoquinol	CIC	Unipsolai	BAK
Hermes Intl.	CIC	Anima	BAK	Virbac	CIC	Materials, Construction	Mem(*)
Hexaom	CIC	Azmut	BAK	Industrial Goods & Services	Mem(*)	Acs	GVC
Interparfums	CIC	Banca Generali	BAK	Applus	GVC	Aena	GVC



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

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores

as at 4 February 2022



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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 22 July 2022, ore 08:41 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 6 e 17 maggio e 23 giugno 2022.

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. Inoltre, Banca Akros ha agito in qualità di Sponsor al fine della quotazione delle azioni e dei warrant su Euronext STAR Milan nel mese di giugno 2022.**

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/>

Le informazioni e le opinioni contenute in questo documento si basano su fonti ritenute attendibili. La provenienza di dette informazioni e il fatto che si tratti di informazioni già rese note al pubblico è stata oggetto di ogni ragionevole verifica da parte di Banca Akros. Banca Akros tuttavia, nonostante le suddette verifiche, non può garantire in alcun modo né potrà in nessun caso essere ritenuta responsabile qualora le informazioni alla stessa fornite, riprodotte nel presente documento, ovvero sulla base delle quali è stato redatto il presente documento, si rivelino non accurate, complete, veritiere ovvero non corrette.

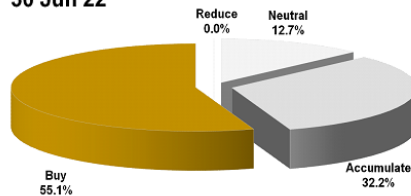
Il documento è fornito a solo scopo informativo; esso non costituisce proposta contrattuale, offerta o sollecitazione all'acquisto e/o alla vendita di strumenti finanziari o, in genere, all'investimento, né costituisce consulenza in materia di investimenti. Banca Akros non fornisce alcuna garanzia di raggiungimento di

Percentuale delle raccomandazioni al 30 giugno 2022

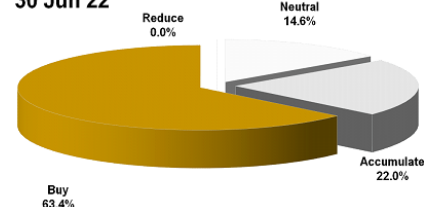
Tutte le raccomandazioni

Raccomandazioni su titoli in conflitto di interessi (*)

30 Jun 22



30 Jun 22



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 34.75% del totale degli emittenti oggetto di copertura

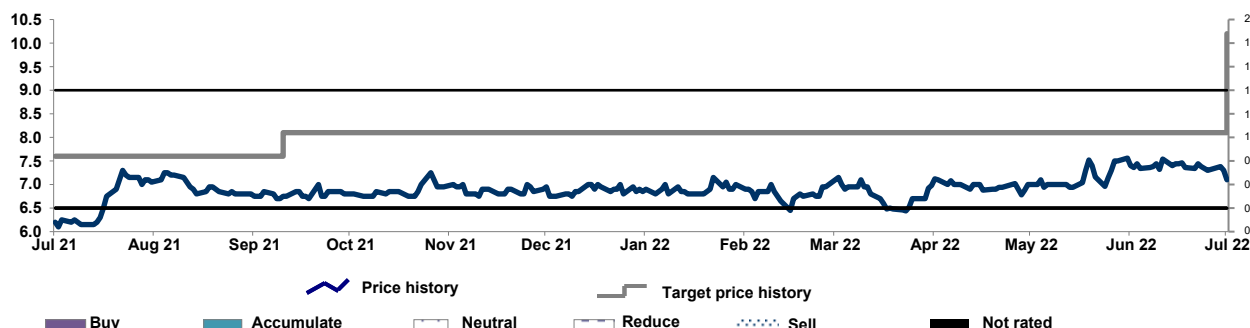
Recommendation history for NET INSURANCE

Date	Recommendation	Target price	Price at change date
21-Jul-22	Buy	10.20	7.10
30-Sep-21	Buy	8.10	6.75
08-Apr-21	Buy	7.60	6.00
26-Mar-20	Accumulate	5.50	4.70

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, CIAA (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 responsibility 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 also include qualitative elements in its recommendation 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)**.

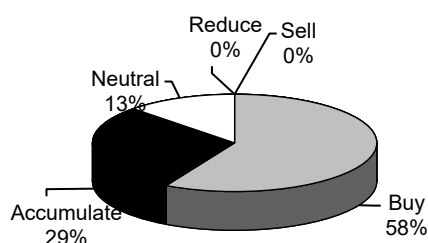
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months
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Note: a certain flexibility on the limits of total return bands is permitted, especially during higher phases of volatility in 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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