

**MASTERS IN
FINANCE**

**MASTERS FINAL WORK
PROJECT**

**EQUITY RESEARCH:
ASSICURAZIONI GENERALI S.P.A.**

GUILHERME PEREIRA DE MATOS

OCTOBER 2023

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SUPERVISOR:

MARIYA GUBAREVA

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Abstract

The purpose of the present document is to perform an Equity Research about the company Assicurazioni Generali S.p.A. (Generali), one of the largest global insurance and asset management providers, in order to get a target price of the shares at 2024 FY.

This document adheres to the guidelines set forth by the CFA Institute, used for the purposes of Masters Final Work.

This report issues a Hold recommendation for Generali, with a 2023YE price target of €19,62/share, applying a DCF FCFF Sum-of-the-Parts approach to each segment, to reflect all its idiosyncrasies.

The valuation, that comprises an historical analysis of the periods between 2015 and 2022 and also forecasts until 2027, implies an upside potential of 5,57% from the October 5th, 2023, closing price of €18,59, with medium risk. To support this analysis, other valuation methods were used, namely Relative Valuation with multiples and Residual Income method. Also, the valuation was subject to sensitivity analysis to address its risk.

JEL classification: G10 ; G32; G34.

Keywords: Assicurazioni Generali S.p.A.; Equity Research; Valuation; Mergers & Acquisitions; Insurance Industry.

Resumo

O presente trabalho visa a realização de uma Equity Research sobre a empresa Assicurazioni Generali S.p.A. (Generali), uma das maiores seguradoras e gestoras de ativos mundiais, com o objetivo de obter um preço-alvo das ações em dezembro de 2024.

Este documento segue as diretrizes do CFA Institute, utilizadas para fins de Trabalho Final de Mestrado.

Este relatório emite uma recomendação Hold para a Generali, com um preço-alvo para 2024YE de € 19,62/ação, aplicando uma abordagem DCF FCFF Soma das Partes a cada segmento, para refletir todas as suas idiossincrasias.

A avaliação, que teve por base a análise dos desempenhos de períodos históricos entre 2015 e 2022 e previsões do desempenho até ao período de 2027, implica um potencial de valorização de 5,57% face ao preço de fecho de 5 de outubro de 2023, de 18,59€, com risco médio. Para suportar esta análise foram utilizados outros métodos de avaliação, nomeadamente a Avaliação Relativa com múltiplos e o método do Rendimento Residual. Além disso, a avaliação foi sujeita a uma análise de sensibilidade para analisar o seu risco.

Classificação JEL: G10 ; G32; G34;

Palavras-Chave: Equity Research; Avaliação de Empresas; Fusões e Aquisições; Generali

Acknowledgements

To my Family, what to me means the most.

To my Mother, Father and Sister, thank you for this opportunity, your unwavering efforts, trust, and love have shaped this journey.

Inês, my partner of all times, the one who stood by me and listened to all my fears, was present, and supported me, thank you for that, for all the moments of joy and many more.

To my Grandfather and Grandmother your love and wisdom have been a beacon in my life. I strive to make you proud and honor what you've created.

To all the friends and great people that I meet at ISEG, namely Boyi Wu, César Ponte, João Arsénio and Jorge Magalhães your support since day one made all the difference, thank you for your support throughout this journey. Thank you for the friendship.

Lastly but not the least, Professor Mariya Gubareva, thank you for the patience shown, the insights and recommendations provided. Your guidance and the recommendations you transmitted were crucial to improve this report.

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List of Abbreviations

\$	US Dollars
€	Euros
B€	Billion Euros
Bps	Basis points
CAGR	Compounded Annual Growth Rate
CAPM	Capital Asset Pricing Model
CRP	Country Risk Premium
DDM	Dividend Discount Model
DPS	Dividend per Share
E	Expected
EBIT	Operating income
EMEA	Europe, Middle East and Africa
ESG	Environmental, Social, and Governance
F	Forecast
FY	Fiscal Year
Generali	Assicurazioni Generali S.P.A.
Ke	Cost of Equity
LATAM	Latin America
LH	Life/Health
M€	Million Euros
M&A	Mergers and Acquisitions
P/B	Price-to-Book
P/E	Price-to-Earnings
P&C	Property-Casualty
PT	Price Target
YE	Year End
YoY	Year on Year

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(YE2024 Price Target of 19,62€ (+5,57%); recommendation is to Hold with Medium Risk)

Assicurazioni Generali, S.p.A. **Hold**

1. Research Snapshot

It's initiated a Hold recommendation for Assicurazioni Generali, S.p.A. (Generali) with a 2024YE price target (PT) of €19,62 using a Dividend Discount model (DDM), implying a 5,57% upside potential from the October 5th 2023 closing price of €18,59 (Table 1).

The DDM Price target was reinsured by the use of two other different methods, such as the Relative Valuation with multiples and Residual Income method. Through both these methods the previous Hold recommendation was reinforced.

The considered valuation forecast period covered 5 years, from 2023 to 2027, while the historical period comprised was 5 years, between 2017 and 2022.

Assessing it as a medium risk, this recommendation is based on (1) resilient business model, (2) Interest rates inversion, (3) strong presence in growing markets and (4) being a well-capitalized company with a 2022 FY Solvency Ratio at 221%.

2. Business Description

2.1 Company Overview

Assicurazioni Generali was founded in 1831 by a group of merchants led by Giuseppe Morpurgo in the Austro-Hungarian port of Trieste, to provide insurance to the city's bustling trade industry.

Nowadays, after 190 years, it's Italy's largest insurance company (and one of the largest in Europe), offering life and non-life insurance and reinsurance throughout the world.

Present in almost 50 countries (Figure 1), the company earns 81.538 million euros (M€) of Gross Written Premiums annually (Figure 2), relying in more than 240.000 people (Table 2) and has about 710 billion euros of assets under management, numbers that are considerably aligned with the average of his peers (Table 3). His main target is individuals and SMEs serving around 65.9 million customers across Europe, the Asia/Pacific region, and Latin America.

The company divides its operations into three segments: Life, Non-Life and Asset Management.

Table 1. Investment Recommendation

Snapshot	
Current Share Price	18,59 €
DDM Price Target (2024 YE)	19,62 €
DDM Potential Upside	5,57%
Relative Valuation Price Target (2024 YE)	20,49 €
Relative Valuation Potential Upside	10,20%
Residual Income Price Target (2024 YE)	20,07 €
Residual Income Potential Upside	7,94%
Stock Exchange	FTSE MIB
Industry	Insurance
Market Cap (M)	28 995 €
52-Week High	20,06 €
52-Week Low	13,67 €

Source: Bloomberg, Author Analysis.

Figure 1. Generali's Geographic Presence



Source: Press kit, 2022.

Life segment encompasses a range of products designed to safeguard and grow the financial well-being of individuals, families, and corporations. These include savings and protection products, unit linked products with investment components, and sophisticated plans tailored to the needs of multinational organizations. The segment also includes investment vehicles and entities that support the operations of Life companies. Last fiscal year, the Life segment generated an operating profit of 3,522M€ (Figure 3), accounting for approximately 54% of total amount.

The Technical Result of the Life segment improved due to a more favorable business mix, which enhanced technical profitability year-on-year (yoy). The Investment Result (investment income from managing Generali's investment portfolio) also improved, supported by higher current income and positive reserving dynamics due to an increase in interest rates. However, higher expenses were incurred, primarily in Asia, to support new production (+1.231M€ annual gross written premiums, +32,2% yoy) and also due to the consolidation of Cattolica Group (mainly focused in Italy), leading to an increase in acquisition costs.

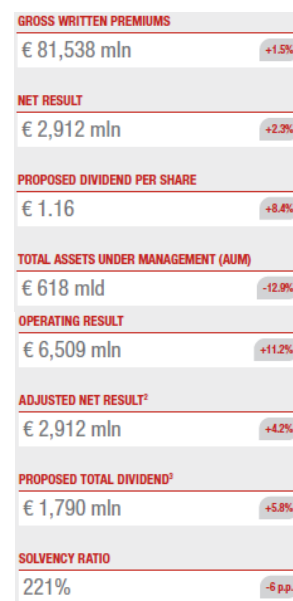
Property & Casualty (P&C) activities, which in 2022 financial year (FY) make up around 41% of total operating result (Figure 3), comprise a range of services that cover both motor and non-motor businesses. These include motor third-party liabilities, casualty, accident, and health insurance, as well as more specialized coverage for commercial and industrial risks, and complex plans for multinational corporations.

The Technical Result of the Property & Casualty segment decreased due to a higher Combined Ratio (proportion of incurred losses and expenses over earned premiums), which led to reduced profitability. However, the Investment Result increased, primarily due to higher current income. Additionally, the others category improved, mainly driven by Europ Assistance, a Group's subsidiary specialized in providing emergency support, medical services, and travel-related assistance, which saw a higher intermediation margin.

Asset Management which accounts for approximately 13% of total operating result (2022 FY), provides products and services to both Generali's insurance companies and external clients. The aim is to identify investment opportunities and sources of income while managing risks for all customers. The range of products offered includes equity and fixed-income instruments, as well as alternative products (Figure 6).

In the 2022 financial year, Asset Management's operating profit decreased by 9,6% yoy to 972 M€ (Figure 4), which was attributed to market volatility. Additionally, the cost-income ratio increased by 2 percentage points to 42.9%. However, the total

Figure 2. Group Highlights



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Table 2. Work Force

Number of employees	82 061 (+10%)
Number of agents	161 000 (-6,9%)

Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Table 3. Peers Overview

	Total Annual Gross Premiums	Assets Under Management	Geographic Presence (numb. of countries)
Generali	81.538M	504 B€	50
Allianz	94.160M	153 B€	>70
AXA	99.415	932 B€	51
Zurich	63.339M	232 B€	-

Source: Company's Websites, Author Analysis.

Figure 3. Segment's Indicators



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

amount of assets under management at the end of the 2022 FY was €504 billion euros (B€).

2.2 Key drivers of demand and profitability

In what concerns to macro trends, we can correlate the increase in insurance subscriptions with the GDP of a country and the disposable income of its inhabitants (Figure 4). A more developed country has a higher rate of insured assets than a less developed country. Another factor is the conscientization of possible risks like deterioration of air quality, possible pandemics or catastrophes that will boost the subscription of insurance to cover that specific risks.

A more specific driver of demand is specific legislation like what happens for car insurance and property and casualty that makes mandatory an insurance contract.

Regarding the main drivers of profitability, we can divide them as two that are more related with the technical side of the operation of an insurance company (Underwriting margins and channel of distribution) and other that relates more with the general performance of the group (Investment Results/Capital Management).

Underwriting margins are the main booster of profitability. It's the return yield by the difference between the premiums received and the claims paid to the policyholders. The main indicator of profitability is the Combined Ratio (Figure 5). The company reported a strong combined ratio for FY2022, 93,2% compared to 90,8% in FY2021. A combined ratio above 100% indicates that the company is paying out more in claims and expenses than it is receiving in premiums, potentially resulting in an underwriting loss. It was due to the negative evolution in loss ratio. In this case, an increase in the combined ratio from 90.8% to 93.2% suggests a deterioration in the company's underwriting performance.

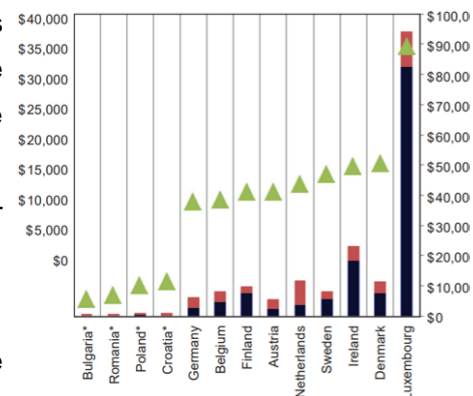
It reported loss ratio of 64,6% in FY2022 compared to 62,6% in FY2021, indicates that a higher proportion of the premiums collected is being paid out as claims, which also reflected the impact of hyperinflation in Argentina. Excluding this country, the Combined Ratio would have been 92,6% (90,4% FY2021).

The company was able to maintain its combined ratio below 100% in major geographies, where it has a presence. The combined ratio below 100% was primarily due to its prudent reserving approach, which are critical in making underwriting profit.

Distribution channels and the costs resulting from them are also a key topic for an insurance company since each type of channel requires a different investment.

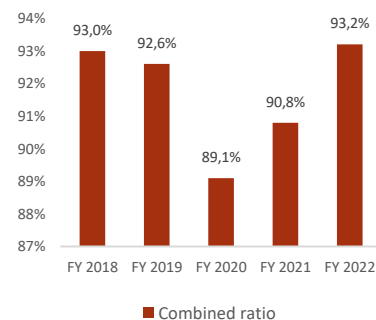
Generali distributes its products and services through agents, financial advisors, brokers, banking partnerships and direct channels, which means, based on a multi-channel strategy, while also relying on new technologies.

Figure 4. Relationship between GDP per capita and insurance



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Figure 5. Historic Combined ratio



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Investment results are another key driver of profitability and also their management (Figure 6).

Generali receives premiums from their customers to enter into insurance contracts. Those premiums are invested and must respect some regulatory requirements, like asset class limits, concentration limits, related party limits, foreign investment limits, liquidity requirements and risk-based capital limits, but also ESG criteria defined by the Group such as high-quality assets, with a particular attention to the impact that it may have on the environment and society.

Good capital management practices enable the company to meet regulatory capital requirements regarding its risk-weighted assets and to address stress tests. As of December 31st, the company's solvency ratio stood at 221% in FY2022 as compared to 227% in FY2021 (Figure 7).

This solvency ratio indicates that Generali has a strong financial position, with available capital 2.21 times its required capital. This high solvency ratio enhances the company's financial stability, risk capacity, and market confidence. It provides a competitive advantage, investment flexibility, and ensures compliance with regulatory requirements. The implications include a greater ability to withstand adverse events, meet policyholder obligations, pursue higher-return investments, and maintain a positive reputation in the market.

3. Management and ESG

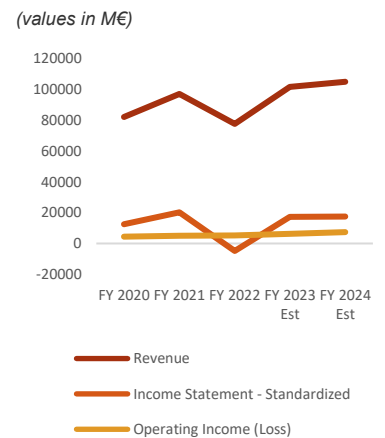
3.1 Company strategies

Generali is the market leader in Italy with a P&C market share of 20,2% and 19,4% in life, and with a solid base in Europe (table 4), where it wants to be leader in the retail sector, and is seeking to continue its growth, with a selective focus, on Asia and South America.

Generali operates based on three strategic pillars that define its approach to business and growth. These pillars are designed to ensure the company's continued success and relevance in the ever-evolving insurance industry.

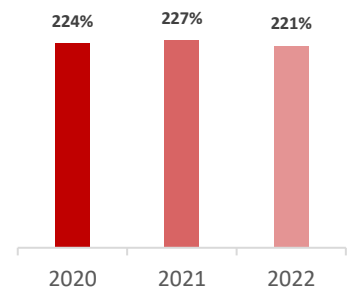
One of the company's strategic pillars is innovation and digital transformation. Generali is investing heavily in digital technologies to improve its customer experience, increase efficiency and reduce costs, becoming a truly agile, innovation-led, digitally enabled and data driven organization. The company has launched a number of initiatives, such as the "Generali Open Innovation" program, to collaborate with startups and other innovators in the Insurtech space. The company is also using data analytics and artificial intelligence to improve its risk management and pricing models.

Figure 6. Investment Income impact on Total Revenues and Operating Profit



Source: Own Estimates.

Figure 7. Solvency Ratio



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Table 4. Generali's Geographic Presence

Market Share Ranking by geography	
Italy	1st
Germany	3rd
France	8th
Austria	3rd
Hungary	2nd
Poland	6th
Czech Republic	2nd
Slovakia	3rd

Source: Company Website.

The second company's strategic pillar is: "Profitable growth in order to strengthen leadership in Europe". To do so, Generali has identified high-potential markets in Europe, such as Spain, Portugal, and Germany, where it plans to expand its business. The company also sees opportunities for growth in Asia and South America, where it aims to selectively enter markets with attractive growth prospects. In addition, Generali is developing a global asset management platform to capture opportunities in the wealth management and retirement markets.

The third company's strategic pillar regards to capital management and financial optimization. In this segment the main goals are generate strong capital returns and improve its cash remittance. The company has set a target of generating over €4 billion in free cash flow over the 2021-2024 period. Generali is also reducing its debt levels and optimizing its capital structure to improve its financial flexibility and reduce its cost of capital.

One of the drivers, to achieve these goals stated by the strategic pillars, and boost the existing offer, is Mergers and Acquisitions (M&A) transactions and partnerships. Those are ruled by pre-defined rigorous and disciplined criteria with a clear objective of enhance the leadership position in Europe and in selected high potential markets

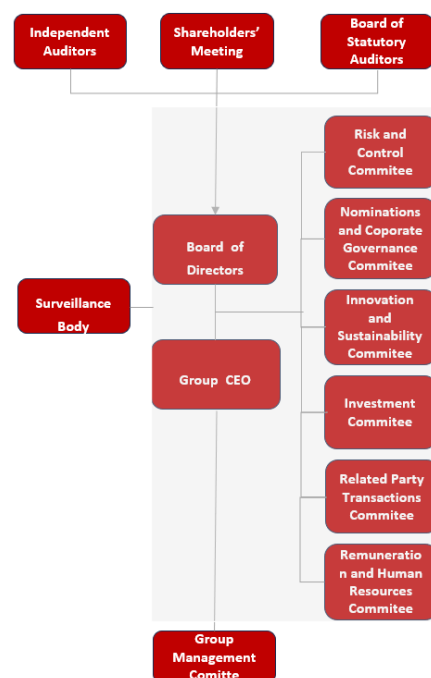
3.2 Governance

Assicurazioni Generali is one of the largest insurance companies in the world, with a long history and a strong reputation for its governance practices. The company has a clear and well-defined governance structure (Figure 8), which is designed to ensure that the interests of all stakeholders are protected and that the company operates in an ethical and responsible manner.

The governance structure of Assicurazioni Generali is based on a Board of Directors, which is responsible for setting the overall strategy and direction of the company. The Board is made up of a mix of executive and non-executive directors, with the majority being independent directors. The Board also has a number of committees, including an Audit Committee, a Remuneration Committee, and a Nomination and Corporate Governance Committee, which are responsible for overseeing specific areas of the company's operations.

This governance structure is designed to ensure that the company operates in a transparent and accountable manner. The company has established clear guidelines and policies for its directors and employees, including a Code of Ethics and a Code of Conduct, which set out the standards of behavior that are expected of all employees.

Figure 8. Governance Structure



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Assicurazioni Generali also has a strong commitment to sustainability and social responsibility. The company has established a Sustainability Committee, which is responsible for overseeing the company's environmental, social, and governance (ESG) initiatives. The company also publishes an annual Sustainability Report, which provides stakeholders with a detailed overview of its ESG performance.

Overall, Assicurazioni Generali's governance structure is designed to ensure that the company operates in a responsible and sustainable manner, and that the interests of all stakeholders are protected. The company's commitment to transparency, accountability, and social responsibility is reflected in its strong governance practices, which have helped to establish it as one of the most trusted and respected insurance companies in the world.

As of the end of the year 2022(YE), 97% of Generali shares were held in free float. The structure analysis (Figure 9) indicates 4 main investors with close to 34% share, a weight of 30,94% being other Institutional Investors with individual shares under 3%, 23,06% Retail Shareholders and the remaining shares held by Other investors. 65% of the the ownership is from investors from Italy (Figure 10).

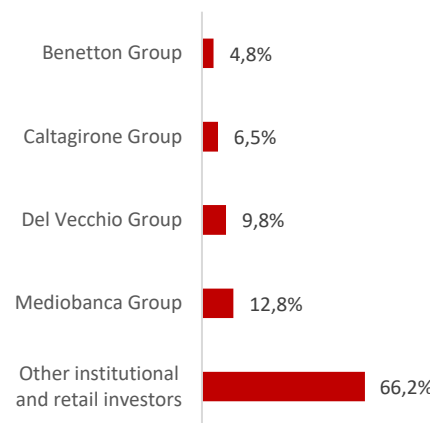
Philippe Donnet is the current Group CEO of Assicurazioni Generali S.p.A., having taken up the role in March 2016. He was born in France in 1959 and holds a degree in law from the University of Paris as well as an MBA from the ESSEC Business School.

Donnet has a long and distinguished career in the insurance industry, having worked for some of the biggest companies in the sector. Prior to joining Generali, he worked at AXA for more than 25 years, holding a variety of senior management positions in both Europe and Asia.

In 2006, Donnet was appointed CEO of AXA Japan, where he was credited with successfully turning around the business and improving its financial performance. He then went on to serve as CEO of AXA Asia from 2010 to 2015, where he oversaw the company's operations in a number of fast-growing markets, including China, India, and Indonesia.

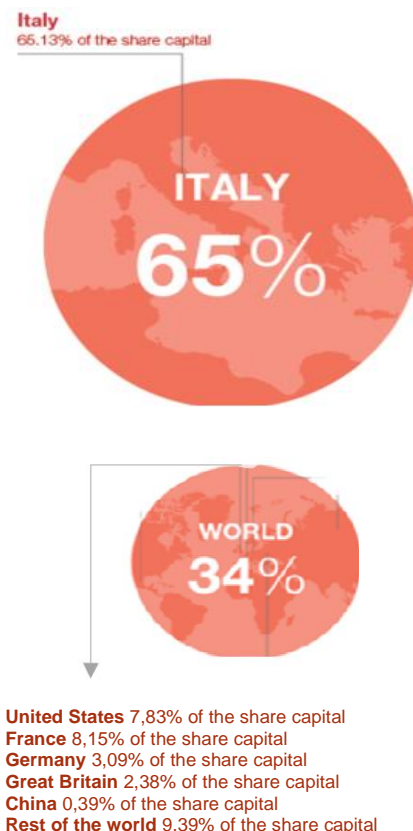
Since taking up the role of Group CEO at Assicurazioni Generali, Donnet has focused on strengthening the company's core insurance business, improving efficiency, and driving growth in key markets. He has also been a vocal advocate for sustainability and social responsibility and has made it a priority for the company to play a leading role in addressing these themes that are some of the biggest challenges that society faces these days.

Figure 9. Shareholders Structure



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Figure 10. Geographic Breakdown



Source: Annual Integrated Report and Consolidated Financial Statements 2022.

Under Donnet's leadership, Assicurazioni Generali has continued to grow and expand its global footprint, while maintaining a strong focus on corporate governance and responsible business practices. His deep knowledge of the insurance industry and his strong leadership skills have helped to establish him as one of the most respected and influential Figures in the sector today.

3.3 Shareholders dispute

Philippe Donnet defends his strategy against a group of investors trying to overthrow him.

These shareholders, that have been increasing their voting rights, expressed his disagreement with the group's strategy, in particular the M&A strategy, claiming that the company missed opportunities to growth and deliver results in the previous years and will continue to do so.

As result, ex-Goldman Sachs banker Claudio Costamagna, runned for the role of chairman under Caltagirone's proposal (the second-largest shareholder), at the Annual General Metting (AGM) on April 29th 2022.

After a contentious governance dispute involving a faction of dissenting investors that has held corporate Italy in its grip for several months, the list of directors proposed by Donnet and the board and supported by the company's largest shareholder, Italian merchant bank Mediobanca, was backed by 56 per cent of the votes at the company's annual meeting.

This Result was seen as a further token of confidence in the management team and the three-year strategy.

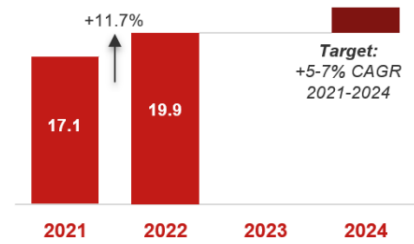
3.4 ESG

Assicurazioni Generali has made significant progress in improving its ESG performance over the years. The company has focused on a number of key areas, including shareholder engagement, reducing emissions, supporting the community, and responsible investment (Figure 11).

Generali has been engaging with its shareholders to ensure that their interests are aligned with the company's long-term strategy. This includes increased transparency and disclosure, as well as regular communication and engagement with shareholders to understand their concerns and priorities.

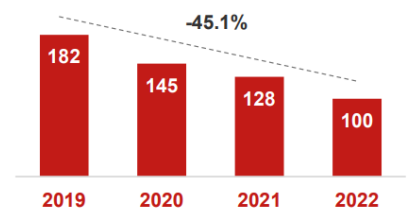
As a responsible insurer, the company has also been working to reduce its carbon footprint and improve its environmental performance (Figure 12). This includes measures such as reducing energy consumption in its buildings and investing in renewable energy sources. The company has set a target to reduce its CO2

Figure 11. Products with ESG Components € bn



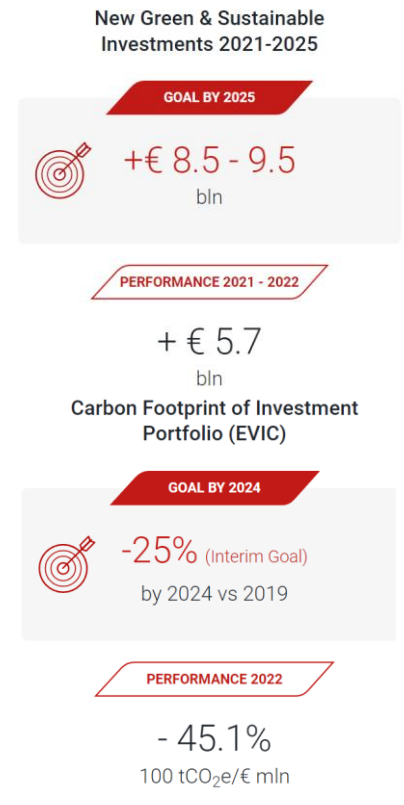
Source: ESG Investor Presentation 2023.

Figure 12. Portfolio Carbon Intensity (EVIC) per € m invested.



Source: ESG Investor Presentation 2023.

Figure 13. Key Responsible Investor Targets



Source: Esg Investor Presentation 2023

emissions by 30% by 2025, compared to 2019 levels and also to grow Gross Direct Written Premiums Insurance Solutions with ESG Components between 2021 and 2024 at a 5 to 7% CAGR.

As a responsible citizen, has been actively engaged in supporting the communities in which it operates. This includes initiatives such as supporting education, promoting diversity and inclusion, and contributing to local economic development.

As a responsible investor has been focusing on incorporating ESG factors into its investment decision-making process. The company has also set targets to increase its investments in sustainable assets, such as renewable energy, green bonds, and sustainable infrastructure (Figure 13 and 14).

As a result of these efforts, the company's ratings in ESG performance have improved, and it has been included in several important international sustainability indices. For example, as of May 24th, 2023, Generali was ranked at AA Leader Rating by MSCI, and was a constituent of both the DJSI Europe and World indices, with a percentile rank of 98th (Figure 15).

In addition, Generali has been ranked highly in Refinitiv's ESG Company Scores, where it is currently ranked as the top 2 among insurance companies. This is a testament to the company's ongoing commitment to sustainability and responsible business practices.

Overall, Generali's improving ESG performance is a positive development for the company, its shareholders, and its stakeholders. By prioritizing sustainability and responsible business practices, Generali is helping to ensure a more sustainable future for both the company and society as a whole.

4. Industry Overview and Competitive Positioning

4.1 Macroeconomic indicators

The global economy continues to face challenges as it emerges from the COVID-19 pandemic, and recent developments in the banking sector have added to concerns. The year 2022 has seen significant volatility in the markets, as well as geopolitical tensions and disruptions to global supply chains.

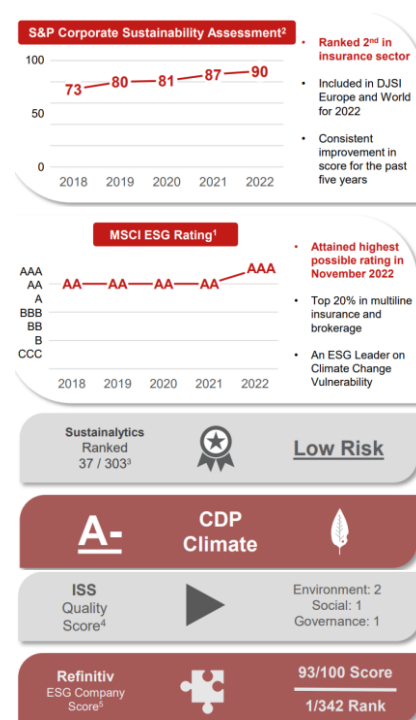
One key development has been the bankruptcy of two regional banks in the US and the slowdown of Credit Suisse, one of the largest banks in Switzerland. This has

Figure 14. Key Responsible Investor Targets



Source: Esg Investor Presentation 2023

Figure 15. Key ESG Ratings



Source: Esg Investor Presentation 2023

raised fears about the stability of the banking system more broadly and has contributed to increased uncertainty in financial markets. Despite of these events and triggered by high interest rates, due to their strong capital positions, insurance companies have remained resilient in the face of the disturbances.

In addition to these concerns, central banks around the world are continuing to tighten monetary policy in response to rising inflation. The Federal Reserve has raised the FED funds rate to a range of 5,25% to 5,50% as of September 2023, with possibly one more rate hike expected in the coming months. In Europe, interest rates remain lower (4,50% and 4,75% as of September 2023) but there is also the expectation of one more possible hike over the next few months (Figure 16).

Despite these efforts, the global economy is expected to experience a slowdown in the coming years (Figure 17). According with OECD data, global GDP growth is forecasted to slow from 6,0% in 2021 to 3,6% in 2022, to 2,7% in 2023, with a modest pick-up to 2,9% in 2024. This reflects a combination of factors, including disruptions to supply chains, ongoing geopolitical tensions, and the impact of tighter monetary policy.

The last data available support the expectation that inflation will drop further over the remainder of the year but will stay above 2% target for an extended period. While some measures show signs of easing, underlying inflation remains high overall.

Regarding headline consumer price inflation in the major advanced economies is expected to moderate from 6.3% in 2022 to around 3.5% in 2023 and 2.5% in 2024 (OECD data, Figure 18). However, the pace of decline will depend on a variety of factors, including energy prices, which continue to be volatile.

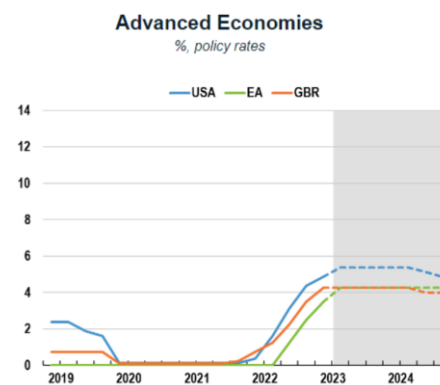
Overall, global economic growth has been stronger than anticipated so far this year, however global economy continues to face significant challenges as it navigates the post-pandemic era and is expected a slowdown for the second half of the year. The fears about the stability of the banking system have added to the uncertainty, while central banks continue to grapple with rising inflation and the need to tighten monetary policy. As the situation evolves, policymakers and investors will be closely monitoring macroeconomic indicators and trends to identify opportunities and mitigate risks.

4.2 Evolution of insurance

4.2.1 Performance Overview

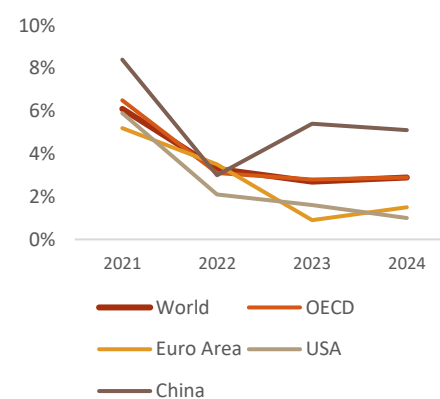
In 2022, the global insurance industry demonstrated remarkable resilience, with total global premiums reaching an impressive €5.6 trillion. The life insurance segment maintained its position as the largest, accounting for 2.6 trillion euros, surpassing

Figure 16. Policy rates



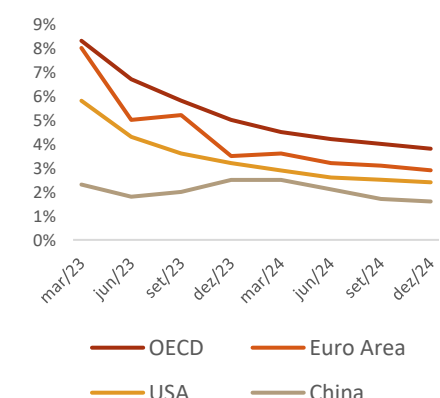
Source: OECD Interim Economic Outlook 113 database.

Figure 17. Forecast GDP Growth (%)



Source: OECD

Figure 18. Forecasted Inflation per Region



Source: OECD

both property and casualty insurance at 1.8 trillion euros and health insurance at 1.1 trillion euros. billion euros, marking a historic high. Year-over-year growth is estimated at +4.9%, in line with the average growth rate observed over the past decade (Compound Annual Growth Rate - CAGR 2012-2022: +5.0%).

However, a notable trend has emerged over the past two decades: While economies have grown significantly, insurance premiums have not kept pace, suggesting insurers have not grown at the same rate as the economies in which they operate. Specifically, in the United States and Europe, nominal GDP grew at a compound annual growth rate (CAGR) of 4% over the past 20 years, while insurance premiums increased at a CAGR of only 2%. In contrast, in Asia (excluding Japan), economies grew at a remarkable CAGR of 10 percent, but premiums grew at a slower CAGR of 3 percent.

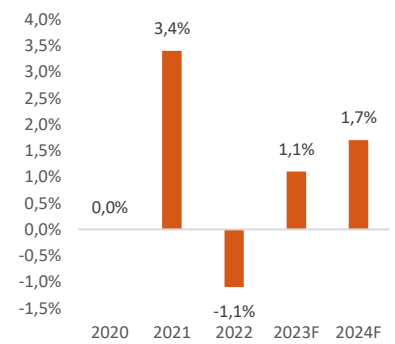
During 2022, gross written premiums witnessed nominal growth of 4.8% in the life sector and an impressive 11.1% in the non-life sector on average. However, due to the surge in inflation across most countries during that year, total gross written premiums, in real terms, contracted by 1,1% (Figure 19), mainly influenced by the 3,1% reduction in the life sector (Figure 20) and minimized by the 0,5% growth in the non-life sector (Figure 21).

The surge in property and casualty (P&C) business in the previous year was a global phenomenon, with North America, particularly the US, leading the way. The US alone contributed over half of the global increase in P&C premiums, amounting to almost EUR77.5 billion. By 2022, the US property and casualty insurance market will reach an estimated €802 billion, representing annual growth of nearly +10% (CAGR 2012-2022: +5.4%) and secured a significant global market share of nearly 45% (Appendix 10).

In Europe, the P&C business saw an impressive +4.0% year-over-year increase, marking the largest annual increase since 2017. This growth brought an additional 15.3 billion euros, although significantly lower than in the United States. Following global trends, premium growth in Europe has accelerated, slightly exceeding the previous year's growth (+3.9% in 2021) and significantly exceeding the average annual growth rate of the previous decade (CAGR 2012-2022: +2.5%). While premium growth in Germany (+4.0%) is on par with the regional average, smaller markets such as Austria (+6.7%), Greece (+6.5%), and Portugal (+6.4%) showed growth higher than the regional average. Western Europe's contribution to global insurance premiums stands at around 22% at the end of 2022 (397 billion euros).

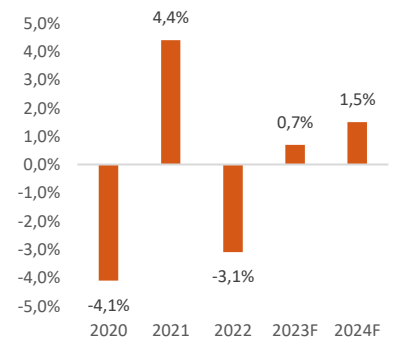
The property and casualty insurance market in Asia has also presented a strong growth from +1.6% in 2021 to +8.4% last year, exceeding the long-term average (CAGR 2012-2022: +6.7%). The restoration of normal growth in Asia was mainly driven by the recovery of the Chinese market, which contributed 12.2 billion euros in premiums, roughly equivalent to Western Europe. Additionally, the rest of Asia

Figure 19. Total Real premium growth, 2020–2024F



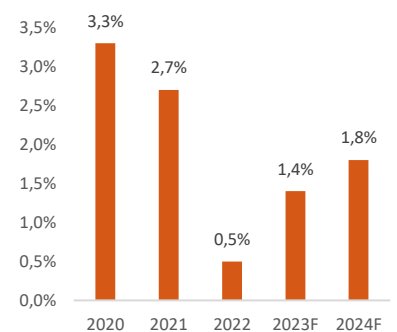
Source: Swiss Re Institute.

Figure 20. Life Real premium growth, 2020–2024F



Source: Swiss Re Institute.

Figure 21. Non-Life Real premium growth, 2020–2024F



Source: Swiss Re Institute.

(excluding Japan) added an additional 16.5 billion euros in premiums, highlighting the region's importance to the global insurance industry. In 2022, P&C revenue in Asia will amount to nearly 403 billion euros, representing a global market share of just under 22%. Thus, for the first time, the entire Asian region has surpassed Western Europe in terms of property and casualty insurance premiums.

4.2.2 Global and Projections

According with the latest Research Paper presented by Swiss Re Institute, it's expected a modest growth of 0.7% in real terms (4.6% nominal) for global life premiums in 2023 (table 5), reaching approximately USD 2.9 trillion by year-end. This follows a 3.1% contraction in the market during 2022 due to high inflation eroding consumer savings and nominal premium growth. Looking ahead to 2024, it's anticipated a 1.5% increase in premiums.

Regarding Non-Life premiums after a year of modest growth (0,4%), it's expected a robust growth of 1,4% in real terms in 2023, the following year is also expected the continuation of this increasing trend with a 1,8% real growth rate (Table 6).

The initiation and rapid advancement of the interest rate hiking cycle last year have significantly bolstered profitability within the sector. Presently, escalating wages and interest rates in advanced markets are generating favourable market conditions and enhancing profitability. Notably, new demand pools are emerging in Hong Kong as a result of China's reopening.

The heightened interest rate environment is bringing about favourable conditions for the annuity business and pension risk transfer deals, particularly in the US and UK, benefiting from increased crediting rates and funding ratios. It's anticipated that these developments will counterbalance challenges stemming from persistently high inflation rates. While credit and lapse risks remain contained for now, they present a potential downside risk to sector profitability.

This year's projected premium growth falls below the 1.4% annual average (in real terms) observed during the period of 2012-2021. This estimation is predicated on the anticipation of a slowdown across advanced markets. Notable factors contributing to this outlook include high base effects from 2022 in North America, ongoing elevated inflation in western Europe, and regulatory challenges in advanced Asia-Pacific (APAC). Conversely, factors such as nominal wage growth, rising interest rates, and the increasing size of pension de-risking deals in both the US and the UK are expected to mitigate the impact.

In the case of emerging markets, it's anticipated a growth of approximately 4.2% in premiums for 2023, slightly below the historical annual average of 6%. This growth

Table 5. Life insurance premiums growth forecast

	2023F	2024F
world	0,7%	1,5%
US	-0,2%	-1,3%
Europe	-0,8%	1,2%
Advanced Asia	-0,1%	1,6%
Emerging Asia (excluding China)	6,9%	6,7%
China	4,0%	4,7%

Source: Swiss Re Institute.

Table 6. Non-Life insurance premiums growth forecast

	2023F	2024F
world	1,4%	1,8%
US	0,7%	0,8%
Europe	0,9%	2,1%
Advanced Asia	1,5%	2,4%
Emerging Asia (excluding China)	5,8%	6,7%
China	6,8%	5,8%

Source: Swiss Re Institute.

is projected to strengthen to 4.8% in 2024. The trajectory is influenced by a combination of factors, including rising aggregate nominal wages and a more optimistic outlook for economic growth.

4.2.3 Regulatory changes

Solvency II is a set of regulatory requirements that aim to improve the solvency and financial stability of insurance companies operating in the European Union. It has had a significant impact on the insurance sector since it came into effect in 2016.

One of the key impacts of Solvency II has been the increased capital requirements for insurers. Insurers now must hold more capital to cover potential losses and risks, which has led to a more conservative approach to investments and a focus on risk management.

Solvency II has also led to more standardized and transparent reporting requirements, which has improved the quality and comparability of financial information across the insurance sector. This has increased market discipline and made it easier for regulators to monitor and intervene in the event of financial instability.

Overall, Solvency II has helped to strengthen the financial resilience of the insurance sector, but it has also increased compliance costs and administrative burden for insurers. As a result, some smaller insurers have struggled to meet the requirements, leading to consolidation and a more concentrated market.

4.3 Demand and supply

4.3.1 Demand drivers

There are several main demand drivers of the insurance industry, which include:

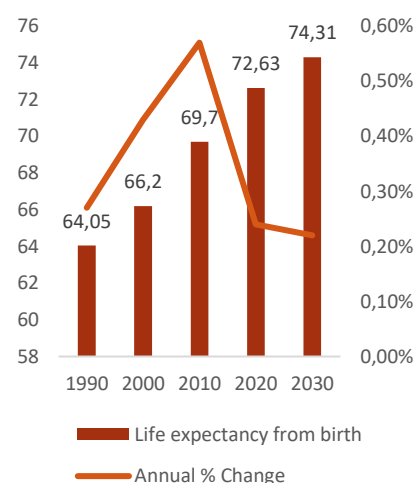
Protection against risk: Insurance policies are designed to protect individuals and businesses from financial losses due to unexpected events such as accidents, illnesses, natural disasters, or death. The need for protection against risk is a major driver of demand for insurance.

Legal requirements: Some types of insurance are required by law, such as car insurance or workers' compensation insurance. This creates a demand for these types of insurance policies.

Regulatory requirements: In addition to legal requirements, insurance companies are subject to various regulatory requirements, such as solvency requirements, reserve requirements, and compliance with consumer protection laws. These requirements can drive demand for insurance by promoting consumer confidence in the industry and ensuring that insurers are financially stable and able to pay claims.

Demographic changes: Demographic changes, such as aging populations (Figure 22) and changing family structures, can also drive demand for insurance. For

Figure 22. World Population Life Expectancy (years)



Source: United Nations - World Population Prospects.

example, as people age, they may need more life insurance, health insurance, and long-term care insurance. Similarly, changes in family structures may create a need for new insurance products, such as domestic partner insurance.

Growth of emerging markets: As emerging markets continue to develop, there is an increasing demand for insurance products. This is due to rising incomes, growing awareness of insurance, and the need to protect assets and businesses in these markets.

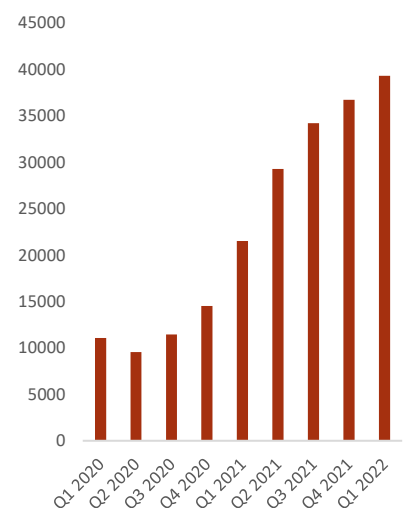
Technological advances: Technological advances have the potential to both disrupt and drive demand for insurance. For example, the rise of autonomous vehicles may lead to new types of insurance products to cover the risks associated with these vehicles. Similarly, advances in data analytics may allow insurers to better predict and price risks, leading to more tailored and affordable insurance products. Cybercrimes are also other factor that is influenced by Technological advances, by one side there are more and more new types of cyber-attacks, by the other side insurers are even more aware of that and investing and creating new tools to fight that (Figure 23).

Globalization: As companies and individuals become increasingly globalized, the demand for insurance products that cover international risks and liabilities is also likely to increase. This includes products such as international health insurance, global liability insurance, and political risk insurance.

Economic conditions: Economic conditions such as interest rates, inflation, and unemployment can also impact the demand for insurance. Insurance companies invest the premiums they receive from policyholders to generate income. In a high-interest-rate environment, the returns on these investments can be higher, leading to increased investment income. This can positively impact the company's bottom line and help offset underwriting losses. Higher interest rates can lead to improved profitability for insurance companies, especially those offering products with longer-term commitments, such as life insurance and annuities. These products often have fixed interest rate guarantees, and when interest rates rise, the company's liabilities (the future payout obligations) become less costly relative to their investment income. Similarly, high levels of unemployment may lead to a decrease in demand for certain types of insurance, such as life insurance or disability insurance.

Overall, the demand for insurance is driven by a complex set of factors, including legal requirements, demographic changes, technological advances, economic conditions, and regulatory requirements. As these factors continue to evolve, the insurance industry will need to adapt in order to meet the changing needs of consumers and businesses.

Figure 23. Cybersecurity-related jobs in insurance companies



Source: GlobalData's Cybersecurity in Insurance report.

4.3.2 Supply

Competition: Competition is a key driver of supply in the insurance industry. Insurers compete on several factors such as pricing, coverage, customer service, brand recognition, and innovation to attract and retain customers. For instance, an insurer may offer discounts or loyalty programs to retain existing customers or to attract new ones. To stay competitive, insurers also focus on improving customer experience, leveraging digital technologies to simplify policy administration and claims handling.

Innovation: Insurance companies invest heavily in research and development to create new products and services that cater to changing customer needs. The introduction of usage-based insurance, pay-as-you-drive insurance, and telematics-enabled policies are examples of innovation in the auto insurance industry. Similarly, insurance providers are developing new cyber insurance products to cater to the increasing cyber risks faced by individuals and businesses.

Regulation: Insurance companies are heavily regulated to ensure they remain financially stable and meet their obligations to policyholders. Regulations set standards for solvency, capitalization, and risk management, which can influence the supply of insurance products. Insurers must comply with these regulations, which may require them to hold a minimum amount of capital, maintain adequate reserves, and conduct stress testing to assess the impact of adverse scenarios on their financial position.

Investment returns: Investment income is an important driver of supply in the insurance industry. Insurance companies invest premiums received from policyholders to generate returns that can be used to pay out claims and earn profits. Insurers carefully manage their investments, often in low-risk assets such as bonds and stocks, to ensure they generate sufficient returns while minimizing risk.

Reinsurance: Reinsurance is a critical driver of supply in the insurance industry, as it allows insurers to take on more risk than they would be able to without reinsurance. Reinsurance companies provide insurance to insurers, spreading risk across a wider pool of policyholders and protecting insurers from catastrophic losses. Insurers use reinsurance to manage their exposure to large risks, such as natural disasters, and to comply with regulatory requirements.

Distribution channels: Insurers use multiple distribution channels to reach customers, including agents, brokers, and online platforms. The effectiveness and efficiency of these distribution channels can impact the availability and cost of insurance products. Insurers may use a direct-to-consumer model, where customers buy insurance directly from the insurer, or a broker model, where customers use a broker to buy insurance from multiple insurers. The use of digital technologies is also transforming insurance distribution, allowing insurers to reach customers more efficiently and effectively.

Overall, the supply of insurance is influenced by multiple factors, including competition, innovation, regulation, investment returns, reinsurance, and distribution channels. Insurers must carefully manage these drivers to ensure they provide affordable, high-quality products while remaining financially stable and able to pay out claims.

4.4 Mergers & Acquisitions

Leading players acquired a strong presence in the market through a diversified product portfolio and the accumulation of various distinctions. M&A activity is also prevalent among players in the industry, enabling them to boost their market position by enlarging their network, broadening their product offering and reach. Moreover, companies with a more targeted approach outperform those that focus simply on scale. This means that insurers and consolidators should aim for scale while focusing on acquiring portfolios that fit their own strengths or that can help them build the skills needed to improve efficiency.

On a global scale, the number of deals experienced a 33.3% increase from 2016 to 2021 (Figure 24). However, in 2023, the prevailing global instability in both economic and political domains is anticipated to exert a restraining effect, potentially leading to a reduction in the volume of cross-border deals. However, persistent high inflation is pressuring nonlife insurers profitability, hindering them to grow organically, which may prompt more carriers to expand via M&A.

In the life insurance segment, players across all regions are expected to continue to divest noncore portfolios of business to redirect funds and focus on core product offerings or upgrade technology capabilities. Also, life insurers challenged by legacy technologies may look to acquire or align with InsurTech companies to accelerate digitization.

In the concrete case of Generali, the company has reached an agreement with Liberty Mutual for the purchase of Liberty Seguros for €2.3 billion. That will allow strength P&C position in Spain (#4) and Portugal (#2) and entering Ireland and Northern Ireland (top 10 market share positioning). The three countries offer growth opportunities benefitting from lower insurance penetration than similar European markets.

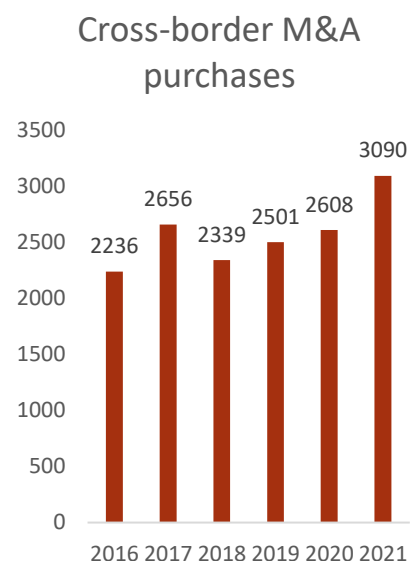
It's expected Liberty Seguros to contribute with € 1.2+ billion of predominantly P&C premiums through profitable and well capitalized multi-channel platform.

4.5 Trends

Some of the main trends in the insurance sector are:

Digital Transformation: Insurers are integrating digital technologies like artificial intelligence (AI), machine learning, and blockchain into their operations to enhance efficiency and introduce novel services. These technologies can help insurers

Figure 24. M&A Deals



Source: Statista, Own Analysis

automate processes, reduce costs, and provide more accurate risk assessments. Moreover, digital transformation empowers insurers to deliver a smoother customer journey, enabling customers to buy policies online, file claims using mobile applications, and stay informed with real-time updates on their claims.

Personalization: With the use of data analytics and AI, insurers are able to personalize their products and services to better meet individual customer needs. For example, insurers can use data from wearables or smart home devices to offer personalized health or home insurance policies. Additionally, insurers are using predictive analytics to assess risk more accurately and offer more personalized pricing for policies.

Usage-based Insurance: Usage-based insurance (UBI) allows insurers to offer policies that are priced based on usage data. For example, auto insurers can offer pay-as-you-drive policies that charge customers based on the distance they drive or pay-per-mile policies that charge customers based on the number of miles they drive. This pricing model allows insurers to offer more accurate pricing based on actual usage, and can lead to cost savings for customers who drive less.

Ecosystems: Insurers are partnering with other companies to create ecosystems that offer a range of services beyond insurance. For example, an insurer may partner with a health and wellness company to offer policyholders discounts on gym memberships or healthy meal delivery services. By offering these additional services, insurers can provide more value to customers and differentiate themselves from competitors.

Sustainability: Insurers are focusing on sustainability and climate change in a number of ways. Some insurers are incorporating environmental, social, and governance (ESG) factors into their investment decisions, while others are offering policies that promote sustainable practices or invest in renewable energy projects. Additionally, insurers are incorporating climate risk assessments into their underwriting processes to better understand and manage the risks associated with climate change.

Overall, these trends are driven by a desire to provide better services and experiences to customers, while also leveraging technology and innovation to improve efficiency and manage risk more effectively.

4.6 Competitive positioning

4.6.1 Peers Analysis

When evaluating whether a company is over- or undervalued, analysts typically compare it to other companies in the same industry sector. This approach assumes that industry peers share similar economic characteristics in terms of profitability, growth, and risk. However, differences among companies in the same industry group

may mean that apparently comparable companies are actually dissimilar and may trade at permanently different valuations.

To address this issue, was used the SARD model (sum of absolute ranked differences) to better calibrate the comparable companies, using the five following variables (Appendix 8):

- (i) Return on equity (ROE) is used as a substitute for profitability.
- (ii) Net debt/EBIT (earnings before interest and taxes) is a surrogate for risk.
- (iii) Analysts consensus forecasts of earnings, to represent future growth.
- (iv) Market Capitalization, as a measure of size, to better characterize risk (Figure 25).
- (v) EBIT margin, that has been shown to be a significant determinant of the enterprise value (EV)/sales multiple.

Comparable companies are ranked according to the “least sum rank difference” across mentioned above five variables, which means they are chosen based on the similarity of their fundamentals to those of the target company. If a potential peer has a low SARD value, the potential peer and the target company can be viewed as similar for purposes of analyst valuations.

For the purpose of this analysis, was considered the top ten constituents of the Index STOXX® Europe 600 Insurance (Index composed by the constituents of Index STOXX® 600 and that is primary source of revenue is related with insurance) as the base case.

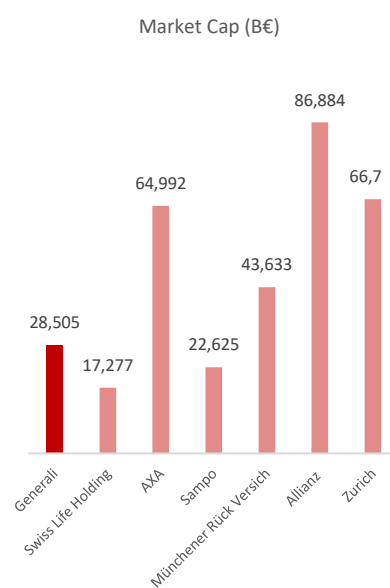
ased on the analysis, six companies were identified as the most similar peers to Generali. These companies are Swiss Life Holding, Axa, Sampo, Muenchener Rueckversicherung, Allianz, and Zurich Insurance Group (Appendix 8). It is worth noting that all of these companies operate in the EMEA, Latin America, North America, and APAC regions, providing similar services such as Property & Casualty Insurance, Health & Life Insurance, Savings Insurance, Asset Management, and Business Insurance.

Furthermore, these insurers primarily operate in Europe and exhibit combined ratios ranging from 82.1% to 96.7%. Additionally, they demonstrate robust solvency ratios falling between 201% and 265% (Table 7), surpassing the European Insurance and Occupational Pensions Authority's minimum requirement of 150%.

4.6.2 Porter’s 5 Forces

The evaluation of the insurance industry's competitive landscape and appeal was conducted using Porter's Five Forces. This model scrutinizes five critical forces that

Figure 25. Market Capitalization in billion €



Source: Public Market Data (06/04/2023)

Table 7. Peer's Indicators

Company	Combined Ratio	Solvency Ratio
Generali	93,2%	221%
Swiss Life Holding	-	215%
AXA	96,7%	215%
Sampo	82,1%	210%
Münchener Rück Versich	96,2%	260%
Allianz	94,2%	201%
Zurich	94,3%	265%

Source: Company's 2022 annual reports.

mold a company's competitive surroundings, providing a strategic comprehension of the industry's probable profitability and obstacles.

The following variables analyzed were Threat of New Entrants, Bargaining Power of Suppliers, Bargaining Power of Buyers, Threat of Substitutes and Competitive Rivalry that resulted in the output present in Figure 26.

Threat of New Entrants: The threat of new entrants into the insurance industry is relatively low. The insurance industry is highly regulated, which creates significant barriers to entry for new players. The capital requirements for entering the insurance industry are also high, which limits the number of potential entrants. Furthermore, the insurance industry is dominated by large established players, which have built a strong reputation and brand image over time. This makes it difficult for new entrants to establish themselves in the market and compete with established players.

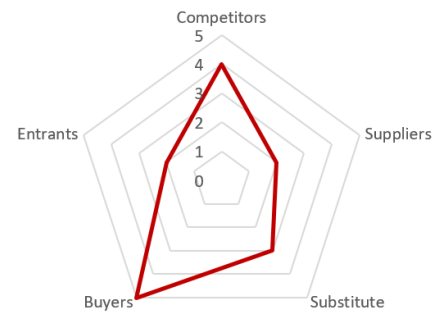
Bargaining Power of Suppliers: The bargaining power of suppliers is relatively low in the insurance industry. Insurance companies have a large pool of suppliers to choose from, including reinsurers, investment managers, and technology providers. Additionally, the products and services they require are generally standardized, which makes it difficult for suppliers to differentiate themselves or negotiate higher prices. The suppliers of insurance companies also rely heavily on insurance companies as their major clients, which limits their bargaining power.

Bargaining Power of Buyers: The bargaining power of buyers is high in the insurance industry. Customers have access to a wide range of insurance products and providers, which gives them significant bargaining power to negotiate prices and terms. Customers can also easily compare prices and coverage options, which increases their power. In addition, customers are becoming increasingly informed about their insurance needs and are demanding more customized products and services.

Threat of Substitutes: The threat of substitutes is moderate in the insurance industry. Customers have a wide range of options beyond traditional insurance products, such as self-insurance or using digital platforms for risk management. However, insurance is a highly regulated industry, which limits the availability and ease of substitution. Furthermore, insurance products are often required by law or contract, which further limits the ability of customers to substitute traditional insurance products.

Competitive Rivalry: The competitive rivalry in the insurance industry is high. There are many large and well-established players in the market, which creates intense

Figure 26. Porter's 5 forces



Source: Author's Estimates

competition for market share and profitability. Additionally, new insurtech companies are emerging, which can disrupt the market and increase competition. Established players in the industry must constantly adapt and innovate to maintain their competitive position and profitability.

Overall, the Porter's Five Forces analysis highlights the challenges and opportunities faced by Assicurazioni Generali in the insurance industry. The company operates in a highly competitive market, where customers have significant bargaining power and there are moderate threats of substitution. However, the company has a strong brand reputation and diversified product portfolio, which can help it to maintain its competitive position. Understanding and managing these forces is crucial for the company's long-term success in the market.

4.6.3 SWOT analysis

After one analysis to a more macro landscape, it was performed an assessment to the insurance industry's internal and external factors through a SWOT analysis. This analysis aims to provide insights into Generali's internal strengths and weaknesses, as well as external opportunities and threats, facilitating a comprehensive understanding of its position and potential in the industry (Figure 27).

Strengths:

Strong Brand: Assicurazioni Generali is a well-known brand with a long history of providing insurance services, which helps it to build trust with customers (Figure 28).

Diversified Product Portfolio: The company offers a wide range of insurance products including life, health, and property insurance, which helps to mitigate risks and provide stability to the company's earnings.

Global Presence: Assicurazioni Generali has a strong international presence with operations in more than 50 countries, which helps to diversify its revenue streams and reduce dependence on any one market.

Financial Strength: Assicurazioni Generali has a strong balance sheet with healthy financial ratios, which provides stability and flexibility to the company.

Weaknesses:

Dependence on Traditional Insurance Products: The company's product portfolio is heavily weighted towards traditional insurance products such as life and property insurance, which could leave it vulnerable to changes in consumer preferences or emerging competition in the market.

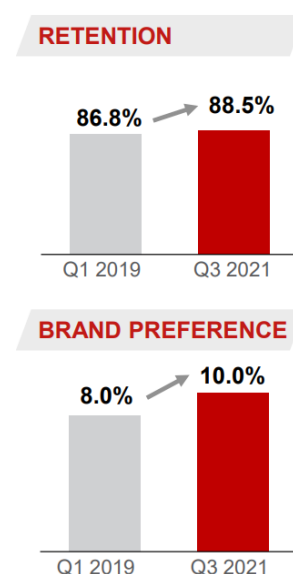
Low Digitalization: Assicurazioni Generali has been slow to adopt digital technologies, which could make it less competitive in the market and potentially lead to loss of market share.

Figure 27. SWOT Analysis

Strengths: Strong Brand Global Presence Financial Strength	Weaknesses: Low Digitalization Limited Growth
Opportunities: Digital Transformation New Insurance Products	Threats: Intense Competition Economic Uncertainty Regulatory Changes Natural Disasters

Source: Own Estimates

Figure 28. Strong Brand Data



Source: Investors Kit Q3 2021

Limited Growth Opportunities: The company operates mainly in a mature market, which could limit its growth opportunities and make it difficult to increase revenues.

Opportunities:

Digital Transformation: Assicurazioni Generali can leverage digital technologies to streamline its operations, improve customer experience, and increase efficiency.

Expansion in Emerging Markets: The company can expand its operations in emerging markets, which have a growing middle class and a high demand for insurance products.

New Insurance Products: Assicurazioni Generali can develop new insurance products to meet changing customer needs, such as cyber insurance, which is becoming increasingly important in the digital age.

Threats:

Intense Competition: The insurance market is highly competitive, with many large and well-established players, as well as emerging insurtech companies. This could put pressure on the company's profitability and market share.

Economic Uncertainty: Global economic conditions can impact the company's investments and revenues, and economic recessions can result in increased claims and higher underwriting risk (Figure 29).

Regulatory Changes: Changes in regulations, such as new capital requirements or tax laws, can impact the company's profitability and operations.

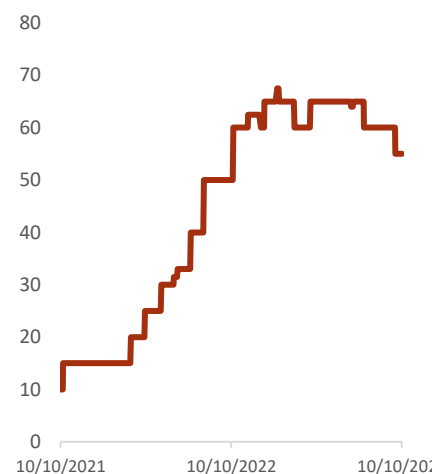
Natural Disasters: Assicurazioni Generali may face significant losses in the event of natural disasters, such as hurricanes, earthquakes, or floods, which could impact its financial stability.

Overall, Assicurazioni Generali has a strong brand, diversified product portfolio, and global presence. However, it faces challenges such as low digitalization and limited growth opportunities, as well as threats such as intense competition and economic uncertainty. The company has opportunities to leverage digital technologies, expand into emerging markets, and develop new insurance products to address these challenges and maintain its competitive position in the market.

5. Investment Summary

I's issued a Hold recommendation for Assicurazioni Generali, S.p.A. with a 2024YE price target of 19,62€/share using a DDM model, implying a 5,57% upside potential from the October 5th 2023 closing price of €18,59.

Figure 29. US recession probability Forecast (1Y)



Source: Bloomberg (ECRPUS 1Y Index), Author Analysis

The valuation, is based on an historical analysis of the periods between 2015 and 2022 and also forecasts until 2027. To support the DDM analysis, were used other valuation methods, namely Relative Valuation with multiples and Residual Income method (Table 8).

It's assessed as a medium risk recommendation, considering as main concerns the risk of increased market turmoil and financial market volatility, high inflation and its impact on claims costs, increasing interest rates and a possible economic growth slowdown. The valuation was also subject to sensitivity analysis to address its risk.

This recommendation is based on four main drivers: (1) resilient business model, (2) Interest rates inversion, (3) strong presence in growing markets and (4) being a well-capitalized company with a 2022 FY Solvency Ratio at 221%.

5.1.1 Resilient business model

Generali presents a robust and resilient business model.

Crosswise the P&C sector in global insurance industry, this segment volume of premiums and profitability is likely to continue the path improving notably in 2023. Continuing being the main source of growth for insurance companies (With a 1H 2023 increase of +10,6%, premiums for P&C written premiums worldwide outpaced health (+4,0%) and life insurance market growth (+2,4%)).

However, Generali has the largest exposure to P&C personal lines among continental European insurers, with close to 35% of gross written premium coming from retail motor (Table 9), has been pressured by rising costs of repair and replacement, and also high claims frequency as mobility patterns returned to normal after the pandemic, particularly in Italy.

In the case of, Generali's life segment, that represents around 45% of the company total revenues, is expected to generate strong and stable earnings. This segment is expected to benefit from strong new business margins in its main markets and new business profit growth. Given the majority of business is in unit-linked and traditional participating savings products, is expected profits to be relatively smooth and not subject to a large degree of investment market-related volatility.

5.1.2 Interest Rates Inversion

After a long period of negative interest rate policies, main Central Banks all over the world have been changing their strategies, turning the once negative risk-free rates into positive ones (Figure 30).

This change contributes to a much stronger investment result, as fixed-income portfolios gradually roll into higher yields in all major markets, and higher reinvestment rates. However, peak reinvestment yields are contingent on interest rate trajectories, and thus recession risks.

Table 8. Generali's Price Target

Current Price	18,59 €
Target Price DDM	19,62 €
Target Price Relative Valuation	20,49 €
Target Price Residual Income	20,07 €

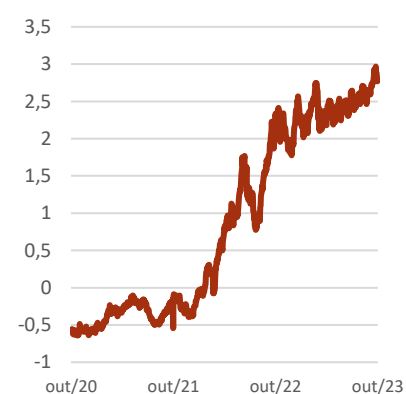
Source: Author Estimates

Table 9. Generali's Performance Highlights

	1H2022	1H2023	Var
Gross Written Premiums	14 487 €	16 349 €	10,6%
o/w Direct Premiums Motor	5 237 €	5 706 €	11,0%
o/w Direct Premiums Non-Motor	8 672 €	10 041 €	10,7%

Source: Company's 2023 semi-annual report

Figure 30. 10 years German Bund Yield (%)



Source: Bloomberg (GTDEM10Y Govt), Author Analysis

In the case of life segment, which presents portfolios with higher maturities, higher interest rates are positive due to higher interest rate income, although this effect builds slowly over time as the portfolios roll over. However, rising interest rates also expose insurers to a repricing of fixed-income securities.

For P&C segment, the fixed-income portfolio has fallen in value due to higher interest rates, especially for longer-dated securities. However, comparing with the life segment portfolio, these one has shorter duration, which lowers the negative impact of higher interest rates on the value of their asset holdings and hence their solvency positions and allows more immediate increases in income from higher interest rates.

5.1.3 Strong presence in growing markets

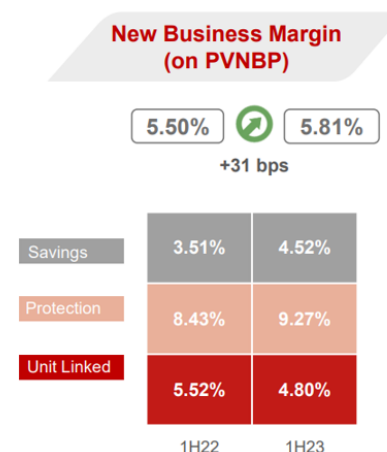
Generali has strategically positioned itself in fast-growing markets, tapping into opportunities presented by their robust economic growth and changing consumer demands. This proactive approach highlights Generali's agility in understanding and meeting the unique insurance needs of these regions, reinforcing its global standing, adaptability in a dynamic industry allowing a consistent increase in New Business Margins (Figure 31). Beyond his organic growth in these regions, in the past 12 months Generali has successfully completed the transaction to become the majority shareholder in its Indian Life insurance joint venture, the acquisition of AXA-Affin joint ventures in Malaysia and the purchase of 100% of MPI Generali and reinforces the European insurance leadership with the acquisition of Liberty Seguros from Liberty Mutual. That will allow strength P&C position in Spain (#4) and Portugal (#2) and entering Ireland and Northern Ireland (top 10 market share positioning). The three countries offer growth opportunities benefitting from lower insurance penetration than similar European markets.

5.1.4 Well capitalized company and aligned with its financial targets

Generali's strong Solvency II was supported by a strong contribution of the normalized capital generation and by the positive market variances. This ratio means that its exposure to Italian sovereign spread risk is manageable. However, Generali is unlikely to return excess capital to shareholders in the near term, due to its desire to focus on bolt-on M&A in the near term.

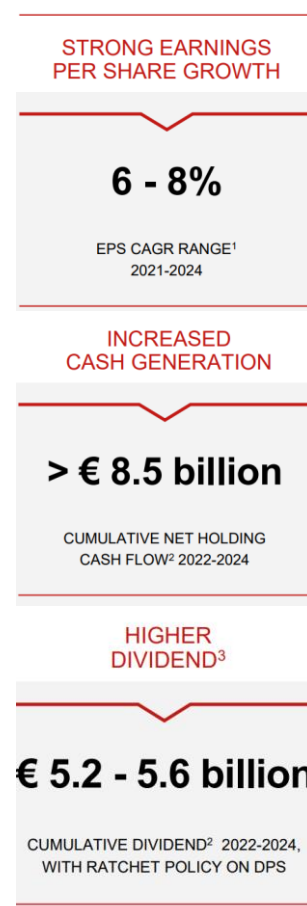
Generali reiterated its financial targets for a compound annual growth rate in earnings per share of 6-8% over 2021-24, net holding cash flow exceeding €8.5 billion and cumulative dividends to shareholders of 5,2-5,6 B€ over 2022-24 (Figure 32).

Figure 31. New Business Margin



Source: Generali's 2023 semi-annual report

Figure 32. Generali's Financial Targets



Source: Generali's 2023 semi-annual report

6. Valuation

6.1 Valuation Methods

To value Assicurazioni Generali, first was performed an historic analysis to the previous periods (2015 to 2022) Financial Statements (Appendices 1 to 4) and then was made assumptions (Appendix 5) in order to forecast the company's performance until 2027.

Then, was used Dividend Discount model (DDM) as the main valuation method while, Residual Income and relative valuation is further used to complement the main approach.

6.1.1 Cost of Equity Assumptions (Table 10)

The cost of equity used as the discount rate was calculated using the CAPM expression: $Re = Rf + CRP + \beta \times (Rm - Rf)$

The risk-free rate considered is the German Bund 10Y spot rate on the 2nd of October 2023 added by the Damodaran's Country Risk Premium for Italy. The beta is retrieved from Damodaran's database for levered betas. The Market risk premium used is also from Damodaran's database weighted for the proportion on total premiums (Appendix 6).

6.1.2 Dividend Discount Model

The use of the DDM is justified by the relatively constant payout ratio, excluding the impact from the Covid-19 pandemic, (Figure 35) of the company (64,71% in average) and also due to the fact of the company's reiterated goal to deliver a minimum cumulative dividend in the next two years of 5.2MM€.

From the DDM was retrieved a PT of 19,62€ per share, which implies a potential upside of 5,57% comparing to the closing price of October 5th (Appendix 7), resulting in an Hold recommendation.

6.1.3 Relative Valuation

For the relative valuation, first it was selected the peers, based on SARD model. The group of peers selected consists in the three main European competitors of Generali, that are Allianz, AXA and Zurich and also, Swiss Life Holding, Sampo, Münchener Rück Versich (Appendix 8).

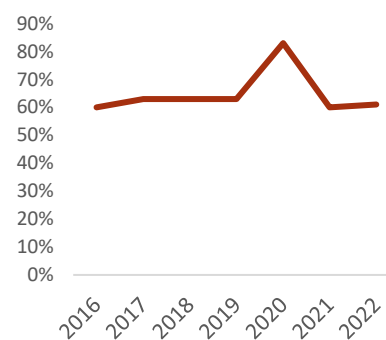
The valuation was performed through a regression model and using as main indicator the Price to Book (P/B) value and also the Price to Equity (P/E) (Table 11). For P/B, the variables used were Return on Equity and 5-year Monthly Beta, and for P/E, the variables used were CAGR of last 5 year EPS, Payout and 5 year Monthly Beta.

Table 10. Cost of Equity

Cost of Equity Assumptions	
Levered Beta	0,9445
Equity Risk Premium	9,73%
10Y German Bond	2,89%
CRP	2,11%
Cost of equity(CAPM)	14,07%

Source: Analyst Estimates

Figure 33. Generali Payout Ratio



Source: Generali's 2022 annual report

Table 11. Residual Income Price Target

P/E	P/B
9,05	7,20
R Square	R Square
76,70%	80,94%

Source: Analyst Estimates

From this method was obtained an average price target of 20,49€ that represents a potential upside of 10,2% comparing to the closing price of October 5th (Appendix 9). This method reinforces the result obtained from the base case recommendation.

6.1.4 Residual Income (Table 12)

To further support the recommendation, was performed the Residual Income valuation method. From this complementary method was yielded a 2024 YE PT of 20,07€ which implies a potential upside of 7,94% comparing to the closing price of October 5th (Appendix 10)

7. Financial Analysis

7.1 Profitability Ratios

Generali's Technical Result has been improving year after years due to a more favorable business mix, which enhanced technical profitability.

The Investment Result (investment income from managing Generali's investment portfolio), other crucial factor for the technical performance, also improved, supported by higher current income and positive reserving dynamics due to an increase in interest rates.

Having said that, margins are expected to increase slightly over the forecasted period main due to expected normalization of the expense ratio to the pre pandemic levels (Figure 34) but also, and mainly due to the big increase in return of investments that are expected to substantially increase fueled by the increase in the yields of the risk-free rate (Figure 35).

To conclude, the increase in the yield of the risk-free rate is expected to also contribute for the increase in the operating margin and Pretax Margin that are expected to increase from 5,22% in 2021 to 8,57% in 2027 and 4.72% to 8,05%, respectively (Figure 36).

7.2 Liquidity Ratios and Leverage

It is not expected that Generali will face any liquidity problems since the company, as the general case of the companies from insurance sector has a considerable amount of reserves namely due to the legislation in practice. As been said that, Generali as a solvency ratio above 200% and it's expected the continues in values similar to that in the foreseeable future.

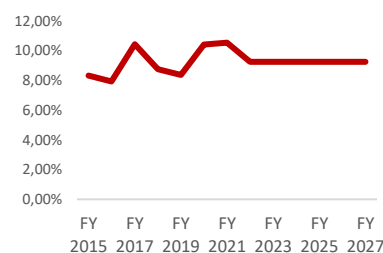
Regarding the financial position, in the previous years, Generali has been implementing a big deleveraging plan but that is expected to be completed and for the future the company is expected to maintain is current capital structure.

Table 12. Residual Income Price Target

Residual Income Assumptions	
Equity Invested	20 858 M€
PV of Equity Excess Return + Terminal Value	10 190 M€
Equity Value	31 049 M€
Number of Shares in Mn	1 547 M
Price Target	20,02€

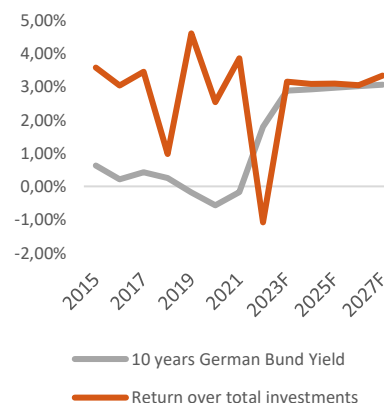
Source: Analyst Estimates

Figure 34. Generali Expense Ratio



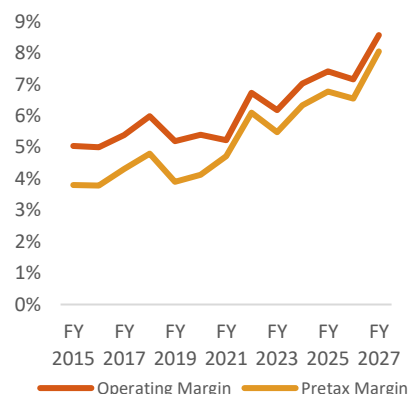
Source: Analyst Estimate

Figure 35. Generali Investment Return Spread



Source: Analyst Estimate

Figure 36. Generali Operating and Pretax Margins

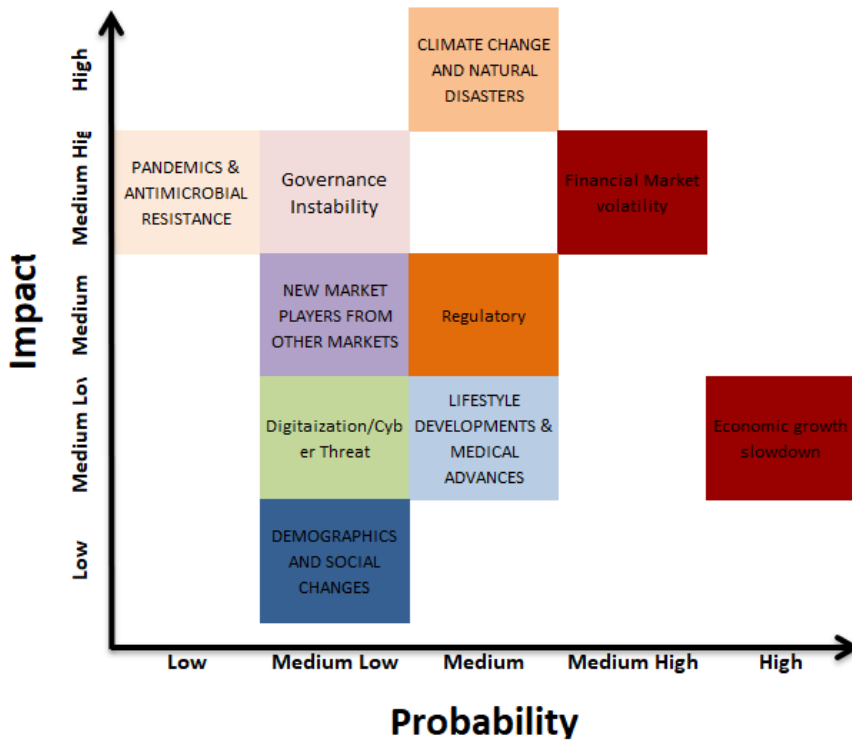


Source: Analyst Estimate

8. Investment Risks

8.1 Main Risks

Table 13. Risk Matrix



Source: Author Estimates

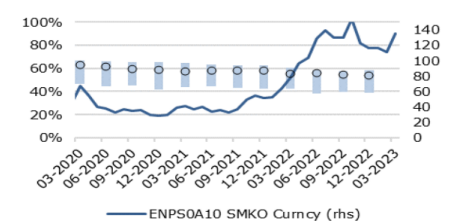
8.1.1 Geopolitical / Market Risk

As part of the insurance industry, once premiums are collected from policyholders, these funds are invested to safeguard against future claims. Consequently, a diverse range of assets must be invested in to support the business. In this context, the primary risks that emerge are:

Risk of increased market turmoil and financial market volatility (Figure 37, where we can see that the volatility in interest rates increased close to 130 basis points (bps) in the first quarter of 2023 while the median exposures to bonds slightly decreased to 53% of total assets in Q4-2022. In Figure 38, it's also possible to conclude that the volatility of equity prices slightly increased while the median exposures to equity grow to around 7% of total assets in Q4-2022); high inflation; Increasing interest rates; Economic growth slowdown; Pressure on supply chains and business interruptions; Geopolitical and trade tensions between US, Russia and China impacting global and European GDP; Mass migration issues in Europe putting at risk the common EU countries' vision; Conflicts, such as Russia's invasion of Ukraine, putting global stability and growth at risk

Generali is mainly exposed, as the whole insurance sector to risks arising from macroeconomics and financial markets.

Figure 37. Volatility in Investments in Bonds



Source: Eiopa

Figure 38. Volatility in Investments in Equity



Source: Eiopa

8.1.2 Digitalization/Cyber Threat

From the process of digital transition there are some risks arising such as Cyber threat of sensitive data theft; IT systems breakdown and connection interruption; Missed opportunity to develop new products or to leverage on new technologies; Evolving underwriting practices in digitalized environment to identify new insurable risks.

Whit a lower level of concern was identified risks as Demographics and Social Changes, Pandemics and Antimicrobial Resistance and also Entrants of New Market Players from Other Markets.

8.1.3 DEMOGRAPHICS AND SOCIAL CHANGES

Underwriting risks related to underestimating longevity risk, annuities' pricing; Risks related to healthy ageing and long-term care products (Figure 39); Risk of not having attractive products for new younger customers; Risk of decline of some relevant geographies' earnings growth in the mid-term due to negative demographic trends; Redefinition of geographical presence and portfolio balancing to capture demographic/social needs.

8.1.4 NEW MARKET PLAYERS FROM OTHER MARKETS

New players entering the insurance market, thus requiring the pursuit of a new positioning in the ecosystem; Brand management to be strengthened by working also on platform companies; Risk of market share loss and profitability over a long-term period in case of failure to compete with new market players.

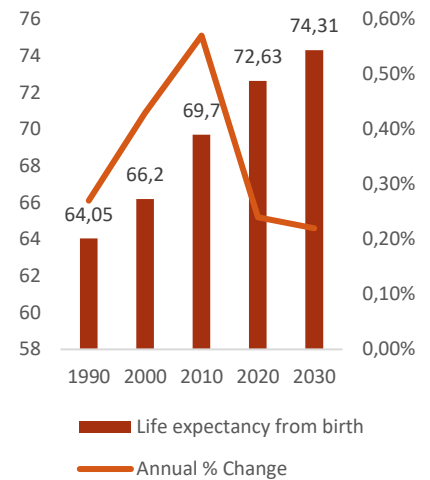
8.1.5 Legal and Regulatory Risk

Since the insurance industry is highly impacted by legal and regulatory shifts in both demand and supply sides must be performed a constant regulatory monitoring for both national as supranational, and to the identification of new regulatory trends that have affected, among other things the broad proposal for the revision of the Solvency II directive, the proposal for directive on crisis management of insurance and reinsurance companies and European regulation on the use of artificial Intelligence.

8.1.6 Climate Change Risk

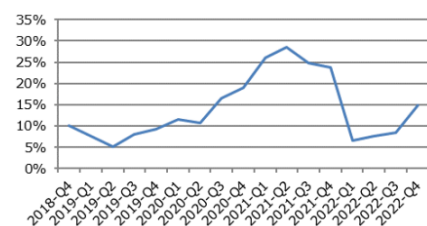
Catastrophic events resulting from climate change, such as tornadoes, heavy rainfall, earthquakes, volcanic eruptions, and others, are increasingly frequent. These events compel insurance companies and their experts to assess each potential claim and policy which implies operating costs even when claims are not covered (Figure 40). Since these events tend to affect populations at a massive level, sometimes there are not enough experts for those claims' evaluations, which can

Figure 39. Demographic Changes



Source: United Nations - World Population Prospects.

Figure 40. Catastrophe loss ratio



Source: Eiopa

lead to problems related to underwriting management, lawsuits, and even brand disreputation.

8.2 Sensitivity Analysis

To better weight the effects of each variable in the valuation and the main risks that the company faces, was performed scenario and sensitivity analysis.

When considering all the risks that the company may encounter, investing in Generali is associated with a medium level of risk. This level of risks results in the recommendation system outlined in Table 14.

The sensitivity analysis focused over the possible volatility in the net premiums earned Growth (Non-Life), Claims and Losses (Non-Life) and finally in the Risk-Free Rate and future Dividend Growth.

With a base case growth rate of 5.05% for Property & Casualty (P&C) net premiums, it is projected that a 100 basis points (bps) increase or decrease in this growth rate will correspondingly increase or decrease the price target (PT) by 0.09€. (Table 15). On the cost side, using as base case the Claims & Losses proportion of 64.04% for non-life premiums earned, a 1% increase or decrease in this proportion is expected to result in a corresponding increase or decrease of the price target (PT) by 0.73€.

Table 14. Recommendation System

Investment Recommendation	Threshold
Sell	-5% ≤
Reduce	>-5% & ≤5%
Neutral/Hold	>5% & ≤15%
Buy	>15% & ≤30%
Strong Buy	>30%

Source: Analyst Estimates

Table15. Pt Sensitivity to Net Premiums Earned Growth (Non-Life) and Claims and Losses (Non-Life)

		Claims and Losses (Non-Life)									
		60,04%	61,04%	62,04%	63,04%	64,04%	65,04%	66,04%	67,04%	68,04%	
Net Premiums Earned Growth (Non-Life)	1,05%	21,67 €	21,08 €	20,49 €	19,89 €	19,30 €	18,70 €	18,11 €	17,52 €	16,92 €	
	2,05%	21,87 €	21,25 €	20,62 €	20,00 €	19,38 €	18,75 €	18,13 €	17,50 €	16,88 €	
	3,05%	22,08 €	21,42 €	20,77 €	20,11 €	19,46 €	18,80 €	18,15 €	17,49 €	16,84 €	
	4,05%	22,29 €	21,60 €	20,91 €	20,23 €	19,54 €	18,85 €	18,16 €	17,48 €	16,79 €	
	5,05%	22,51 €	21,79 €	21,07 €	20,35 €	19,62 €	18,90 €	18,18 €	17,46 €	16,74 €	
	6,05%	22,74 €	21,98 €	21,23 €	20,47 €	19,71 €	18,96 €	18,20 €	17,45 €	16,69 €	
	7,05%	22,98 €	22,18 €	21,39 €	20,60 €	19,81 €	19,02 €	18,22 €	17,43 €	16,64 €	
	8,05%	23,22 €	22,39 €	21,56 €	20,73 €	19,90 €	19,07 €	18,24 €	17,41 €	16,58 €	
	9,05%	23,48 €	22,61 €	21,74 €	20,87 €	20,00 €	19,14 €	18,27 €	17,40 €	16,53 €	

Source: Author Analysis.

Regarding the risk-free rates, the base case assumes a spot rate of 2,86% as of October 2nd. If there's a 5 bps increase or decrease in this rate, it is estimated to result in a corresponding increase or decrease in the price target (PT) by 0,16€.

In terms of Future Dividend Growth, the base case entails a rate of 5,97%. If this rate experiences a 50 bps increase or decrease, it is anticipated to lead to a corresponding increase or decrease in the price target (PT) by 1,4€ (Table 16).

Table16. Pt Sensitivity to Risk-Free Rate and Future Dividend Growth

		future Growth									
		3,97%	4,47%	4,97%	5,47%	5,97%	6,47%	6,97%	7,47%	7,97%	
Risk-Free Rate	2,69%	15,86 €	16,79 €	17,82 €	18,97 €	20,26 €	21,73 €	23,42 €	25,37 €	27,64 €	
	2,74%	15,76 €	16,67 €	17,69 €	18,82 €	20,10 €	21,55 €	23,21 €	25,13 €	27,36 €	
	2,79%	15,65 €	16,55 €	17,56 €	18,68 €	19,94 €	21,37 €	23,00 €	24,89 €	27,09 €	
	2,84%	15,55 €	16,44 €	17,43 €	18,54 €	19,78 €	21,19 €	22,80 €	24,66 €	26,82 €	
	2,89%	15,44 €	16,32 €	17,30 €	18,40 €	19,62 €	21,01 €	22,60 €	24,43 €	26,55 €	
	2,94%	15,34 €	16,21 €	17,18 €	18,26 €	19,47 €	20,84 €	22,40 €	24,20 €	26,29 €	
	2,99%	15,24 €	16,10 €	17,06 €	18,12 €	19,32 €	20,67 €	22,21 €	23,98 €	26,03 €	
	3,04%	15,14 €	15,99 €	16,93 €	17,99 €	19,17 €	20,50 €	22,02 €	23,76 €	25,78 €	
	3,09%	15,04 €	15,88 €	16,81 €	17,85 €	19,02 €	20,33 €	21,83 €	23,54 €	25,53 €	

Source: Author Analysis.

8.3 Monte Carlo Simulation

To further complement the risk analysis, it was performed 100.000 trials Monte Carlo simulation considering as variables the Non-Life net premiums earned CAGR, Percentage of Non-Life Claims and Losses, the Risk-Free Rate and the Future dividend growth rate.

After 100.000 trials it was reached an average PT of 23,44€ per share (Table 17), representing a 22,36% upside and confirming as the most relevant variables the percentage of Non-Life Claims and Losses and the Future dividend growth rate (Figure 42).

Table 17. Monte Carlo Simulation Statistics

Statistics:	Forecast Values
Trials	100 000
Base Case	19,62 €
Mean	23,44 €
Median	23,19 €
10 th Percentile	15,81 €
90 th Percentile	31,39 €

Source: Author Analysis.

Figure 41. Distribution: Price Target (Monte Carlo Simulation)

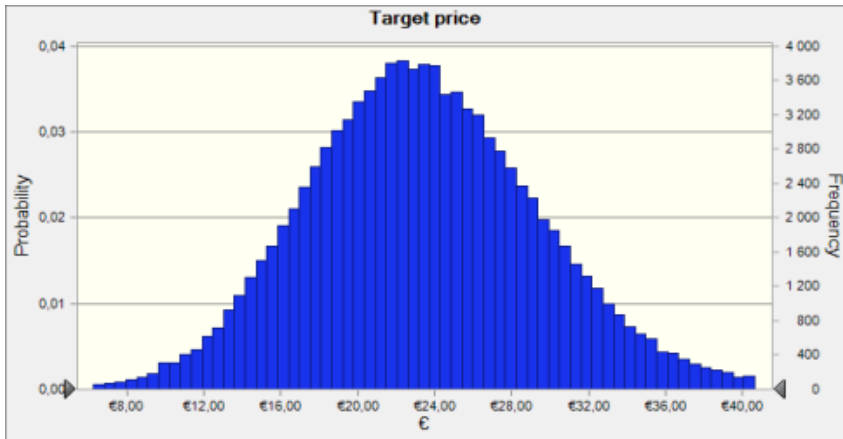
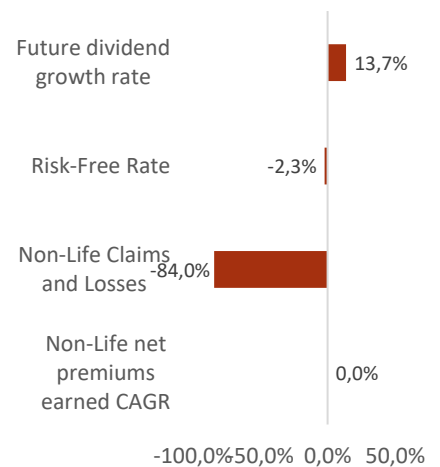


Figure 42. Sensitivity: Price Target (Monte Carlo Simulation)



Source: Author Estimates

Appendices

Appendix 1: Statement of Financial Position

Assicurazioni Generali SpA (G IM) - Standardized

In Millions of EUR 12 Months Ending	FY 2019 12/31/2019	FY 2020 12/31/2020	FY 2021 12/31/2021	FY 2022 12/31/2022	FY 2023 Est 12/31/2023	FY 2024 Est 12/31/2024	FY 2025 Est 12/31/2025	FY 2026 Est 12/31/2026	FY 2027 Est 12/31/2027
Assets									
+ Total Investments	462 563,0	490 414,0	525 553,0	448 954,0	546 424,4	566 389,6	587 142,4	608 716,2	631 146,0
+ Cash & Near Cash Items	6 874,0	7 900,0	8 476,0	7 243,0	6 768,6	8 026,4	9 446,3	10 857,5	12 776,1
+ Net Receivables	13 412,0	14 536,0	16 331,0	18 169,0	15 262,0	15 819,7	16 399,3	17 001,9	17 628,4
+ Net Fixed Assets	4 183,0	3 804,0	3 990,0	4 073,0	4 073,0	4 073,0	4 073,0	4 073,0	4 073,0
+ Deferred Policy Acquisition Costs	2 121,0	2 117,0	2 198,0	2 157,0	2 157,0	2 157,0	2 157,0	2 157,0	2 157,0
+ Other Assets	25 421,0	25 939,0	29 677,0	38 455,0	36 904,9	38 253,3	39 654,9	41 112,0	42 626,9
Total Assets	514 574,0	544 710,0	586 225,0	519 051,0	611 589,9	634 719,0	658 872,9	683 917,7	710 407,3
Liabilities & Shareholders' Equity									
+ Total Insurance Reserves	422 912,0	447 804,0	485 728,0	429 038,0	508 674,3	527 260,2	546 579,3	566 662,7	587 542,8
+ Short-Term Borrowings	3 380,0	3 511,0	5 347,0	6 462,0	4 349,1	4 508,0	4 673,2	4 844,9	5 023,4
+ Other Short-Term Liabilities	34 961,0	38 892,0	37 934,0	37 889,0	50 317,8	52 156,3	54 067,3	56 054,0	58 119,4
+ Long-Term Borrowings	10 769,0	9 419,0	10 497,0	10 005,0	13 127,5	13 607,2	14 105,8	14 624,1	15 162,9
+ Other Long-Term Liabilities	12 700,0	13 288,0	14 843,0	17 521,0	15 753,4	16 329,0	16 927,3	17 549,3	18 196,0
Total Liabilities	484 722,0	512 914,0	554 349,0	500 915,0	592 222,2	613 860,7	636 352,9	659 734,9	684 044,6
+ Total Preferred Equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
+ Minority Interest	1 491,0	1 765,0	2 568,0	1 936,0	1 936,0	1 936,0	1 936,0	1 936,0	1 936,0
+ Share Capital & APIC	8 677,0	8 683,0	8 688,0	8 694,0	8 694,0	8 694,0	8 694,0	8 694,0	8 694,0
+ Retained Earnings & Other Equity	19 684,0	21 348,0	20 620,0	7 506,0	8 737,7	10 228,2	11 890,0	13 552,7	15 732,7
Total Equity	29 852,0	31 796,0	31 876,0	18 136,0	19 367,7	20 858,2	22 520,0	24 182,7	26 362,7
Total Liabilities & Equity	514 574,0	544 710,0	586 225,0	519 051,0	611 589,9	634 719,0	658 872,9	683 917,7	710 407,3

Appendix 2: Common-size Statement of Financial Position

Assicurazioni Generali SpA (G IM) - Standardized

In Millions of EUR 12 Months Ending	FY 2020 12/31/2020	FY 2021 12/31/2021	FY 2022 12/31/2022	FY 2023 Est 12/31/2023	FY 2024 Est 12/31/2024	FY 2025 Est 12/31/2025	FY 2026 Est 12/31/2026	FY 2027 Est 12/31/2027
Assets								
+ Total Investments	90,0%	89,7%	86,5%	89,3%	89,2%	89,1%	89,0%	88,8%
+ Cash & Near Cash Items	1,5%	1,4%	1,4%	1,1%	1,3%	1,4%	1,6%	1,8%
+ Net Receivables	2,7%	2,8%	3,5%	2,5%	2,5%	2,5%	2,5%	2,5%
+ Net Fixed Assets	0,7%	0,7%	0,8%	0,7%	0,6%	0,6%	0,6%	0,6%
+ Deferred Policy Acquisition Costs	0,4%	0,4%	0,4%	0,4%	0,3%	0,3%	0,3%	0,3%
+ Other Assets	4,8%	5,1%	7,4%	6,0%	6,0%	6,0%	6,0%	6,0%
Total Assets	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Liabilities & Shareholders' Equity								
+ Total Insurance Reserves	82,2%	82,9%	82,7%	83,2%	83,1%	83,0%	82,9%	82,7%
+ Short-Term Borrowings	0,6%	0,9%	1,2%	0,7%	0,7%	0,7%	0,7%	0,7%
+ Other Short-Term Liabilities	7,1%	6,5%	7,3%	8,2%	8,2%	8,2%	8,2%	8,2%
+ Long-Term Borrowings	1,7%	1,8%	1,9%	2,1%	2,1%	2,1%	2,1%	2,1%
+ Other Long-Term Liabilities	2,4%	2,5%	3,4%	2,6%	2,6%	2,6%	2,6%	2,6%
Total Liabilities	94,2%	94,6%	96,5%	96,8%	96,7%	96,6%	96,5%	96,3%
+ Total Preferred Equity	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
+ Minority Interest	0,3%	0,4%	0,4%	0,3%	0,3%	0,3%	0,3%	0,3%
+ Share Capital & APIC	1,6%	1,5%	1,7%	1,4%	1,4%	1,3%	1,3%	1,2%
+ Retained Earnings & Other Equity	3,9%	3,5%	1,4%	1,4%	1,6%	1,8%	2,0%	2,2%
Total Equity	5,8%	5,4%	3,5%	3,2%	3,3%	3,4%	3,5%	3,7%
Total Liabilities & Equity	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Appendix 3: Income Statement

Assicurazioni Generali SpA (G IM) - BBG Adjusted										
In Millions of EUR except Per Share 12 Months Ending					88143,3028	89562,65898	91004,87081	92470,30632		
	FY 2019 12/31/2019	FY 2020 12/31/2020	FY 2021 12/31/2021	FY 2022 12/31/2022	FY 2023 Est 12/31/2023	FY 2024 Est 12/31/2024	FY 2025 Est 12/31/2025	FY 2026 Est 12/31/2026	FY 2027 Est 12/31/2027	
Revenue	92 020,0	82 083,0	97 074,0	77 639,0	101 629,3	104 993,7	108 885,0	112 579,6	118 587,3	
+ Net Premiums Earned	66 239,0	64 468,0	70 684,0	75 627,0	78 382,5	81 246,5	84 223,4	87 318,1	90 535,5	
+ Net Premiums Earned (NL)	20 341,0	20 886,0	22 151,0	26 227,0	27 552,7	28 945,4	30 408,5	31 945,5	33 560,2	
+ Net Premiums Earned (L)	45 898,0	43 582,0	48 533,0	49 400,0	50 829,9	52 301,1	53 814,9	55 372,6	56 975,3	
+ Other Premiums Earned (NL & L)	0,0	0,0	0,0	0,0						
+ Investment Income	21 276,0	12 441,0	20 228,0	-4 857,0	17 182,5	17 461,4	18 145,5	18 505,9	21 047,3	
+ Income from Real Estate	519,0	498,0	500,0	582,0	585,8	589,5	593,3	597,2	601,0	
+ Other Operating Income	4 505,0	5 174,0	6 162,0	6 869,0	6 064,2	6 285,8	6 516,1	6 755,6	7 004,5	
+ Policy Charges & Fees	0,0	0,0	0,0	—						
+ Other Income	4 505,0	5 174,0	6 162,0	6 869,0	6 064,2	6 285,8	6 516,1	6 755,6	7 004,5	
- Claims & Losses	71 062,0	60 213,0	72 971,0	50 941,0	71 663,8	72 864,0	74 942,9	77 477,4	80 161,9	
+ Claims & Losses (NL)	13 073,0	12 743,0	13 865,0	16 942,0	17 645,2	18 537,1	19 474,1	20 458,4	21 492,5	
+ Claims & Losses (L)	46 686,0	41 073,0	55 818,0	34 156,0	44 404,7	45 690,0	47 012,5	48 373,2	49 773,4	
+ LT Charges (L)	11 303,0	6 397,0	3 313,0	-170,0	9 613,8	8 636,9	8 456,4	8 645,7	8 896,0	
+ Oth Claims & Losses (NL & L)	0,0	0,0	-25,0	13,0						
- Underwriting Expense & Acq Cost	10 643,0	10 739,0	11 594,0	13 236,0	15 929,1	16 714,5	17 539,0	18 404,5	19 313,3	
+ Underwriting & Acq Cost (NL)	11 600,0	11 790,0	12 556,0	15 064,0	17 501,8	18 386,5	19 315,8	20 292,2	21 317,9	
+ Underwriting Cost (NL)	6 906,0	6 986,0	7 391,0	8 924,0	10 395,4	10 920,9	11 472,9	12 052,8	12 662,0	
+ Other Cost (NL)	4 694,0	4 804,0	5 165,0	6 140,0	7 106,4	7 465,6	7 842,9	8 239,4	8 655,8	
+ Underwriting & Acq Cost (L)	4 837,0	4 840,0	5 312,0	5 693,0	5 508,1	5 667,5	5 831,5	6 000,3	6 174,0	
+ Underwriting Cost (L)	944,0	910,0	957,0	1 125,0	1 066,1	1 097,0	1 128,8	1 161,4	1 195,0	
+ Other Cost (L)	3 893,0	3 930,0	4 355,0	4 568,0	4 441,9	4 570,5	4 702,8	4 838,9	4 978,9	
+ Other Cost (NL & L)	-5 794,0	-5 891,0	-6 274,0	-7 521,0	-7 080,8	-7 339,5	-7 608,4	-7 888,0	-8 178,6	
- Other Operating Expense	5 539,6	6 700,0	7 442,0	8 232,0	7 751,5	8 034,7	8 329,1	8 635,1	8 953,3	
Operating Income (Loss)	4 775,4	4 431,0	5 067,0	5 230,0	6 285,0	7 380,5	8 074,1	8 062,5	10 158,8	
- (Income) Loss from Affiliates	-88,0	-41,0	-235,0	-196,0	-137,8	-137,8	-137,8	-137,8	-137,8	
- Interest Expense	1 024,0	837,0	737,0	750,0	852,4	863,4	839,6	823,8	752,9	
- Other Non-Op (Income) Loss	0,0	0,0	-388,0	-195,0						
Pretax Income (Loss)	3 587,0	3 390,0	4 580,0	4 738,0	5 570,4	6 654,9	7 372,3	7 376,5	9 543,8	
- Income Tax Expense (Benefit)	1 122,0	1 174,0	1 385,0	1 549,0	1 802,8	2 153,7	2 385,9	2 387,3	3 088,7	
Income (Loss) Incl. MI	2 939,0	2 033,0	3 195,0	3 189,0	3 767,7	4 501,2	4 986,4	4 989,2	6 455,1	
- Minority Interest	269,0	289,0	348,0	277,0	277,0	277,0	277,0	277,0	277,0	
Net Income	2 670,0	1 744,0	2 847,0	2 912,0	3 490,7	4 224,2	4 709,4	4 712,2	6 178,1	

Appendix 4: Common-size Income Statement

Assicurazioni Generali SpA (G IM) - BBG Adjusted									
In Millions of EUR except Per Share 12 Months Ending	FY 2019 12/31/2019	FY 2020 12/31/2020	FY 2021 12/31/2021	FY 2022 12/31/2022	FY 2023 Est 12/31/2023	FY 2024 Est 12/31/2024	FY 2025 Est 12/31/2025	FY 2026 Est 12/31/2026	FY 2027 Est 12/31/2027
Revenue	100%	100%	100%	100%	100,0%	100,0%	100,0%	100,0%	100,0%
+ Net Premiums Earned	72%	79%	73%	97%	77,1%	77,4%	77,4%	77,6%	76,3%
+ Net Premiums Earned (NL)	22%	25%	23%	34%	27,1%	27,6%	27,9%	28,4%	28,3%
+ Net Premiums Earned (L)	50%	53%	50%	64%	50,0%	49,8%	49,4%	49,2%	48,0%
+ Investment Income	23%	15%	21%	-6%	16,9%	16,6%	16,7%	16,4%	17,7%
+ Income from Real Estate	1%	1%	1%	1%	0,6%	0,6%	0,5%	0,5%	0,5%
+ Other Operating Income	5%	6%	6%	9%	6,0%	6,0%	6,0%	6,0%	5,9%
+ Policy Charges & Fees	0%	0%	0%	-	0,0%	0,0%	0,0%	0,0%	0,0%
+ Other Income	5%	6%	6%	9%	6,0%	6,0%	6,0%	6,0%	5,9%
- Claims & Losses	77%	73%	75%	66%	70,5%	69,4%	68,8%	68,8%	67,6%
+ Claims & Losses (NL)	14%	16%	14%	22%	17,4%	17,7%	17,9%	18,2%	18,1%
+ Claims & Losses (L)	51%	50%	58%	44%	43,7%	43,5%	43,2%	43,0%	42,0%
+ LT Charges (L)	12%	8%	3%	0%	9,5%	8,2%	7,8%	7,7%	7,5%
+ Oth Claims & Losses (NL & L)	0%	0%	0%	0%	0,0%	0,0%	0,0%	0,0%	0,0%
- Underwriting Expense & Acq Cost	12%	13%	12%	17%	15,7%	15,9%	16,1%	16,3%	16,3%
+ Underwriting & Acq Cost (NL)	13%	14%	13%	19%	17,2%	17,5%	17,7%	18,0%	18,0%
+ Underwriting Cost (NL)	8%	9%	8%	11%	10,2%	10,4%	10,5%	10,7%	10,7%
+ Other Cost (NL)	5%	6%	5%	8%	7,0%	7,1%	7,2%	7,3%	7,3%
+ Underwriting & Acq Cost (L)	5%	6%	5%	7%	5,4%	5,4%	5,4%	5,3%	5,2%
+ Underwriting Cost (L)	1%	1%	1%	1%	1,0%	1,0%	1,0%	1,0%	1,0%
+ Other Cost (L)	4%	5%	4%	6%	4,4%	4,4%	4,3%	4,3%	4,2%
+ Other Cost (NL & L)	-6%	-7%	-6%	-10%	-7,0%	-7,0%	-7,0%	-7,0%	-6,9%
- Other Operating Expense	6%	8%	8%	11%	7,6%	7,7%	7,6%	7,7%	7,5%
Operating Income (Loss)	5%	5%	5%	7%	6,2%	7,0%	7,4%	7,2%	8,6%
-(Income) Loss from Affiliates	0%	0%	0%	0%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%
- Interest Expense	1%	1%	1%	1%	0,8%	0,8%	0,8%	0,7%	0,6%
- Other Non-Op (Income) Loss	0%	0%	0%	0%	0,0%	0,0%	0,0%	0,0%	0,0%
Pretax Income (Loss)	4%	4%	5%	6%	5,5%	6,3%	6,8%	6,6%	8,0%
- Income Tax Expense (Benefit)	1%	1%	1%	2%	1,8%	2,1%	2,2%	2,1%	2,6%
+ Current Income Tax	1%	1%	2%	1%	0,0%	0,0%	0,0%	0,0%	0,0%
+ Deferred Income Tax	0%	0%	0%	1%	0,0%	0,0%	0,0%	0,0%	0,0%
Income (Loss) from Cont Ops	3%	3%	3%	4%	3,7%	4,3%	4,6%	4,4%	5,4%
- Net Extraordinary Losses (Gains)	-1%	0%	0%	0%	0,0%	0,0%	0,0%	0,0%	0,0%
+ Discontinued Operations	-1%	0%	0%	0%	0,0%	0,0%	0,0%	0,0%	0,0%
+ XO & Accounting Changes	0%	0%	0%	0%	0,0%	0,0%	0,0%	0,0%	0,0%
Income (Loss) Incl. MI	3%	2%	3%	4%	3,7%	4,3%	4,6%	4,4%	5,4%
- Minority Interest	0%	0%	0%	0%	0,3%	0,3%	0,3%	0,2%	0,2%
Net Income	3%	2%	3%	4%	3,4%	4,0%	4,3%	4,2%	5,2%

Appendix 5: Forecasting Assumptions

Income Statement Forecast	Growth Rate	Description / Rationale
Life Insurance	2,89%	Use a compound annual growth rate from 2017-2022 based on the fact that 2017 was the first complete fiscal year with the current CEO in the role and it was assumed that from that period on, has been implementing a strategy that it is being analyzed
Property & Casualty Insurance	5,05%	Use a compound annual growth rate from 2017-2022 based on the fact that 2017 was the first complete fiscal year with the current CEO in the role and it was assumed that from that period on, has been implementing a strategy that it is being analyzed
Investment Income	3,14% - 3,33%	Moving average of the last 7 periods Return over total investments assuming a rotation in the investment portfolio and excluding 2022 that was clearly an outlier
Income from Real Estate	0,65%	Average proportion over premiums earned (2017-2022)
Other Operating Income	7,74%	Average proportion over premiums earned (2017-2022)
Claims & Losses (NL)	64,04%	Average proportion over Property & Casualty premiums earned assuming a stabilization on Generali's Combined Ratio and Technical Margins (2017-2022)
Claims & Losses (L)	87,36%	Average proportion over life premiums assuming a stabilization on Generali's Combined Ratio and Technical Margins (2017-2022)
LT Charges (L)	13,61%	Average proportion over life premiums assuming a stabilization on Generali's Combined Ratio and Technical Margins (2017-2022)
Underwriting & Acq Cost (NL)	63,52%	Average proportion over Property & Casualty premiums earned assuming a stabilization on Generali's Combined Ratio and Technical Margins (2017-2022)
+ Underwriting Cost (NL)	59,40%	Average proportion of Total Underwriting & Acq Cost (NL) (2017-2022)
+ Other Cost (NL)	40,60%	Average proportion of Total Underwriting & Acq Cost (NL) (2017-2022)
Underwriting & Acq Cost (L)	10,84%	Average proportion over life premiums earned assuming a stabilization on Generali's Combined Ratio and Technical Margins (2017-2022)
+ Underwriting Cost (L)	19,36%	Average proportion of Total Underwriting & Acq Cost (L) (2017-2022)
+ Other Cost (L)	80,64%	Average proportion of Total Underwriting & Acq Cost (L) (2017-2022)
Other Cost (NL & L)	-9,03%	Average proportion over total premiums earned assuming a stabilization on Generali's Operating Performance (2017-2022)
Interest Expense	5,82%	Average interest rate from the previous 7 years
Other Operating Expense	9,89%	Average proportion over total revenue assuming a stabilization on Generali's Operating Performance (2017-2022)
- (Income) Loss from Affiliates	-	Average of previous 7 years
- Income Tax Expense (Benefit)	137,83	Average of previous 7 years
+ Current Income Tax	32,36%	Average effective tax rate from the previous 7 years
+ Deferred Income Tax	93,20%	Average proportion over Total Income Tax Expense (2017-2022)
- Minority Interest	6,80%	Average proportion over Total Income Tax Expense (2017-2022)

Balance Sheet Forecast	Growth Rate	Description
Assets		
+ Total Investments	107,42%	Average Percentage of reserves (2015-2022)
+ Cash & Near Cash Items	1,63%	Average Percentage of Total Investment assets (2015-2022)
+ Net Receivables	19,47%	Average Percentage of net premiums earned (2015-2022)
+ Net Fixed Assets		same as 2022
+ Deferred Policy Acquisition Costs	19,72%	Average Percentage of Underwriting Expense & Acq Cost (2015-2022)
+ Other Assets	6,75%	Average Percentage of Total Investment assets (2015-2022)
Liabilities		
+ Total Insurance Reserves	648,96%	Average Percentage of Premiums (2015-2022)
+ Short-Term Borrowings	0,80%	Average Percentage of Total Investments (2015-2022)
+ Other Short-Term Liabilities	9,21%	Average Percentage of Total Investments (2015-2022)
+ Long-Term Borrowings	2,40%	Average Percentage of Total Investments (2015-2022)
+ Other Long-Term Liabilities	2,88%	Average Percentage of Total Investments (2015-2022)
Equity		
+ Total Preferred Equity		same as 2022
+ Minority Interest		same as 2022
+ Share Capital & APIC		same as 2022
+ Retained Earnings & Other Equity	35,29%	+ Retained Earnings & Other Equity of previous year plus retained earnings of that year

Appendix 6: Country Risk Premium

Country	Premiums Per Region	Proxy per Country	Proportion over total Premiums	Damodaran Country Risk Premium	Weighted country risk Premium
Italy	28321	28321	36%	3,79%	1,38%
Germany	14878	14878	19%	0,00%	0,00%
France	15570	15570	20%	0,85%	0,17%
Austria and CEE	7319		0%		
Austria		813	1%	0,69%	0,01%
Czech Republic		813	1%	1,03%	0,01%
Poland		813	1%	1,46%	0,02%
Hungary		813	1%	3,29%	0,03%
Slovakia		813	1%	1,46%	0,02%
serbia		813	1%	5,19%	0,05%
Romania		813	1%	3,79%	0,04%
Slovenia		813	1%	2,07%	0,02%
Croatia		813	1%	3,29%	0,03%
International	12022		0%		
Spain	2494	2494	3%	2,76%	0,09%
Switzerland	1824	1824	2%	0,00%	0,00%
Americas and Southern Europe	2648				
Portugal		883	1%	3,29%	0,04%
United States		883	1%	0,00%	0,00%
Brazil		883	1%	5,19%	0,06%
Argentina			0%	20,71%	
Asia	5057				
China		1264	2%	1,22%	0,02%
India		1264	2%	3,79%	0,06%
Hong Kong		1264	2%	1,03%	0,02%
Indonesia		1264	2%	3,29%	0,05%

The Country Risk premiums were retrieved from Damodaran (2023) database as of January 3th 2023. Further on, to adjust them to the concrete case of Generali they were weighted as a proportion of Gross written Premiums per country. Since Generali only presents this information per regions, within those regions was assumed a proxy per country.

Appendix 7: Dividend Discount Model

Year	2023F	2024F	2025F	2026F	2027F	Terminal Value
Net income	3 490,65 €	4 224,17 €	4 709,41 €	4 712,21 €	6 178,13 €	
Dividend Payout	64,7%	64,7%	64,7%	64,7%	64,7%	
Dividends	2 258,95 €	2 733,64 €	3 047,66 €	3 049,47 €	3 998,14 €	52 314,20 €
Shares	1575	1575	1575	1575	1576	
DPS	1,43 €	1,74 €	1,94 €	1,94 €	2,54 €	
g						5,97%
Ke	14,07%	14,07%	14,07%	14,07%	14,07%	14,07%
PV Dividend			1,70 €	1,49 €	1,71 €	30 897,00 €

Future g	5,97%
Target price (2024F)	19,62 €
Current Price	18,59 €

Potential **5,57%**

To use the DDM it's needed to consider some variables:

- (1) The Net income for the following periods based on the calculations presented before (Appendix 3);
- (2) The Dividend Payout Ratio forecasted, that consists in the historical average of the past periods due to its low variance;
- (3) The number of shares outstanding, that were assumed to continue the same number that in 2022YE;
- (4) The cost of equity calculated before (Table 10);
- (5) The Future Growth based on the CAGR between 2022 and 2018 that match with the target the company defined for the time period 2018-2021.

Appendix 8: Peer Analysis

The peer analysis was employing the sard model approach, developed by Knudsen et al. (2017).

For the purpose of this analysis, was considered the top ten constituents of the Index STOXX® Europe 600 Insurance (Index composed by the constituents of Index STOXX® 600 and that is primary source of revenue is related with insurance) as the base case and considering the following ratios:

DATA SET:	ROE	N DEBT/ EBIT	Forecast Earnings growth	MARKET CAP	EBIT margin
ASSICURAZIONI GENERALI	12,80	1,74	0,30	25708,32	5,95
allianz	10,25	1,31	0,23	80679,26	12,75
Zurich Insurance Group	14,27	1,26	-1,58	71145,57	10,64
AXA	12,81	-0,23	0,16	61275,39	6,63
MUENHENER RUECKVERSICH	13,23	0,00	0,35	41843,53	11,48
PRUDENTIAL	5,86	-0,27	0,07	37506,87	26,07
SWISS RE	2,60	5,85	0,02	27108,89	3,03
SAMPO A	13,12	0,16	0,11	25111,51	14,51
SWISS LIFE HOLDING	11,49	-1,10	0,32	14096,00	12,28
LEGAL & GENERAL GROUP	19,79	-10,25	0,30	14903,27	-27,73

Then, was calculated the absolute difference between each variable versus the one presented by Generali.

Diferential to Generali:	ROE	N DEBT/ EBIT	Forecast Earnings growth	MARKET CAP	EBIT margin
ASSICURAZIONI GENERALI	0,00	0,00	0,00	0,00	0,00
allianz	2,54	0,43	0,07	-54970,94	-6,79
Zurich Insurance Group	-1,47	0,48	-1,29	-45437,25	-4,69
AXA	-0,01	1,51	0,13	-35567,07	-0,68
MUENHENER RUECKVERSICH	-0,43	1,74	-0,06	-16135,21	-5,53
PRUDENTIAL	6,94	1,47	0,23	-11798,54	-20,12
SWISS RE	10,19	-4,11	0,27	-1400,57	2,92
SAMPO A	-0,32	1,59	0,19	596,81	-8,56
SWISS LIFE HOLDING	1,30	0,65	-0,03	11612,32	-6,33
LEGAL & GENERAL GROUP	-7,00	-8,51	-0,01	10805,05	-21,78

To finalize, the comparable companies were ranked according to the “least sum rank difference” across mentioned above five variables, which means they are chosen based on the similarity of their fundamentals to those of the target company. If a potential peer has a low SARD value, the potential peer and the target company can be viewed as similar for purposes of analyst valuations.

SARD MODEL RANKING:	ROE	N DEBT/ EBIT	Forecast Earnings growth	MARKET CAP	EBIT margin	Cumulative SARD Model
ASSICURAZIONI GENERALI	0	0	0	0	0	0
SWISS LIFE HOLDING	4	3	2	4	5	18
AXA	1	5	5	7	1	19
SAMPO A	2	6	6	1	7	22
MUENHENER RUECKVERSICH	3	7	3	6	4	23
allianz	6	1	4	9	6	26
Zurich Insurance Group	5	2	9	8	3	27
SWISS RE	9	8	8	2	2	29
LEGAL & GENERAL GROUP	8	9	1	3	9	30
PRUDENTIAL	7	4	7	5	8	31

From this analysis, six companies were identified as the most similar peers to Generali. These companies encompass Swiss Life Holding, Axa, Sampo, Muenchener Rueckversicherung, Allianz, and Zurich Insurance Group. It is important to highlight that all of these firms operate across the EMEA, Latin America, North America, and APAC regions, providing comparable services such as Property & Casualty Insurance, Health & Life Insurance, Savings Insurance, Asset Management, and Business Insurance.

Appendix 9: Relative Valuation

P/E = α + gEPS 5y + Payout – Beta
SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0,87575794
R Square	0,766951969
Adjusted R Square	0,417379924
Standard Error	2,441319585
Observations	6

P/B = α + ROE – Beta
SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0,899661
R Square	0,809389
Adjusted R Square	0,682316
Standard Error	0,260258
Observations	6

Company	Beta 5 year	ROE	g	Payout	P/B	P/E	Predicted P/B	Predicted P/E
Generali	1,05	0,16	8,07%	61,47%	1,59	9,05	1,41	11,87
SWISS LIFE HOLDING	1,51	0,13	11,28%	63,82%	1,58	9,98	1,35	9,31
AXA	1,46	0,12	26,96%	61,57%	1,30	9,22	1,53	9,22
SAMPO A	0,97	0,12	-4,08%	93,69%	2,60	17,52	2,49	16,69
MUENHENER RUECKVERSICH	0,91	0,16	10,41%	46,33%	1,54	12,34	1,61	10,69
allianz	1,11	0,14	-3,69%	71,30%	1,48	12,56	1,71	12,91

Median	1,61	10,69
Average	1,74	11,76
	18,81 €	22,16 €
Target Price	20,49	
Current Price	19,68	
Potential	4,1%	

Appendix 10: Insurance Sector – Total Premiums Volumes and Market Share

Rank	Market	Total premium volumes (USD bn)			Global market share	
		2022	2021	% change	2022	2021
1	US	2960	2725	8.6%	43.7%	40.3%
2	China	698	696	0.2%	10.3%	10.3%
3	UK	363	374	-2.8%	5.4%	5.5%
4	Japan	338	398	-15.1%	5.0%	5.9%
5	France	261	293	-10.7%	3.9%	4.3%
6	Germany	242	272	-11.3%	3.6%	4.0%
7	South Korea	183	193	-5.3%	2.7%	2.9%
8	Canada	171	166	2.8%	2.5%	2.5%
9	Italy	160	192	-16.5%	2.4%	2.8%
10	India	131	123	6.5%	1.9%	1.8%
11	Taiwan	86	113	-23.8%	1.3%	1.7%
12	Netherlands	84	92	-9.2%	1.2%	1.4%
13	Brazil	76	63	20.7%	1.1%	0.9%
14	Australia	72	72	-0.7%	1.1%	1.1%
15	Hong Kong	69	73	-5.6%	1.0%	1.1%
16	Spain	68	73	-6.7%	1.0%	1.1%
17	Switzerland	56	58	-3.2%	0.8%	0.9%
18	Sweden	54	59	-8.5%	0.8%	0.9%
19	Singapore	47	45	3.9%	0.7%	0.7%
20	South Africa	46	50	-7.9%	0.7%	0.7%
	Top 20 markets	6165	6131	-0.5%	91.0%	90.7%
	World	6782	6765	0.3%		

Source: Swiss Re Institute.

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Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%