

CATTOLICA

OUTPERFORM

Price (Eu): 12.86

Target Price (Eu): 17.00

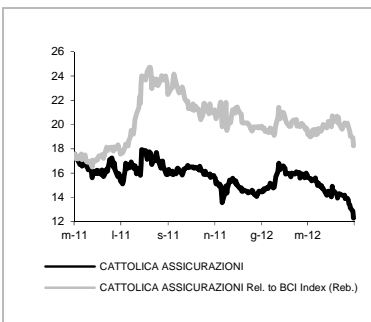
SECTOR: Insurance

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P&C Makes Up For Troubled Life

- **Improved results.** Cattolica Assicurazioni started the year with net profit of Eu16mn, improving by 7% YoY but coming up short of our estimate of Eu22mn. P&C is still the main driver, offsetting major difficulties faced by the life segment, where premiums fell by 33.9% YoY mainly due to the negative Italian bancassurance sector trend. Moreover, the company revealed extraordinary items deriving from some further write-downs on Greek government bonds and equity holdings for Eu3mn, which was the main difference from our estimates.
- **P&C still the driving segment.** Very different results came from the two segments. With premiums posting a +3.2% YoY, the P&C business confirmed its solidity. A combined ratio of 96.5%, below our estimate of 96.9% and improving YoY by 1.2pp, allowed the company to post a net profit of Eu14mn for the segment, in line with the 1Q11 result. On the life side, despite the premiums drop and the Eu3mn of write-downs described above, Cattolica posted a net profit of Eu5mn.
- **Capital not an issue.** Completing the picture of this first set of results is a much improved capital situation, thanks to a recovering financial environment in the first three months of the year. Shareholders' equity increased to Eu1.36bn from Eu1.22bn at YE11 (mainly thanks to an AFS reserve recovery of Eu119mn), and the solvency margin went back to a satisfactory level of 145% (from 125% as at YE11); with these figures, Cattolica should be able to navigate safely through 2012.
- **Changes in estimates.** Given that net profit was lower than we had estimated, and that the financial market scenario has worsened once again in this second quarter, while the company continues to experience difficulties in the life segment, we have cut our EPS estimates by 9.3% for FY12 and by 8% for FY13.
- **OUTPERFORM confirmed, TP changes at Eu17 from Eu18.** We think that Cattolica is in good shape to enjoy – more than other insurers – the positive technical trends offered by the P&C sector, especially in the motor TPL segment. With the positive results obtained in terms of market positioning, Cattolica has confirmed its strengths in the P&C sector, easily managing to offset both the decrease in life premiums and its agency rationalization program. With three of its main competitors (Fondiaria, Milano and Unipol) busy with merger plans, the company could take advantage and gain more market share, through pricing policies and/or possible acquisitions of assets that the merging entity might need to dispose of. We confirm our OUTPERFORM recommendation on the stock.

CATTOLICA - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 18.00 to 17.00

Change in EPS est:	2012E	2013E
	-9.3%	-8.0%

STOCK DATA

Reuters code: CASS.MI
Bloomberg code: CASS IM

Performance	1m	3m	12m
Absolute	-10.6%	-21.9%	-27.1%
Relative	-6.2%	-8.2%	5.5%
12 months H/L:	17.91/12.86		

SHAREHOLDER DATA

No. of Ord. shares (mn):	54
Total No. of shares (mn):	57
Mkt Cap Ord (Eu mn):	696
Total Mkt Cap (Eu mn):	696
Mkt Float - ord (Eu mn):	521
Mkt Float (in %):	74.9%
Main shareholder:	
B.Pop.Vicenza	12.4%

BALANCE SHEET DATA

	2012
Book value (Eu mn):	
BVPS (Eu):	20.19
Embedded Value (Eu mn):	913
EVPS (Eu):	16.07

Key Figures	2010A	2011A	2012E	2013E	2014E
Total net premiums (Eu mn)	4,140	3,439	3,491	3,781	4,075
Total net income (Eu mn)	4,706	3,671	3,880	4,188	4,505
Net profit (Eu mn)	62	37	80	100	126
EPS - New (Eu)	1.083	0.675	1.403	1.763	2.227
EPS - Old (Eu)		0.675	1.548	1.917	
DPS (Eu)	0.900	0.000	0.800	0.900	1.000
Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	11.9	19.0	9.2	7.3	5.8
Div. Yield	7.0%	0.0%	6.2%	7.0%	7.8%
P/EVPS	0.8	0.9	0.8	0.7	nm

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CATTOLICA ASSICURAZIONI - 1Q12 Results
IFRS Compliant figures

(Eu mn)	1Q11 A	1Q12 A	YoY growth	1Q12 E	Act vs Est
	IFRS	IFRS		IFRS	
Net premiums	942	740	-21.4%	813	-9.0%
Commissions	0	0		0	
Income from investments @ FV through P&L	-2	115		7	
Net income from investments AVS	107	127		107	
Sub total net income	105	242	130.5%	114	113.1%
Net income from subsidiaries	0	-3	n.m.	-4	
Other income/losses	-23	-24	-4.3%	6	
Sub total other income	-23	-27	-17.4%	2	n.m.
Total net income	1,024	955	-6.7%	929	2.8%
Net insurance benefits and claims	-880	-810	8.0%	-763	-6.2%
G&A expenses & acquisition costs	-114	-112	1.8%	-127	11.6%
Earnings before taxes	30	33	10.0%	39	-15.2%
Taxes	-13	-14	-7.7%	-15	5.3%
Tax rate	-43%	-42%		-38%	
Minorities	-2	-3	-50.0%	-2	
Sub total taxes & minorities	-15	-17	-13.3%	-17	n.m.
Tax rate & minorities	-50%	-52%		-43%	
Net profit	15	16	6.7%	22	-27.7%

Source: Intermonte estimates & company data

CATTOLICA - KEY FIGURES

		2010A	2011A	2012E	2013E	2014E
	Fiscal year end	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
PROFIT & LOSS (Eu mn)	Total life net premiums	2,786	2,077	2,078	2,213	2,356
	Total non-life net premiums	1,354	1,362	1,414	1,569	1,718
	Total net premiums	4,140	3,439	3,491	3,781	4,075
	Income from investments	659	309	381	410	439
	Other income (losses)	(93)	(77)	8	(3)	(9)
	Total Net income	4,706	3,671	3,880	4,188	4,505
	Net benefits & Claims	(4,119)	(3,194)	(3,265)	(3,501)	(3,740)
	Operating costs	(485)	(504)	(529)		
	Pre-tax profit	120	21	141	174	217
	Taxes	(53)	21	(54)	(66)	(82)
	Tax rate (%)	-44.2%	99.1%	-38.0%	-38.0%	-38.0%
	Minorities & discontinue activities	(8)	(4)	(8)	(8)	(8)
	Net profit	62	37	80	100	126
	Total extraordinary items	3	0	0	0	0
PER SHARE DATA (Eu)	Dividend payout	49	0	45	51	57
	EPS stated f.d.	1.147	0.675	1.403	1.763	2.227
	EPS restated f.d.	1.083	0.675	1.403	1.763	2.227
	BVPS f.d.	21.147	18.370	20.188	20.910	21.997
	EVPS f.d.	16.450	13.539	16.069	17.440	0.000
	Dividend per share (ord)	0.900	0.000	0.800	0.900	1.000
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
BALANCE SHEET (Eu mn)	Dividend pay out ratio (%)	78.5%	0.0%	57.0%	51.0%	44.9%
	Total investments	15,707	14,669	17,004	17,610	18,240
	Other assets	2,725	2,898	2,895	2,893	2,891
	Life reserves	12,428	11,628	12,035	12,516	13,017
	Non Life reserves	2,957	2,978	3,052	3,129	3,207
	Total reserves	15,385	14,606	15,087	15,645	16,224
	Other liabilities	757	838	2,535	2,512	2,472
SEGMENT INFORMATION and OFF BALANCE SHEET (Eu mn)	Group equity	1353.2	1223.5	1353.6	1396.7	1460.5
	Total assets/Liabilities	18,787	17,922	20,255	20,859	21,487
	Pre-tax life net profit	36	(3)	23	48	75
	Pre-tax non life net profit	82	14	118	126	142
	Other activities net profit	(4)	111	0	0	0
	Consolidation adjustments	(4)	111	0	0	0
RATIOS (%)	Embedded Value	890	751	913	990	1,076
	Life New Bussiness APE	343	345	354	383	421
	Life New Bussiness Value	24	28	34	42	53
	Life new business margin	7.0%	8.0%	9.5%	11.0%	12.5%
	Life reserves/total life net premiums earned	3.7	4.2	4.3	4.1	4.0
	Non life loss ratio	-71.2%	-72.7%	-72.2%	-71.8%	-71.4%
	Non life expense ratio	-24.6%	-24.1%	-23.8%	-23.4%	-23.0%
	Non life combined ratio	-97.7%	-96.9%	-96.3%	-95.3%	-94.3%
GROWTH RATES (%)	Non life reserves / non life net premiums	218.4%	218.6%	215.9%	199.4%	186.6%
	Life premiums / total premiums	67.3%	60.4%	59.5%	58.5%	57.8%
	ROE	4.9%	3.5%	7.4%	8.6%	10.4%
	Total life net premiums	10.4%	-25.4%	0.0%	6.5%	6.5%
	Total non-life net premiums	2.9%	0.6%	3.8%	11.0%	9.5%
	Total net premiums	7.9%	-16.9%	1.5%	8.3%	7.8%
	Total Net income	1.0%	-22.0%	5.7%	7.9%	7.6%
	Pre-tax life net profit	nm	nm	nm	108.9%	55.0%
	Pre-tax non life net profit	-15.5%	-82.9%	744.1%	6.5%	12.6%
	Net profit	6.4%	-39.6%	112.8%	25.6%	26.3%
	EPS stated	3.9%	-41.1%	107.7%	25.6%	26.3%
	EPS restated	-1.9%	-37.7%	107.8%	25.7%	26.3%
	EVPS	-22.5%	-17.7%	18.7%	8.5%	nm
	Life New Business Value	32.9%	15.0%	22.0%	25.0%	25.0%

Source: Intermonte SIM estimates

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DETAILS ON STOCK RECOMMENDATION

Stock NAME	CATTOLICA		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	17.00	Previous Target (Eu):	18.00
Current Price (Eu):	12.86	Previous Price (Eu):	14.53
Date of report:	16/05/2012	Date of last report:	19/04/12

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