

Sampo

Company report

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This report is a summary translation of the report “Tavoitehintaa korjattu osingon irtoamisella” published on 5/22/2022 at 1:30 pm

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Target price revised with dividend payment

We revise Sampo's target price to EUR 44.0 (previous (48.0e) due to dividend payment. Our target price is also in line with the company's sum of the parts. Our estimates remain unchanged and we expect stable and good earnings development from Sampo in the next few years. The share's expected return in the next few years consists of secure and evenly growing dividend flow and a slight discount compared to the sum of the parts. The expected return is not particularly high, but we feel that it is still very sufficient considering Sampo's low risk profile. In addition, Sampo is one of the few companies benefiting from interest rate increases and we consider the company a good choice in the current challenging investment environment. We reiterate our Accumulate recommendation.

Stable and predictable earnings development over the next few years

Sampo's result will make a clear downward adjustment after the exit from Nordea and subsequently from PE investments. We estimate that Sampo's new earnings capacity is slightly over EUR 2 per share with the current number of shares. This will grow in the next few years with the purchase of own shares and slight earnings growth, and in 2024 we expect it to be about EUR 2.3-2.4 per share. We point out that although the level is very good and is growing steadily, one should not expect any major level jumps as If and Topdanmark already perform strongly.

Copious dividend flow and share repurchases continue

Dividend capacity will be very close to the EPS level, since after the rationalization of the capital structure Sampo can distribute most of its profits to the owners. Following the profit distribution, Sampo's balance sheet is still very strong and has extra capital, mainly in PE investments (some EUR 2 per share). In addition, the net debt-free balance sheet provides leeway if the market offers an opportunity to make a move with Topdanmark. We expect Sampo to continue returning excess capital with a repurchase of own shares to be announced soon and, if the company does not make a bid on Topdanmark, it is possible that a smaller additional dividend will also be distributed next year. We expect an additional dividend of some EUR 1 per share for 2023 but point out that this depends on the progress with Topdanmark. We explain our estimates in more detail in our [previous report](#). We also recommend that investors watch Sampo's highly informative [Q&A for shareholders](#), where the company's themes are discussed extensively.

Expected return still sufficient

We have revised our view of the sum of the parts to EUR 44.5 (previously EUR 49). After the profit distribution made now, most of the value (some 65%) comes from If. We see no sensible reasons for a discount relative to the sum of the parts and we expect share pricing to be close to the sum of the parts in the next 12 months, as the company's transformation into a pure insurance company is now complete. We point out that the sum of the parts includes all future dividends and share repurchases. According to our calculations, the return for the next few years will rely heavily on dividends. The return potential is not particularly high, but given Sampo's low risk level, we believe that it is sufficient.

Recommendation

Accumulate
(previous Accumulate)

EUR 44.00
(previous EUR 48.00)

Share price:
41.76



Key figures

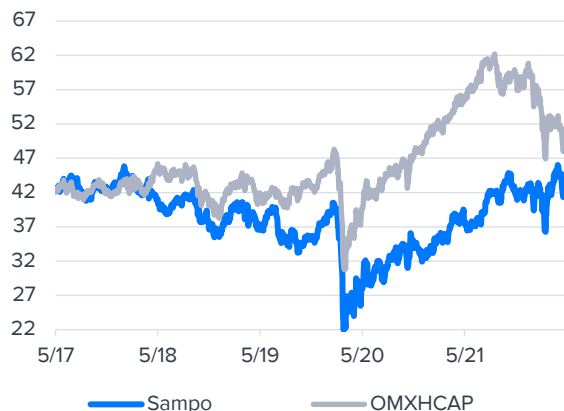
	2021	2022e	2023e	2024e
PTP	3172	1835	1593	1653
growth-%	735%	-42%	-13%	4%
Net Income	2568	1306	1148	1192
EPS (adj.)	2.86	2.46	2.25	2.36
Equity/share	23.1	22.3	23.6	23.4
Dividend/share	4.10	1.80	2.89	2.00
P/E (adj.)	15.4	17.0	18.6	17.7
P/B	1.9	1.8	1.8	1.8
Dividend yield-%	9.3 %	4.3 %	6.8 %	4.7 %
Dividend/earnings-%	143%	73%	129%	85%

Source: Inderes

Guidance (Improved)

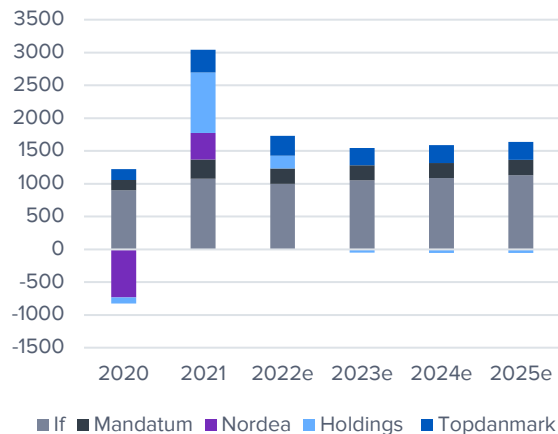
Sampo Group's P&C insurance operations are expected to achieve underwriting margins that meet the annual targets set for 2021-2023. At Group level, Sampo targets a combined ratio of below 86%, while the target for its largest subsidiary, If P&C, is below 85%. Hastings targets an operating ratio of below 88%. Following strong performance in the first quarter, the outlook for If P&C's 2022 combined ratio has been improved to 82-84%.

Share price

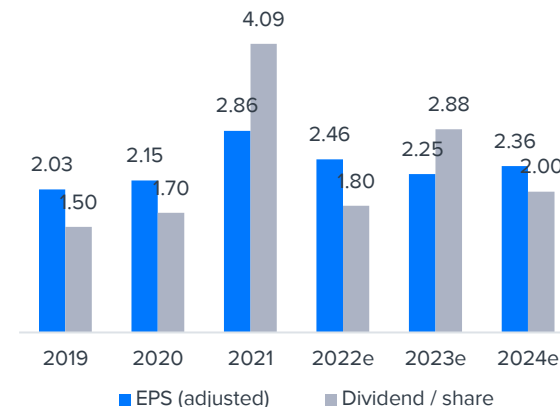


Source: Thomson Reuters

Sampo's PTP breakdown (MEUR)



EPS and dividend



Source: Inderes



Value drivers

- Profitable growth in insurance activities
- Capital freed up from non-core business activities
- Higher interest rates would improve investment income
- Purchase of Topdanmark
- Other M&A arrangements



Risk factors

- Low interest rates increase insurance liabilities and reduce investment income
- Rising interest rates would weaken the insurance-technical results and depress the acceptable multiples for insurance companies
- Tightening competition in the Nordic insurance market

Valuation	2022e	2023e	2024e
Share price	41.8	41.8	41.8
Number of shares, millions	531.7	510.9	505.2
Market cap	21572	21572	21572
P/E (adj.)	17.0	18.6	17.7
P/E	17.0	18.6	17.7
P/B	1.8	1.8	1.8
Payout ratio (%)	71.2 %	127.1 %	84.7 %
Dividend yield-%	4.3 %	6.8 %	4.7 %

Source: Inderes

Estimate revisions

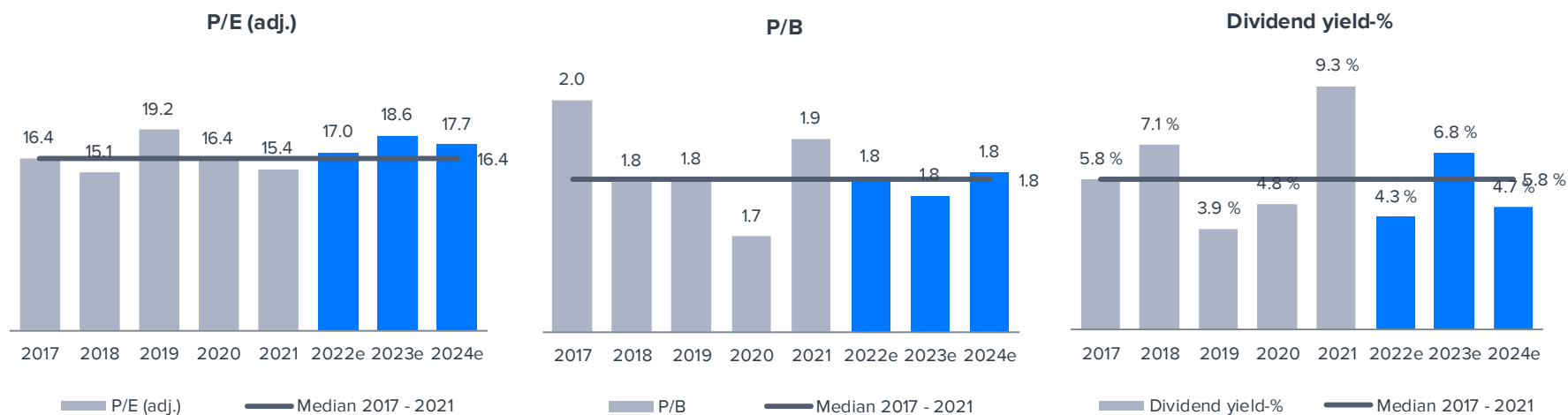
Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
If	999	999	0 %	1054	1054	0 %	1086	1086	0 %
Mandatum	236	236	0 %	230	230	0 %	230	230	0 %
Nordea	0	0		0	0		0	0	
Holdings	193	193	0 %	-52	-52	0 %	-54	-54	0 %
Topdanmark	305	305	0 %	261	261	0 %	271	271	0 %
Hastings	102	102	0 %	100	100	0 %	120	120	0 %
PTP	1835	1835	0 %	1593	1593	0 %	1653	1653	0 %
EPS (adj.)	2.46	2.46	0 %	2.25	2.25	0 %	2.36	2.36	0 %
Dividend / share	1.80	1.80	0 %	2.89	2.89	0 %	2.00	2.00	0 %

Source: Inderes

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	45.2	40.4	38.9	35.3	44.1	41.8	41.8	41.8	41.8
Number of shares, millions	556.6	556.6	556.6	556.6	554.3	531.7	510.9	505.2	506.4
Market cap	25091	22436	21609	19593	24109	21572	21572	21572	21572
P/E (adj.)	16.4	15.1	19.2	16.4	15.4	17.0	18.6	17.7	17.1
P/E	11.2	13.3	19.2	>100	9.5	17.0	18.6	17.7	17.1
P/B	2.0	1.8	1.8	1.7	1.9	1.8	1.8	1.8	1.8
Payout ratio (%)	64.5 %	93.8 %	73.7 %	2484.5 %	87.3 %	71.2 %	127.1 %	84.7 %	85.8 %
Dividend yield-%	5.8 %	7.1 %	3.9 %	4.8 %	9.3 %	4.3 %	6.8 %	4.7 %	4.9 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	P/E		Dividend yield-%		P/B 2022e
				2022e	2023e	2022e	2023e	
Tryg	157.65	13901	15653	25.0	18.5	4.2	4.9	2.1
Gjensidige	200.00	9781	9401	17.2	17.8	4.5	4.6	4.0
Topdanmark	370.40	4490	4853	14.6	22.2	11.9	4.7	5.1
ALM	10.99	2281	2475	23.9	17.6	3.9	5.0	1.2
Protector	102.60	828	930	17.1	10.4		8.8	2.9
Storebrand	82.10	3790	7406	11.9	11.7	5.0	5.6	1.0
Admiral	2174.00	7693	8189	14.7	15.0	8.1	6.1	5.1
Direct Line	250.40	3903	3960	10.1	9.4	9.4	9.4	1.3
Linea Directa Aseguradora	1.31	1429	1464	14.4	12.5	6.7	7.0	3.6
Zurich Insurance Group	432.20	63159	72229	12.2	11.2	5.6	6.0	1.7
Allianz	195.58	80083	96474	10.3	8.2	5.8	6.2	1.1
Assicurazioni Generali	18.00	28621	39215	9.8	8.9	6.2	6.6	1.0
Intact Financial Corp	176.81	22968	27914	15.1	13.9	2.3	2.5	2.0
Baloise Holding	163.20	7275	5674	12.2	11.5	4.6	4.9	1.0
Hannover Re	139.05	16810	20624	11.3	9.5	4.4	4.5	1.5
Munich Re	221.40	31094	31254	9.5	8.0	5.2	5.5	1.1
Sampo (Inderes)	41.76	21572	20753	17.0	18.6	4.3	6.8	1.8
Average				14.3	12.9	5.9	5.8	2.2
Median				13.3	11.6	5.2	5.5	1.6
Diff-% to median				28%	61%	-17%	23%	12%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Insurance premium income	8412	2354	2618	2527	2247	9746	3342	2348	2183	2376	10248	9577	9971	10331
If	4589	1152	1189	1467	1047	4855	1750	1248	1262	1290	5551	5168	5323	5482
Mandatium	1051	269	433	258	407	1367	480	476	283	448	1687	1771	1860	1953
Topdanmark	2709	695	680	714	605	2694	961	338	338	338	1975	1387	1437	1437
Hastings	63.0	238	316	88.0	188	830	151	285	300	300	1036	1252	1352	1460
EBIT (excl. NRI)	1541	632	617	488	453	2190	566	408	425	437	1835	1593	1653	1713
EBIT	380	632	710	632	1198	3172	566	408	425	437	1835	1593	1653	1713
If	901	257	309	252	259	1077	283	214	256	246	999	1054	1086	1130
Mandatium	154	76	65	60	90	291	80	17	61	78	236	230	230	235
Nordea	-734	121	146	114	28	409	0	0	0	0	0	0	0	0
Holdings	-92	-6	81	128	719	922	164	62	-16	-17	193	-52	-54	-54
Topdanmark	167	137	71	48	90	346	37	89	89	89	305	261	271	271
Hastings	-16	46	38	30	12	127	2	25	35	40	102	100	120	130
PTP	380	632	710	632	1198	3172	566	408	425	437	1835	1593	1653	1713
Taxes	-267	-106	-124	-83	-110	-423	-84	-75	-96	-96	-350	-342	-355	-368
Minority interest	-75	-72	-39	-32	-38	-181	-16	-54	-54	-54	-179	-102	-105	-109
Net earnings	38.0	454	547	517	1050	2568	467	278	274	286	1306	1148	1192	1236
EPS (adj.)	2.15	0.82	0.82	0.67	0.55	2.86	0.86	0.52	0.52	0.54	2.46	2.25	2.36	2.44
EPS (rep.)	0.07	0.82	0.99	0.93	1.89	4.63	0.86	0.52	0.52	0.54	2.46	2.25	2.36	2.44

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	-3.8 %	-17.4 %	37.6 %	51.0 %	13.3 %	15.9 %	42.0 %	-10.3 %	-13.6 %	5.7 %	5.2 %	-6.5 %	4.1 %	3.6 %
Adjusted EBIT growth-%	0.0 %	289.1 %	51.7 %	0.6 %	-7.0 %	42.1 %	-10.5 %	-34.0 %	-12.9 %	-3.6 %	-16.2 %	-13.2 %	3.8 %	3.6 %
EBITDA-%	4.5 %	26.9 %	27.1 %	25.0 %	53.3 %	32.5 %	16.9 %	17.4 %	19.5 %	18.4 %	17.9 %	16.6 %	16.6 %	16.6 %
Adjusted EBIT-%	18.3 %	26.9 %	23.6 %	19.3 %	20.2 %	22.5 %	16.9 %	17.4 %	19.5 %	18.4 %	17.9 %	16.6 %	16.6 %	16.6 %
Net earnings-%	0.5 %	19.3 %	20.9 %	20.4 %	46.7 %	26.3 %	14.0 %	11.9 %	12.6 %	12.0 %	12.7 %	12.0 %	12.0 %	12.0 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	49474	50970	48344	47882	47920
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	3761	3794	3827	3862	3897
Tangible assets	371	375	378	381	384
Associated companies	5370	777	500	0.0	0.0
Other investments	25086	26274	23889	23889	23889
Other non-current assets	14837	19711	19711	19711	19711
Deferred tax assets	49.0	39.0	39.0	39.0	39.0
Current assets	7055	10091	9485	9059	9308
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	2714	2977	2977	2977	2977
Receivables	1821	2295	2408	2251	2343
Cash and equivalents	2520	4819	4099	3831	3988
Balance sheet total	56529	61061	57829	56941	57228

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	12258	13464	12528	12747	12479
Share capital	98.0	98.0	98.0	98.0	98.0
Retained earnings	9282	9952	9016	9235	8967
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	2038	2738	2738	2738	2738
Minorities	840	676	676	676	676
Non-current liabilities	41903	45129	42833	41726	42281
Deferred tax liabilities	717	855	855	855	855
Provisions	20.0	9.0	9.0	9.0	9.0
Long term debt	4925	4346	2050	943	1498
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	36241	39919	39919	39919	39919
Current liabilities	2368	2468	2468	2468	2468
Short term debt	0.0	0.0	0.0	0.0	0.0
Payables	0.0	0.0	0.0	0.0	0.0
Other current liabilities	2368	2468	2468	2468	2468
Balance sheet total	56529	61061	57829	56941	57228

DCF calculation

DDM valuation (MEUR)	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	TERM
Sampo's result	2568	1306	1148	1192	1236	1129	1151	1172	1196
Sampo's dividend	2242	930	1460	1010	1061	1093	1126	1159	24895
Payout ratio-%	87 %	71 %	127 %	85 %	86 %	97 %	98 %	99 %	
Dividend growth-%	137.5 %	-58.5 %	57.0 %	-30.8 %	5.0 %	3.0 %	3.0 %	3.0 %	2.0 %
Disc. dividend	2242	896	1323	861	851	824	799	774	15636
Disc. cumul. dividend	21963	21963	21068	19745	18884	18033	17209	16410	15636

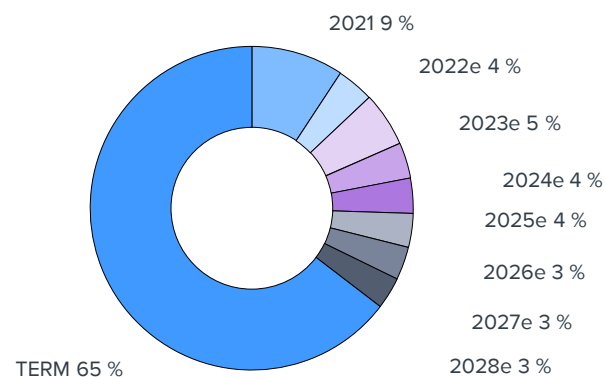
Equity,, DDM	21963
Per share EUR	42.5

Cost of equity

Risk-free interest	2.0%
Market risk premium	4.8%
Company Beta	1.00
Liquidity premium	0.0%
Cost of capital	6.8%
WACC-%	6.3%

NB! DDM calculation with current number of shares. Thus, some EUR 1.5 per share should be added to the calculation, to consider the repurchases of own shares we expect in the next few years. Adjusted by repurchases the DDM model is very close to our sum of the parts calculation.

Cash flow breakdown



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Insurance premium income	8748	8412	9746	10248	9577	EPS (reported)	2.03	0.07	4.63	2.46	2.25
PTP	1541	380	3172	1835	1593	EPS (adj.)	2.03	2.15	2.86	2.46	2.25
Net profit	1130	38	2568	1306	1148	Dividend / share	1.50	1.70	4.10	1.80	2.89
Extraordinary items	0	-1161	982	0	0	Book value / share	21.4	20.5	23.1	22.3	23.6
Balance sheet	2019	2020	2021	2022e	2023e	If key figures	2019	2020	2021	2022e	2023e
Balance sheet total	51939	56529	61061	57829	56941	Insurance premium income	4388	4589	4772	5017	5168
Equity capital	12542	12258	13464	12528	12747	Insurance income growth-%	1.5 %	4.6 %	6.0 %	5.1 %	3.0 %
Net debt	2117	2405	-473	-2050	-2888	Investment income	242	90	174	122	150
ROE-%	9.3 %	0.3 %	21.2 %	10.6 %	9.6 %	Combined ratio-%	84.5 %	82.1 %	81.3 %	82.7 %	82.7 %
						Risk ratio-%	62.7 %	60.7 %	59.9 %	61.6 %	61.5 %
						Cost ratio-%	21.8 %	21.5 %	21.4 %	21.1 %	21.2 %

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
17-03-20	Buy	30.00 €	23.83 €
30-04-20	Buy	34.00 €	30.85 €
07-05-20	Accumulate	33.00 €	30.40 €
16-06-20	Buy	34.00 €	30.40 €
06-08-20	Buy	35.00 €	30.30 €
09-10-20	Buy	38.00 €	35.20 €
05-11-20	Buy	38.00 €	34.14 €
20-01-21	Buy	38.00 €	35.28 €
12-02-21	Buy	41.00 €	36.04 €
25-02-21	Buy	41.00 €	36.95 €
07-04-21	Buy	43.00 €	39.23 €
06-05-21	Buy	44.00 €	39.85 €
05-08-21	Buy	45.00 €	42.39 €
24-09-21	Buy	46.00 €	43.35 €
04-11-21	Accumulate	48.00 €	46.73 €
09-12-21	Accumulate	48.00 €	44.09 €
10-02-22	Accumulate	49.00 €	45.35 €
05-05-22	Accumulate	48.00 €	45.85 €
23-05-22	Accumulate	44.00 €	41.76 €



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