

SAMPO

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COMPANY REPORT

SAMPO  GROUP

Integration costs weigh on reported results

In terms of results, we are expecting a rather weak quarter by Sampo's standards. The main reason for this is Topdanmark's frontloaded integration costs. We also expect insurance profitability to remain subdued due to seasonally higher claims costs and lower-than-usual investment returns. However, our forecast revisions were mainly for Q4'24, so their significance in the big picture is limited. Therefore, we reiterate our Reduce recommendation and our target price of EUR 42.

Earnings forecasts down before Q4 report

Prior to the Q4 report, we have made forecast cuts based on the information provided by the company. According to the company, the full cost of the integration of Topdanmark (150 MEUR) will be booked in 2024. We had previously expected these to be spread over 2024-2025, so there has been some movement between the earnings forecasts for the two years. Half of the one-off costs are charged to Topdanmark and half to If P&C's other expenses, so that the profitability of the insurance business is not affected.

At the same time, we've increased our forecast for If P&C's Q4 claims costs to reflect the seasonally challenging weather conditions in early winter and lowered our net finance income forecast due to the sluggish capital markets. However, the increase in interest rates should offset the effect of the decrease in the present value of the insurance liabilities. These changes have had a significant negative impact (-7%) on our profit forecast for the year.

Our dividend forecasts have also fallen. This is in line with the company's intention to focus on the share buybacks in order to redistribute excess capital. This had no material impact on our overall profit distribution forecasts.

One-off costs weigh on the result for the rest of the year

In the fourth quarter, we expect If P&C's insurance revenue to grow by around 7% year-on-year. Insurance revenue continues to

be driven primarily by price increases, as new car sales remain weak in the Nordic countries, among other things. Our combined ratio forecast is 83.5% (Q4'23: 83.1%). Our forecast for If P&C's pre-tax profit (including integration costs of 75 EUR) is 204 MEUR. Even after adjusting for one-off charges, our forecasts for the segment's results are therefore below normal, reflecting moderate expectations for finance income.

One-time charges will also weigh on Topdanmark's pre-tax profit, which we expect to be -26 MEUR. However, we do not expect a material change in insurance profitability, although the more seasonally difficult weather conditions will also affect the Danish insurer. For Hastings, we expect a pre-tax result of 49 MEUR. Our forecast for the Group's Q4 pre-tax profit is 194 MEUR and for the dividend for 2024 is EUR 1.85 per share (previously EUR 2.00).

As in 2024, the company is expected to guide for a Group-level combined ratio of 83-85%. Even a range one percentage point lower could be justified by the gradual realization of cost synergies from Topdanmark and If, but the company is typically quite conservative in its guidance at the beginning of the year. In addition to the guidance, we look forward to receiving further information on the timeline of the integration of Topdanmark.

There's no rush to get on board

In our valuation, our focus is particularly on the discounted dividend model, as the investment needs of the business are low and Sampo is able to distribute most of its earnings to its shareholders. The value of Sampo's share under our dividend model, which takes into account excess capital on the balance sheet, remains unchanged at around EUR 42. Sampo's value is supported by its low investment rate and moderate risk level. In a mature industry, growth opportunities are limited, which lowers the acceptable valuation level. Overall, we consider the stock to be quite neutrally priced (2025e P/E >15x).

Recommendation

Reduce

(was Reduce)

Target price:

42.00 EUR

(was EUR 42.00)

Share price:

39.55

Business risk



Valuation risk



	2023	2024e	2025e	2026e
PTP	1481	1534	1759	1797
growth-%	-23%	4%	15%	2%
Net income	1323	1124	1372	1402
EPS (adj.)	2.60	2.37	2.58	2.66
Dividend / share	1.80	1.85	1.93	2.02

P/E (adj.)	15.2	16.7	15.4	14.9
P/B	2.7	2.8	2.7	2.6
Dividend yield-%	4.5 %	4.7 %	4.8 %	5.0 %
Payout ratio (%)	69%	78%	75%	76%

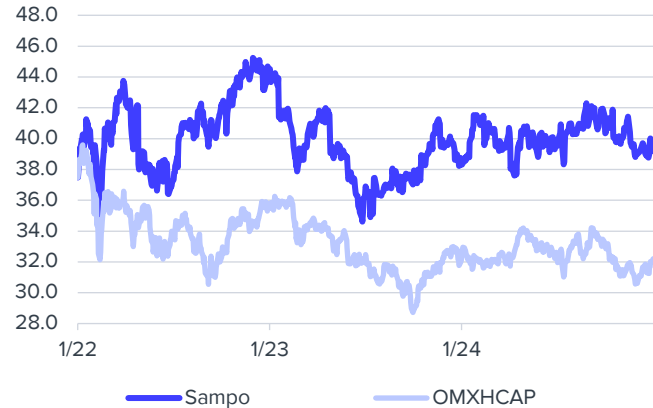
Source: Inderes

Guidance

(Unchanged)

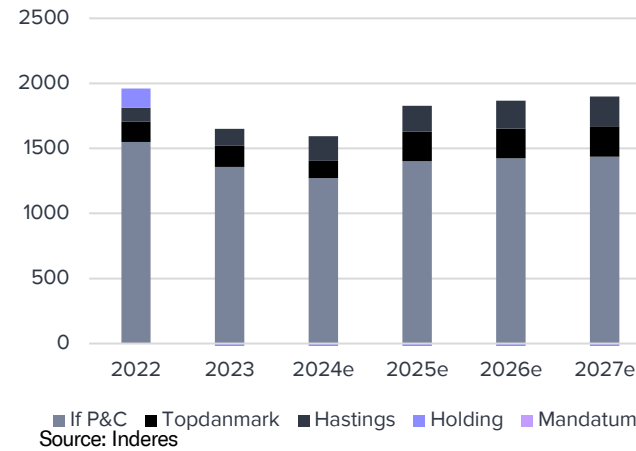
Following the January–September result, Sampo has maintained its 2024 outlook for a group combined ratio of 83–85 per cent.

Share price



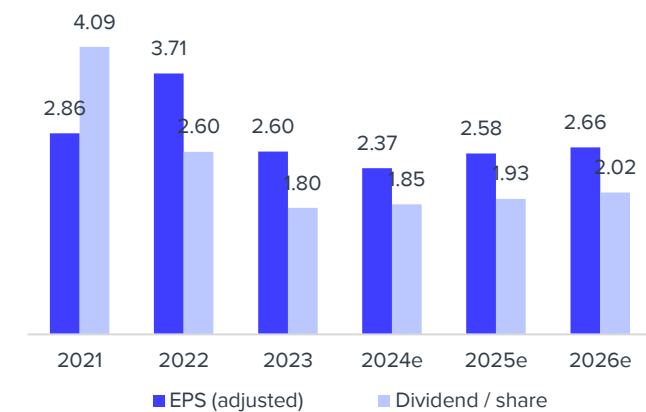
Source: Millistream Market Data AB

Sampo's PTP breakdown (MEUR)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Profitable growth in insurance activities
- Capital released from non-core business activities
- Higher interest rates would improve investment income
- Unlocking Topdanmark synergies
- Other M&A transactions

Risk factors

- Rising interest rates could weaken underwriting results and depress insurance companies' acceptable multiples
- Tightening competition in the Nordic insurance market

Valuation	2024e	2025e	2026e
Share price	39.6	39.6	39.6
Number of shares, millions	538.5	532.4	526.3
Market cap	21289	21289	21289
P/E (adj.)	16.7	15.4	14.9
P/E	18.9	15.4	14.9
P/B	2.8	2.7	2.6
Payout ratio (%)	88.6 %	74.9 %	75.8 %
Dividend yield-%	4.7 %	4.8 %	5.0 %

Source: Inderes

Estimate revisions

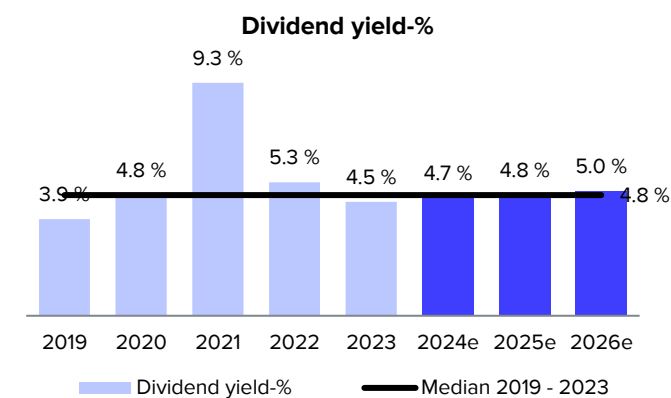
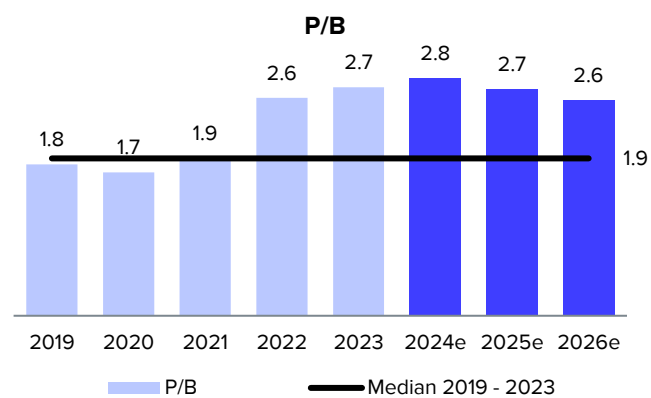
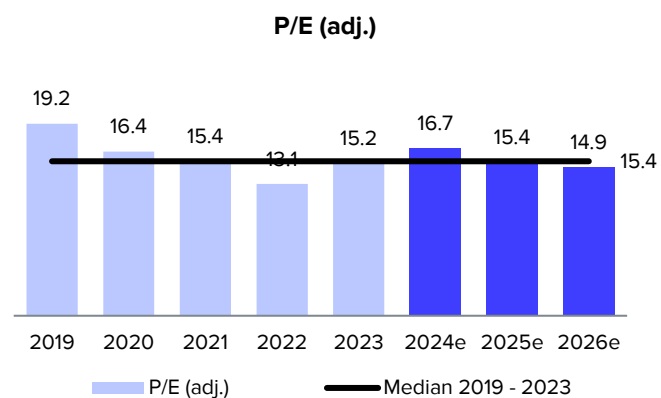
Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	8365	8391	0%	8920	8946	0%	9316	9336	0%
EBIT (exc. NRIs)	1814	1684	-7%	1761	1759	0%	1729	1797	4%
PTP	1739	1534	-12%	1686	1759	4%	1729	1797	4%
EPS (excl. NRIs)	2.52	2.37	-6%	2.58	2.58	0%	2.56	2.66	4%
DPS	2.00	1.85	-8%	2.10	1.93	-8%	2.10	2.02	-4%

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	38.9	35.3	44.1	48.8	39.6	39.6	39.6	39.6	39.6
Number of shares, millions	556.6	556.6	554.3	530.3	508.0	538.5	532.4	526.3	520.2
Market cap	21609	19593	24109	25108	19876	21289	21289	21289	21289
P/E (adj.)	19.2	16.4	15.4	13.1	15.2	16.7	15.4	14.9	14.4
P/E	19.2	>100	9.5	12.3	15.2	18.9	15.4	14.9	14.4
P/B	1.8	1.7	1.9	2.6	2.7	2.8	2.7	2.6	2.5
Payout ratio (%)	73.7 %	2484.5 %	87.3 %	63.5 %	68.3 %	88.6 %	74.9 %	75.8 %	76.5 %
Dividend yield-%	3.9 %	4.8 %	9.3 %	5.3 %	4.5 %	4.7 %	4.8 %	5.0 %	5.1 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	P/E		Dividend yield-%		P/B
		2024e	2025e	2024e	2025e	2024e
Tryg	13087	18.4	17.6	5.0	5.2	2.5
Gjensidige	9065	21.3	17.0	4.3	4.8	4.4
Storebrand	4827	11.1	13.0	4.2	4.0	1.8
Admiral	9650	15.4	13.4	5.7	6.5	6.8
Direct Line	4139	24.6	13.3	2.7	4.9	1.6
Zurich Insurance Group	83295	15.5	13.9	5.2	5.6	3.3
Allianz	118437	12.2	11.1	4.9	5.4	2.0
Assicurazioni Generali	45670	11.9	10.7	4.8	5.2	1.5
Sampo (Inderes)	21289	16.7	15.4	4.7	4.8	2.8
Average		17.2	14.2	4.6	5.5	2.9
Median		15.5	13.4	4.8	5.2	2.0
Diff-% to median		8%	14%	-2%	-8%	39%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Insurance revenue	7267	1799	1820	1881	2035	7535	2020	2057	2138	2176	8391	8946	9336	9698
If P&C	5024	1235	1231	1264	1266	4996	1290	1297	1327	1355	5269	5492	5701	5900
Topdanmark	1255	318	317	321	332	1288	361	361	371	373	1466	1527	1573	1612
Hastings	988	246	272	296	437	1251	369	399	440	449	1657	1928	2062	2186
Mandatum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (excl. NRI)	1786	359	363	390	369	1481	465	444	432	344	1684	1759	1797	1831
EBIT	1924	359	363	390	369	1481	465	444	432	194	1534	1759	1797	1831
If P&C	1550	337	320	332	369	1358	356	379	333	204	1272	1403	1425	1437
Topdanmark	157	63	42	38	19	162	63	49	47	-26	133	226	228	233
Hastings	107	10	17	43	59	129	26	45	69	49	189	200	214	229
Holding	146	-45	-15	-21	-79	-160	20	-30	-18	-33	-61	-70	-70	-68
PTP	1924	359	363	390	369	1481	465	444	432	194	1534	1759	1797	1831
Taxes	-384	-91	-81	-79	-88	-339	-96	-100	-96	-43	-335	-387	-395	-403
Minority interest	-114	-26	-18	-17	-9	-70	-26	-7	-16	0	-49	0	0	0
Net earnings	2107	271	306	363	383	1323	343	310	320	151	1124	1372	1402	1428
EPS (adj.)	3.71	0.53	0.61	0.72	0.76	2.64	0.68	0.62	0.59	0.56	2.37	2.58	2.66	2.75
EPS (rep.)	3.97	0.53	0.61	0.72	0.76	2.60	0.68	0.62	0.59	0.28	2.09	2.58	2.66	2.75

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	19463	19727	19765	19803	19841
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	3322	3637	3672	3707	3742
Tangible assets	329	318	321	324	327
Associated companies	11.7	12.0	12.0	12.0	12.0
Other investments	15789	15757	15757	15757	15757
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	11.0	3.0	3.0	3.0	3.0
Current assets	19749	4497	4996	5273	5468
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	15617	800	800	800	800
Receivables	1820	2282	2098	2237	2334
Cash and equivalents	2312	1415	2098	2237	2334
Balance sheet total	39212	24224	24761	25076	25309

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	10178	7687	7908	8284	8658
Share capital	98.0	98.0	98.0	98.0	98.0
Retained earnings	8482	6378	6599	6975	7349
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	1038	787	787	787	787
Minorities	560	424	424	424	424
Non-current liabilities	14484	15197	15513	15452	15311
Deferred tax liabilities	506	567	567	567	567
Provisions	6.0	0.0	0.0	0.0	0.0
Interest bearing debt	3087	2914	3230	3169	3028
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	10885	11716	11716	11716	11716
Current liabilities	14550	1340	1340	1340	1340
Interest bearing 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	14550	1340	1340	1340	1340
Balance sheet total	39212	24224	24761	25076	25309

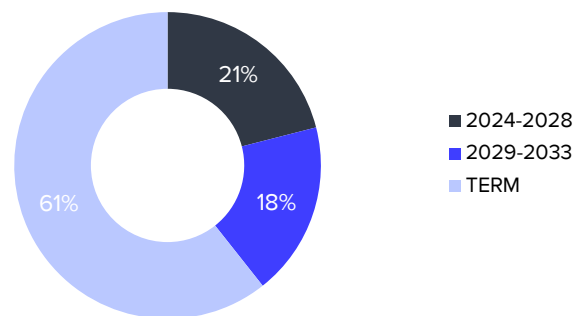
DDM calculation

DDM valuation (MEUR)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Sampo's result	1124	1372	1402	1428	1427	1456	1485	1515	1545	1576	1576
Dividend distributed	996	1027	1063	1092	1285	1310	1337	1363	1391	1418	26139
Payout ratio	89%	75%	76%	76%	90%	90%	90%	90%	90%	90%	
Growth in Sampo's dividend (%)	10.3 %	3.1 %	3.5 %	2.8 %	17.7 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
Discounted dividend	977	937	901	861	942	894	848	804	763	723	13331
Discounted cumulative dividend	21981	21004	20068	19166	18305	17363	16469	15622	14818	14055	13331
Excess balance sheet capital (MEUR)	750										
Equity (MEUR)	22731										
Per share EUR	42.2										

Cost of capital

Risk-free interest	2.5%
Market risk premium	4.8%
Company Beta	1.06
Liquidity premium	0.0%
Cost of equity	7.5%

Cash flow breakdown



Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Insurance revenue	9746	7267	7535	8391	8946	EPS (reported)	4.63	3.97	2.60	2.09	2.58
PTP	3172	1924	1481	1534	1759	EPS (adj.)	2.86	3.71	2.60	2.37	2.58
Net profit	2568	2107	1323	1124	1372	Dividend / share	4.10	2.60	1.80	1.85	1.93
Extraordinary items	982	138	0	-150	0	Book value / share	23.1	18.1	14.3	13.9	14.8
Balance sheet	2021	2022	2023	2024e	2025e	If P&C key figures	2021	2022	2023	2024e	2025e
Balance sheet total	61061	39212	24224	24761	25076	Insurance revenue	4772	5024	4996	5269	5492
Equity capital	13464	10178	7687	7908	8284	Insurance revenue growth-%	6.0 %	5.3 %	-0.6 %	5.5 %	4.2 %
ROE-%	21.2 %	18.8 %	15.7 %	15.2 %	17.9 %	Investment income	174	278	871	665	608
						Combined ratio	81.3 %	86.6 %	83.1 %	83.6 %	82.5 %
						Risk ratio	59.9 %	65.0 %	61.9 %	62.9 %	62.0 %
						Cost ratio	21.4 %	21.6 %	21.2 %	20.7 %	20.5 %

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	Share price
3/17/2020	Buy	30.00 €	23.83 €
4/30/2020	Buy	34.00 €	30.85 €
5/7/2020	Accumulate	33.00 €	30.40 €
6/16/2020	Buy	34.00 €	30.40 €
8/6/2020	Buy	35.00 €	30.30 €
10/9/2020	Buy	38.00 €	35.20 €
11/5/2020	Buy	38.00 €	34.14 €
1/20/2021	Buy	38.00 €	35.28 €
2/12/2021	Buy	41.00 €	36.04 €
2/25/2021	Buy	41.00 €	36.95 €
4/7/2021	Buy	43.00 €	39.23 €
5/6/2021	Buy	44.00 €	39.85 €
8/5/2021	Buy	45.00 €	42.39 €
9/24/2021	Buy	46.00 €	43.35 €
11/4/2021	Accumulate	48.00 €	46.73 €
12/9/2021	Accumulate	48.00 €	44.09 €
2/10/2022	Accumulate	49.00 €	45.35 €
5/5/2022	Accumulate	48.00 €	45.85 €
5/23/2022	Accumulate	44.00 €	41.76 €
8/4/2022	Accumulate	46.00 €	43.71 €
10/27/2022	Reduce	46.00 €	46.67 €
11/3/2022	Reduce	46.00 €	44.32 €
2/13/2023	Reduce	46.00 €	45.50 €
5/11/2023	Reduce	47.00 €	46.15 €
6/14/2023	Reduce	44.00 €	43.08 €
8/10/2023	Accumulate	44.00 €	40.35 €
10/2/2023	Accumulate	39.00 €	40.98 €
11/9/2023	Reduce	39.00 €	38.94 €
2/9/2024	Reduce	40.00 €	39.50 €
5/8/2024	Reduce	39.00 €	37.66 €
6/18/2024	Reduce	40.00 €	38.81 €
8/8/2024	Reduce	41.00 €	40.00 €
11/7/2024	Reduce	42.00 €	41.00 €
1/23/2025	Reduce	42.00 €	39.55 €



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