

Sampo

Company report

11/03/2022



Sauli Vilén
+358 44 025 8908
sauli.vilen@inderes.fi



Kasper Mellas
+358 45 6717 150
kasper.mellas@inderes.fi

This report is a summary translation of the report “Vahva kehitys jatkuu” published on 11/02/2022 at 10:25 pm.

**inde
res.**

Strong development continues

We reiterate our EUR 46.0 target price and Reduce recommendation for Sampo. Q3 results were soft as If P&C fell slightly short of market expectations. However, in the big picture, this hasn't led to major estimate changes and our view on the sum of the parts has remained unchanged. The stock still seems quite correctly priced, and the expected return still relies heavily on dividends, which isn't enough to provide a sufficient risk/return ratio.

A softer result for a change

On Wednesday, Sampo reported a group level profit before taxes of EUR 407 million, which was in line with market expectations. However, the result was soft beneath the surface, as If P&C's result missed forecasts for the first time in a while and the items that compensated for this were mainly investment income and one-off items. In our view, disappointment in If P&C's earnings was the reason for yesterday's drop in the share price. If P&C's premium income continued to grow strongly (+5.7%), driven by price increases, and the Nordic insurance market remains very calm. The combined ratio was 81.6%, slightly weaker than market expectations of ~80%. As a result, If P&C's guidance was also revised slightly less upwards than the market would have expected before the Q3 report. The results of the other segments largely exceeded expectations, but the overperformance came largely from investment income and one-off items. Sampo's solvency ratio at the end of Q3 was 238% (including the assumed dividend payout for 2022) and the company is clearly overcapitalised (target level 170-190%). Sampo did not buy more Topdanmark shares during Q3.

No material changes in the estimates, the assessment of excess capital raised

At the group level, we have made only minor upward revisions to our estimates, mainly due to higher investment returns from rising interest rates. We estimate that Sampo's normal earnings level under the current structure is EUR 2.3-2.5/share. Earnings will grow slowly under the current structure, driven by a slight increase in operating profit and a declining number of shares. Given the fierce performance of the businesses (and especially If P&C), there is no reason to expect major level corrections at this level. Over the next two years, we expect Sampo to return over EUR 2 billion of excess capital to its shareholders, split equally between own purchases and additional dividends. In addition, we expect the base dividend to continue to grow steadily. We have revised upwards our estimate of own share purchases by EUR 500 million due to the still inflated solvency. If Sampo doesn't increase its stake in Topdanmark, we estimate that the company would be able to return some more capital to its shareholders, especially when the PE investments are eventually exited.

The share seems correctly priced

Our view on the sum of Sampo's parts has remained unchanged at around EUR 46.0 and we haven't made any material changes to our view on the values of individual parts. The share price is quite close to the sum of the parts, and we think the share is priced about correctly. The stock's earnings-based valuation is starting to look quite pricey (P/E 2022-2024 17-19x), and in both absolute and relative terms the valuation is well in line with key peers. In our view, the expected return on the stock relies heavily on the dividend yield, which averages around 6% for the next few years. We no longer consider this to be sufficient compensation, especially as investors are also bearing the risk of falling multiples as interest rates rise.

Recommendation

Reduce

(previous Reduce)

EUR 46.00

(previous EUR 46.0)

Share price:

44.32



Key figures

	2021	2022e	2023e	2024e
PTP	3172	1887	1704	1788
growth-%	735%	-41%	-10%	5%
Net Income	2568	1429	1226	1297
EPS (adj.)	2.86	2.56	2.40	2.59
Equity/share	23.1	23.1	22.9	22.9
DPS	4.10	2.84	3.01	2.10
P/E (adj.)	15.4	17.3	18.5	17.1
P/B	1.9	1.9	1.9	2.0
Dividend yield-%	9.3 %	6.4 %	6.7 %	4.7 %
Osinko/tulos-%	143%	111%	126%	81%

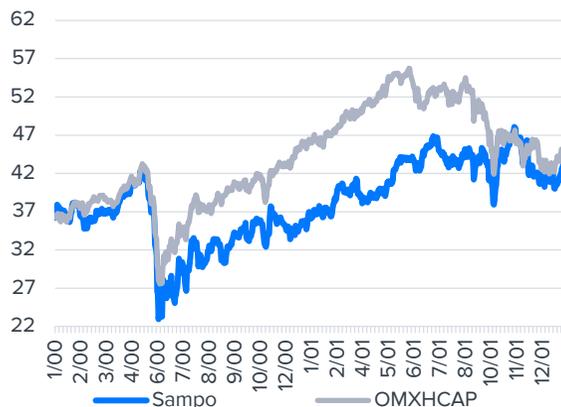
Source: Inderes

Guidance

(Improved)

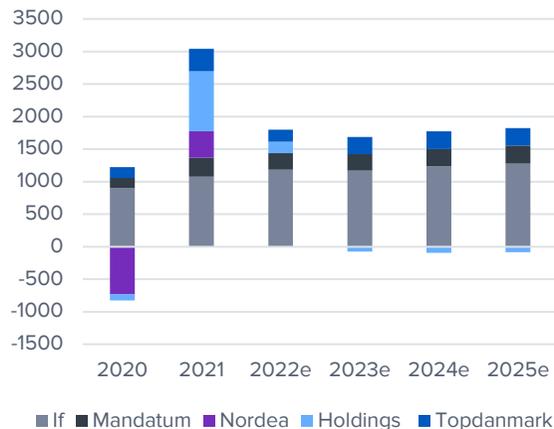
Sampo Group's P&C insurance operations are expected to achieve underwriting margins that meet the annual targets set for 2021-2023. At Group level, Sampo targets a combined ratio of below 86%, while the target for its largest subsidiary, If P&C, is below 85%. Hastings targets an operating ratio of below 88%. 2022 for If P&C the combined ratio is 80-82%.

Share price

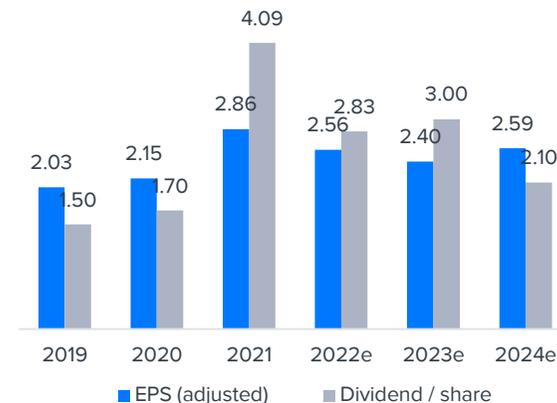


Source: Millistream Market Data AB

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
- Acquisition of Topdanmark
- Other M&A arrangements



Risk factors

- Rising interest rates could weaken technical results and weigh on insurers' acceptable multiples
- Tightening competition in the Nordic insurance market
- Low interest rates increase insurance liabilities and reduce investment income

Valuation	2022e	2023e	2024e
Share price	44.3	44.3	44.3
Number of shares, millions	517.3	511.6	501.6
Market cap	22873	22873	22873
P/E (adj.)	17.3	18.5	17.1
P/E	16.0	18.5	17.1
P/B	1.9	1.9	2.0
Payout ratio (%)	102.4 %	124.5 %	82.1 %
Dividend yield-%	6.4 %	6.7 %	4.7 %

Source: Inderes

Slightly soft report by Sampo standards

On Wednesday, Sampo reported a group level profit of EUR 407 million, which was in line with market expectations. However, the result was soft beneath the surface, as If P&C's result missed forecasts for the first time in a while and the items that compensated for this were mainly investment income and one-off items. In our view, disappointment in If P&C's earnings was the reason for the drop in the share price on the day of the Q3 report.

If P&C's result was good, but below expectations

If P&C's premium income continued its strong growth and grew by 5.7% on a comparable basis, in line with expectations. Growth continued to be driven by price increases and the company's excellent competitiveness, reflected in low customer churn. The situation in the Nordic insurance market remains very calm and price increases are being passed through effectively. This remains an important piece of information, as we believe that improving investment returns as interest rates rise create a clear risk of increased price competition and pressure on

underwriting performance.

The combined ratio was 81.6%, slightly weaker than market expectations of ~80%. The weaker-than-expected combined ratio was mainly explained by the higher-than-normal number of major claims. The technical result was EUR 235 million and was supported by a EUR 43 million change in the discount rate. If P&C's result was ultimately EUR 270 million, well below the consensus forecast of EUR 309 million. The majority of the underperformance is explained by investment income, but the technical result also missed expectations by about EUR 10 million.

Hastings clearly exceeded forecasts, but most of this was explained by the EUR 11 MEUR million from a bond redemption. However, relative to the difficult market conditions, Hastings did well. Mandatum's result was very strong, well ahead of forecasts, and this was fully explained by the release of provisions.

Solvency at a stunning level

Sampo's solvency ratio at the end of Q3 was 238% (including the assumed dividend payout for 2022). The rise in interest rates continued to support solvency and it's well above the company's target level of 170-190%. Indeed, the company still has significant excess capital, to which the management also alluded to on the conference call. We have therefore revised upwards our estimate of the excess return on capital (next page). Sampo did not buy more Topdanmark shares during Q3

If P&C's guidance was revised again

Sampo's outlook didn't contain any great surprises. The guidance range for If P&C's combined ratio was revised to 80-82% (was 80.5-82.5%). The 88% operating ratio target for Hastings was reiterated. For If P&C, the target revision was slightly lower than market expectations, as prior to the Q3 results the consensus expected a combined ratio of 80.3% for If P&C.

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
PTP	632	407	371	403	362	487	10%	1887
If P&C	252	270	302	309	265	346	-10%	1184
Mandatum	60	74	40	50	29	69	85%	255
Hastings	30	40	23	18	9	30	74%	88
Holdings	242	-10	-26	-18	-32	-4	-62%	173
Topdanmark	48	32	33	43	15	65	-2%	187
EPS (rep.)	0.93	0.58	0.53	0.56	0.47	0.68	9%	2.56

Source: Inderes & Vara (consensus)

See the interview with the CFO of Sampo:



Estimate revisions

Estimate revisions

- At segment level, we have made many revisions to our estimates, but at group level the changes have been small.
- For If P&C, we have revised our estimates upwards for investment returns. At the same time, however, we have taken a more cautious stance on the technical result and no longer expect it to grow in the coming years. However, the net impact of investment income is positive at If P&C's level.
- For Mandatum, estimates have been raised for investment returns.
- We have increased our estimate for own share purchases by EUR 500 million (2023) and this will have a positive impact on our EPS forecasts.
- Overall, we expect the company to pay an additional dividend of around EUR 1 next spring and a similar additional dividend also for 2023 (to be paid in spring 2024). In addition, we expect a new EUR 500 million share buyback program after next spring's Annual General Meeting.
- Sampo's solvency has clearly increased with the rise in interest rates and the company's estimate of EUR 3-4/share for excess capital is starting to look cautious. We are now forecasting an additional return of capital of around EUR 4/share, and we think it's possible that this amount will increase slightly, especially if PE investments are sold above their balance sheet values.

Operational result drivers 2022-2024e:

- Sampo's performance has continued to improve due to higher earnings estimates and a decrease in the number of shares (buybacks).
- According to our estimates, the company's normal earnings situation is EUR 2.3-2.5 per share under the current structure.
- This level is growing steadily driven by operational earnings growth and buyback of own shares, but there is no reason to expect higher level corrections.
- Following the extraordinary dividend and the rearrangement of the balance sheet, Sampo's dividend capacity is very close to EPS level.
- In our view, the key concern in terms of performance is the technical result, now that interest rates are rising. We are skeptical about a situation in which the recovery in investment returns from rising interest rates would fall fully on the shoulders of companies in the sector and their earnings levels would again make an upward adjustment. Although a possible change in the earnings mix would hardly be reflected in the absolute level of earnings, it would put pressure on the sector's elevated valuation multiples by reducing the predictability of earnings. However, in the big picture, we believe the sector has entered a period of permanently lower combined ratios and a return to the combined ratios of a decade ago shouldn't be expected.

Estimate revisions MEUR / EUR	2022e			2023e			2024e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	10615	10818	2%	9510	9687	2%	9900	10088	2%
PTP	1853	1887	2%	1676	1704	2%	1737	1788	3%
EPS (excl. NRIs)	2.40	2.56	7%	2.37	2.40	1%	2.48	2.59	4%
DPS	2.83	2.84	0%	2.98	3.01	1%	2.10	2.10	0%

Source: Inderes

Cash flows and capital repayments

MEUR	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22e	2023e	2024e
If osinko				766				842	830	880
Mandatum dividend	200				200				200	200
Nordea dividend	45			293	138					
Topdanmark dividend	113					201			131	100
Hastings dividend						0			0	70
Nordea sales		1369	745	1725	183	2107				
Fintech sales								416	416	416
Basic dividend		-945				-930			-955	-1014
Share buybacks				-380	-379	-300	-379	-300	-400	-500
Additional dividend						-1275			-500	-500
Hastings acquisition				-806						
Net cash	-2093	-1659	-914	680	546	209	-544	414	137	-211
Net profit distribution cumul. (MEUR)		945	945	1325	1704	4208	4587	4887	6742	8756
Profit distr./share cumul. (EUR)		1.7	1.7	2.4	3.2	7.9	8.8	9.5	13.3	17.7
Number of shares (millions)			555.4	546.8	537.0	531.1	522.7	516.1	507.2	496.1

The share remains correctly priced

The sum of the parts unchanged

Our view on the amount of Sampo shares has remained unchanged at around EUR 46. We have made only marginal changes, the biggest of which is the lower-than-expected net cash position at the end of Q3. The value still relies heavily on If P&C, which accounts for around 70% of the total group value. Drivers for higher than the current sum of the parts would be:

- Organic profit growth in insurance activities
- Synergies arising from Topdanmark acquisition
- Successful PE exit
- Other M&A arrangements

In terms of earnings growth, we don't see a realistic path to significant earnings leap and the company's targets also indicate this. Thus, it's difficult for us to see a significant further increase in the share price from current levels without significant new acquisitions, which are currently not on the company's agenda (excluding a possible subsequent takeover bid for Topdanmark). The share price has finally risen to the sum-of-the-parts level and, in our view, the stock is no longer undervalued.

Earnings-based valuation is neutral

The stock's earnings-based valuation is starting to look quite expensive (P/E 2022-2024 17-19x), especially given the elevated interest rates that are pushing down acceptable valuations across the board. In relative terms, Sampo is also priced in line with its main peers (Tryg & Gjensidige). As we believe that certain parts of Sampo (Mandatum & Hastings) should justifiably be valued below the multiples of quality Nordic insurers, the market currently gives If

P&C a premium valuation relative to key peers. We believe this is justified as the company is undisputedly the best insurer in the Nordic countries. However, it's difficult for us to come up with a justification for pricing Sampo as a whole at a premium to its peers. In this respect, too, the valuation seems tight.

Our DDM model (p. 12) indicates a value at around EUR 44 per share, considering the share buybacks that we forecast. We note that the level of the discount rate is still very low in absolute terms (WACC 6.7%) and a higher discount rate would cut well below the value indicated by the DDM. Although Sampo's discount should be one of the lowest in the stock market, it's clear that any further rise in interest rates would put further pressure to increase it.

Hard to see upside in the stock

According to our estimate, Sampo's EPS will be to 2.4-2.6 per share in 2024. EPS are clearly supported by the purchases of own shares and the resulting significant reduction in the number of shares. In our view, Sampo's acceptable P/E ratio as a pure insurance company could be in the 15-20x range, probably closer to the upper end, where key peers are also priced. This would mean that Sampo's share price at this stage could be at the level of EUR 36-52 at the beginning of 2024. Even in this way, there is no material upside in the stock, and thus the return to Sampo's shareholders in the coming years will depend primarily on the dividend stream paid out by the company, which will be voluminous as the basic dividend grows and capital is unwound. We no longer consider this to be sufficient compensation, especially as investors are also bearing the risk of falling multiples as interest rates rise.

Valuation	2022e	2023e	2024e
Share price	44.3	44.3	44.3
Number of shares, millions	517.3	511.6	501.6
Market cap	22873	22873	22873
P/E (adj.)	17.3	18.5	17.1
P/E	16.0	18.5	17.1
P/B	1.9	1.9	2.0
Payout ratio (%)	102.4 %	124.5 %	82.1 %
Dividend yield-%	6.4 %	6.7 %	4.7 %

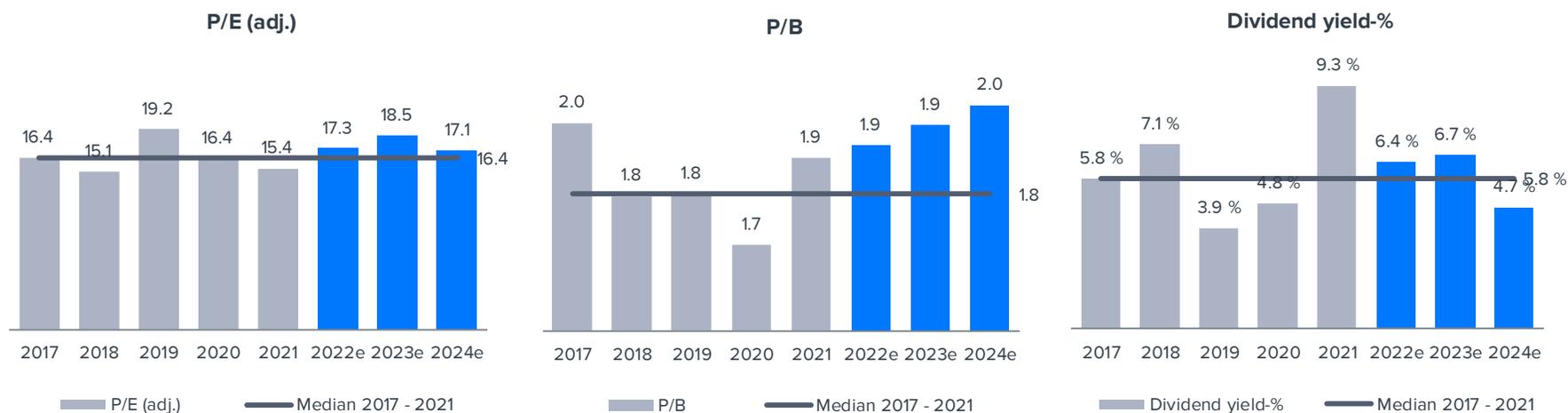
Source: Inderes

Sum of the parts	New	Old
If	16500	16500
Mandatum	2472	2338
Nordea	0	0
Topdanmark	2097	2068
Hastings	2000	2000
Net debt (incl. other investments)	717	1427
Total (MEUR)	23786	24333
Per share (EUR)	45,5	45,8

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	45.2	40.4	38.9	35.3	44.1	44.3	44.3	44.3	44.3
Number of shares, millions	556.6	556.6	556.6	556.6	554.3	517.3	511.6	501.6	508.4
Market cap	25091	22436	21609	19593	24109	22873	22873	22873	22873
P/E (adj.)	16.4	15.1	19.2	16.4	15.4	17.3	18.5	17.1	16.7
P/E	11.2	13.3	19.2	>100	9.5	16.0	18.5	17.1	16.7
P/B	2.0	1.8	1.8	1.7	1.9	1.9	1.9	2.0	1.9
Payout ratio (%)	64.5 %	93.8 %	73.7 %	2484.5 %	87.3 %	102.4 %	124.5 %	82.1 %	82.6 %
Dividend yield-%	5.8 %	7.1 %	3.9 %	4.8 %	9.3 %	6.4 %	6.7 %	4.7 %	4.9 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	P/E		Dividend yield-%		P/B
		2022e	2023e	2022e	2023e	2022e
Tryg	14350	38.3	20.0	3.7	4.7	2.4
Gjensidige	9199	20.3	16.2	4.8	4.9	3.8
Topdanmark	4177	13.6	20.7	11.8	5.3	4.5
ALM	2120	28.9	15.9	4.0	5.3	1.1
Storebrand	3752	14.1	11.5	4.7	5.1	1.0
Admiral	7075	14.8	14.9	8.1	6.3	5.3
Direct Line	3107	11.6	8.4	10.3	10.9	1.1
Zurich Insurance Group	64833	12.7	10.8	5.7	6.1	2.0
Allianz	75581	10.8	7.8	6.2	6.6	1.2
Assicurazioni Generali	24334	8.7	7.8	7.1	7.7	1.1
Sampo (Inderes)	22873	17.3	18.5	6.4	6.7	1.9
Average		17.4	13.4	6.6	6.3	2.3
Median		13.8	13.2	5.9	5.7	1.6
Diff-% to median		25%	41%	8%	17%	20%

Source: Refinitiv / 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	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Premium income	8412	2354	2618	2527	2247	9746	3342	2703	2401	2372	10818	9687	10088	10457
If	4589	1152	1189	1467	1047	4855	1750	1517	1081	1290	5638	5291	5450	5614
Mandatum	1051	269	433	258	407	1367	480	301	248	448	1477	1595	1675	1758
Topdanmark	2709	695	680	714	605	2694	961	574	549	334	2418	1387	1437	1437
Hastings	63.0	238	316	88.0	188	830	151	311	523	300	1285	1414	1527	1649
EBIT (excl. NRI)	1541	632	617	488	453	2190	538	425	406	415	1784	1704	1788	1860
EBIT	380	632	710	632	1198	3172	566	500	406	415	1887	1704	1788	1860
If	901	257	309	252	259	1077	283	379	270	252	1184	1168	1238	1278
Mandatum	154	76	65	60	90	291	80	36	73	66	255	256	265	275
Nordea	-734	121	146	114	28	409	0	0	0	0	0	0	0	0
Holdings	-92	-6	81	128	719	922	164	39	-9	-21	173	-74	-93	-85
Topdanmark	167	137	71	48	90	346	37	23	32	95	187	261	271	271
Hastings	-16	46	38	30	12	127	2	23	40	23	88	93	106	121
PTP	380	632	710	632	1198	3172	566	500	406	415	1887	1704	1788	1860
Taxes	-267	-106	-124	-83	-110	-423	-84	-86	-86	-91	-346	-375	-384	-400
Minority interest	-75	-72	-39	-32	-38	-181	-16	-16	-14	-67	-112	-103	-106	-110
Net earnings	38.0	454	547	517	1050	2568	467	399	306	257	1429	1226	1297	1351
EPS (adj.)	2.15	0.82	0.82	0.67	0.55	2.86	0.81	0.61	0.58	0.50	2.56	2.40	2.59	2.66
EPS (rep.)	0.07	0.82	0.99	0.93	1.89	4.63	0.86	0.75	0.58	0.50	2.76	2.40	2.59	2.66

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	-3.8 %	-17.4 %	37.6 %	51.0 %	13.3 %	15.9 %	42.0 %	3.3 %	-5.0 %	5.6 %	11.0 %	-10.5 %	4.1 %	3.7 %
Adjusted EBIT growth-%	0.0 %	289.1 %	51.7 %	0.6 %	-7.0 %	42.1 %	-14.9 %	-31.1 %	-16.7 %	-8.4 %	-18.5 %	-4.5 %	4.9 %	4.1 %
EBITDA-%	4.5 %	26.9 %	27.1 %	25.0 %	53.3 %	32.5 %	16.9 %	18.5 %	16.9 %	17.5 %	17.4 %	17.6 %	17.7 %	17.8 %
Adjusted EBIT-%	18.3 %	26.9 %	23.6 %	19.3 %	20.2 %	22.5 %	16.1 %	15.7 %	16.9 %	17.5 %	16.5 %	17.6 %	17.7 %	17.8 %
Net earnings-%	0.5 %	19.3 %	20.9 %	20.4 %	46.7 %	26.3 %	14.0 %	14.8 %	12.7 %	10.8 %	13.2 %	12.7 %	12.9 %	12.9 %

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	9847	9128	9383
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	2714	2977	2977	2977	2977
Receivables	1821	2295	2542	2276	2371
Cash and equivalents	2520	4819	4327	3875	4035
Balance sheet total	56529	61061	58191	57010	57303

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	12258	13464	12651	12413	12184
Share capital	98.0	98.0	98.0	98.0	98.0
Retained earnings	9282	9952	9139	8901	8672
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	43072	42129	42650
Deferred tax liabilities	717	855	855	855	855
Provisions	20.0	9.0	9.0	9.0	9.0
Long term debt	4925	4346	2289	1346	1867
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	58191	57010	57303

DDM calculation

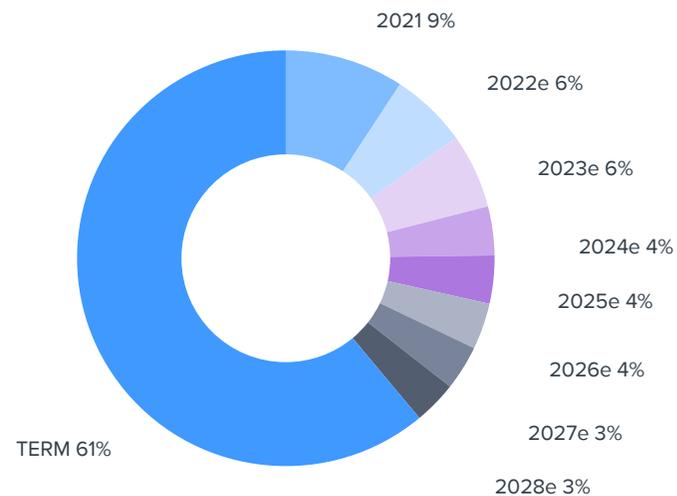
DDM valuation (MEUR)	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	TERM
Sampo's result	2568	1429	1226	1297	1351	1311	1336	1274	1300
Sampo's dividend	2242	1464	1526	1065	1116	1149	1184	1219	23689
Payout ratio	87%	102%	124%	82%	83%	88%	89%	96%	
Sampo's dividend growth-%	137.5 %	-34.7 %	4.2 %	-30.2 %	4.8 %	3.0 %	3.0 %	3.0 %	2.0 %
Disc. dividend	2242	1448	1415	925	908	876	846	816	14855
Disc. cumul. dividend	22089	22089	20641	19226	18301	17393	16516	15671	14855

Equity, DDM	22089
Per share EUR	42.8

Cost of equity

Risk-free interest	2.5%
Market's risk premium	4.8%
Company Beta	1.00
Liquidity premium	0.0%
Cost of equity	7.3%
WACC-%	6.7%

Cash flow breakdown



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Premium income	8748	8412	9746	10818	9687	EPS (reported)	2.03	0.07	4.63	2.76	2.40
PTP	1541	380	3172	1887	1704	EPS (adj.)	2.03	2.15	2.86	2.56	2.40
Net profit	1130	38	2568	1429	1226	Dividend / share	1.50	1.70	4.10	2.84	3.01
Extraordinary items	0	-1161	982	103	0	Book value / share	21.4	20.5	23.1	23.1	22.9
Balance sheet	2019	2020	2021	2022e	2023e	If figures	2019	2020	2021	2022e	2023e
Balance sheet total	51939	56529	61061	58191	57010	Premium income	4388	4589	4772	5039	5291
Equity capital	12542	12258	13464	12651	12413	Premium income growth-%	1.5 %	4.6 %	6.0 %	5.6 %	5.0 %
Net debt	2117	2405	-473	-2039	-2529	Investment income	242	90	174	204	206
ROE-%	9.3 %	0.3 %	21.2 %	11.5 %	10.3 %	Combined ratio-%	84.5 %	82.1 %	81.3 %	80.7 %	82.3 %
						Risk ratio-%	62.7 %	60.7 %	59.9 %	59.7 %	61.5 %
						Cost ratio-%	21.8 %	21.5 %	21.4 %	21.0 %	20.8 %

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy The 12-month risk-adjusted expected shareholder return of the share is very attractive

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Recommendation history (>12 mo)

Date	Recommendation	Target price	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 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

At Inderes we believe that open data is every investor's fundamental right. We guarantee investors' access to award-winning research, insightful video content and an active investor community.

For listed companies we ensure that there is always high-quality information available on the company for investors and shareholders for decision making, and that data collected from investors can be utilized by the companies.

Over 100 Finnish listed companies want to serve their shareholders and investors through us by utilizing our company research services, data driven IR services, content creation and consulting.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**