

# Sampo

## Company report

11/8/2023



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This report is a summary translation of the report “Osake on oikein hinnoiteltu” published on 11/8/2023 at 9:50 pm EET.

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# The stock is correctly priced

Sampo's Q3 report was well ahead of market expectations figure-wise, but under the hood the operational numbers were broadly in line with expectations as the earnings beat came mainly from investments. We have kept our estimates practically unchanged, and we expect Sampo to deliver stable earnings growth. In our view, the stock is correctly priced on several metrics, and we no longer see the risk/return ratio as sufficient. We reiterate our SOTP-based target price of EUR 39.0 and lower our recommendation to Reduce (was Accumulate).

## The result looked a little too good

Sampo's Q3 report was very strong in terms of figures (PTP 391 MEUR) and clearly exceeded both our (267 MEUR) and the market's (264 MEUR) expectations. However, the earnings beat came largely from "soft items" (investment income and other net financial items) and operationally the result was ultimately well in line with expectations. If P&C's premium growth was a whopping 10% after adjusting for FX movements and growth continued to be driven mainly by price increases and likely a modest increase in market share. If P&C's result was a very good EUR 332 million, but the excess over market expectations (264 MEUR) is largely explained by investment income. The underwriting result was slightly better than expected, as larger-than-expected weather damages were compensated by large releases of previous years' claims reserves. Hastings' underwriting result was still sluggish but should improve markedly in the coming quarters as price increases start to support margins. Sampo also purchased a small number (400,000) of Topdanmark shares. This confirms our view that at current levels the company is ready to increase its ownership.

## No changes in estimates, we expect an announcement on new capital repayments in the coming months

We estimate Sampo's current normal earnings level to be EUR 2.2-2.5/share. Given the fierce performance of the businesses, there is no reason to expect major level adjustments to this level, with steady EPS growth underpinned by strong P&C insurance operations and purchases of own shares. A key forecast risk is still related to a deterioration in the earnings mix as rising investment income increases the likelihood of higher competitive pressure, which would have a negative impact on the insurance service result. Sampo still has excess capital of EUR 2-3 per share on its balance sheet, which is mostly tied up in PE investments. After the demerger, we believe that Sampo could have the opportunity to further reduce the solvency buffers and the final amount of excess capital could still increase from the current level, if the Swedish Financial Supervisory Authority approves Sampo's application for a [change in solvency formula](#). We expect Sampo to announce new capital repayments (share buybacks and additional dividends) by the beginning of the year at the latest. We continue to forecast additional dividends of EUR 0.5/year for the next two years and one share buyback program of around EUR 1/share. We think it is very possible that share buybacks will continue beyond our current forecasts, provided there are no major moves in Topdanmark.

## The stock is correctly priced

We have estimated Sampo's fair value through the value of its parts, relative and absolute valuation, as well as dividend flow calculations. With the exit of Mandatum, the peer valuation is a more meaningful way to value Sampo. In addition, we continue to favor the SOTP as it best reflects the excess capital on the balance sheet and Hastings' clearly lower valuation than the rest of the group. The total value of the SOTP is around EUR 39. The other valuation methods support the current target price, and we consider the stock to be correctly priced at the current level.

## Recommendation

### Reduce

(previous Accumulate)

### EUR 39.00

(previous EUR 39.00)

### Share price:

38.94



## Key figures

	2022	2023e	2024e	2025e
<b>PTP</b>	1924	1498	1616	1686
<b>growth-%</b>	-39%	-22%	8%	4%
<b>Net Income</b>	1426	1069	1153	1214
<b>EPS (adj.)</b>	3.71	2.38	2.33	2.48
<b>DPS</b>	2.60	2.10	2.20	1.80

<b>P/E (adj.)</b>	13.1	16.4	16.7	15.7
<b>P/B</b>	2.6	2.6	2.6	2.5
<b>Dividend yield-%</b>	5.3 %	5.4 %	5.5 %	4.5 %
<b>Dividend/earnings-%</b>	70%	88%	95%	73%

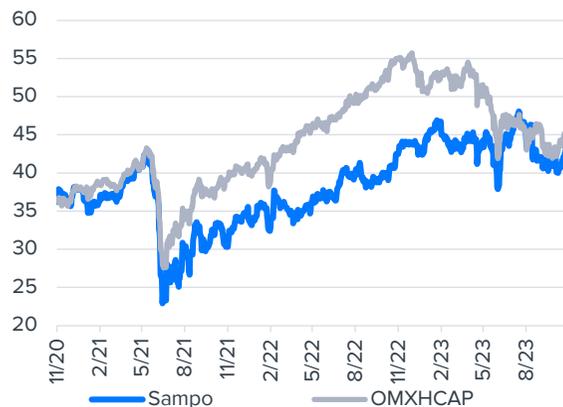
Source: Inderes

## Guidance

(Unchanged)

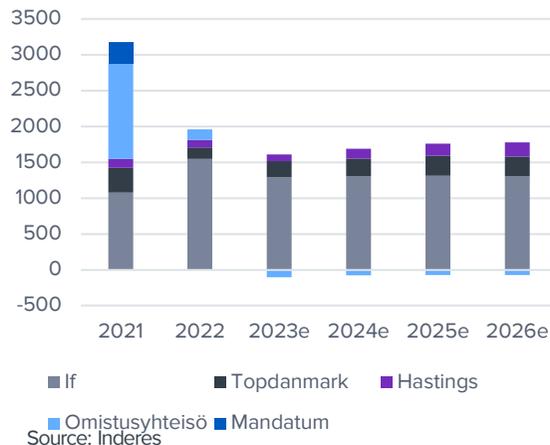
Following strong performance in the first half of the year, the outlook for If P&C's 2023 combined ratio has been improved to 81.5-83.5% (from 82-84%). The outlook for the Hastings operating ratio for 2023 has been adjusted to 88-90% (below 88%). At Group level, Sampo targets a combined ratio of below 86%.

## Share price



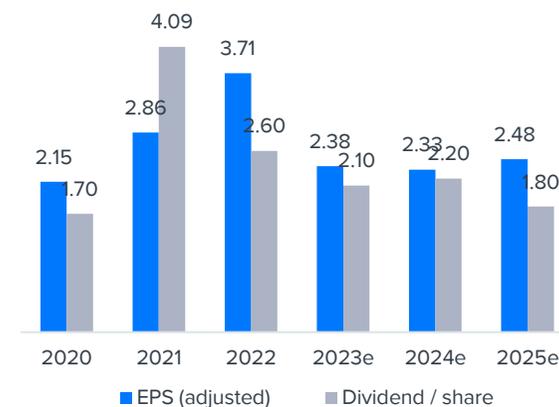
Source: Millistream Market Data AB

## 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
- Topdanmark acquisition
- 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	2023e	2024e	2025e
Share price	38.9	38.9	38.9
Number of shares, millions	508.1	495.6	489.5
Market cap	19540	19540	19540
P/E (adj.)	16.4	16.7	15.7
P/E	16.4	16.7	15.7
P/B	2.6	2.6	2.5
Payout ratio (%)	87.2 %	93.3 %	72.5 %
Dividend yield-%	5.4 %	5.5 %	4.5 %

Source: Inderes

# Fierce result looks too good to be true

Sampo's Q3 report showed very strong figures and clearly exceeded both our and the market's expectations. However, the earnings beat came largely from "soft items" (investment income and other net financial items) and operationally the result was ultimately well in line with expectations. Group profit before taxes was EUR 391 million, well above the consensus forecast of EUR 312 million (Inderes: 310 MEUR).

## If P&C's performance was marvelous

If P&C's premium income continued to grow strongly and was a whopping 10% after adjusting for FX movements. Growth continued to be driven mainly by price increases and probably a slight increase in market share. According to the company, inflation in claims costs was around 4-5%, so the price increases will continue to go through effectively as if P&C's

private customer churn rate remains at a very low level in recent years. This supports our view that the competitive situation in the Nordic insurance market is still relatively calm.

The combined ratio developed more favorably than expected, reaching 84.1% in Q3, despite significantly higher than normal weather claims. Weather claims were actually higher than expected, but the positive impact of the release of claims reserves from previous years was much higher than expected. The underlying profitability level would still appear to be at a very good level.

The net financial result was clearly better than expected, although this is rather small in significance. Overall, if P&C's result was a whopping EUR 332 million. As expected, if P&C reiterated its combined ratio guidance of 81.5-83.5%.

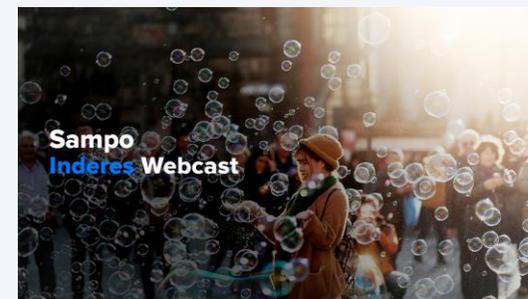
## Hastings can prove itself in the coming quarters

Hastings' development was again twofold. Hastings continued its rapid growth (+23%) through price hikes and gaining market share. Similarly, however, profitability remained under pressure due to the challenging market environment. However, the company's management was very confident that claims cost inflation would calm down and that margins would start to improve in the coming months as the effects of price increases start to show. In addition, market pricing discipline seems to have improved. Hastings should therefore be well placed to improve its results strongly in the coming quarters. Thus, we are cautiously optimistic about Hastings' prospects at this stage.

Estimates MEUR / EUR	Q3'22 Comparison	Q3'23 Actualized	Q3'23e Inderes	Q3'23e Consensus	Consensus		Difference (%) Act. vs. inderes	2023e Inderes
					Low	High		
PTP	341	391	310	312	163	- 379	26%	1498
If P&C	264	332	267	264	126	- 339	24%	1291
Topdanmark	32	38	40	40	29	- 53	-5%	227
Hastings	54	43	28	25	4	- 44	54%	93.5
Holdings	-9	-21	-25	-18	-35	- 5	-16%	-113
EPS (rep.)	0.46	0.73	0.53	0.53	0.28	- 0.65	38%	2.41

Source: Inderes & Vara (consensus)

Watch Sampo's Q3 webcast:



# Topdanmark shareholding increased marginally

## Topdanmark shareholding was slightly increased

As expected, Sampo increased its holding in Topdanmark by around 400,000 shares. The amount is quite small (about 1% of Sampo's total holding), but we think its signal value is quite clear. Sampo is ready to buy Topdanmark at the levels seen in Q3 and we expect purchases to continue in Q4.

In our view, acquiring Topdanmark's shares from the market would make sense, as a gradual increase in ownership would facilitate the payment of a potential premium in the end, when the pot to be bought would be smaller than today. We have explained this logic in more detail in our [extensive report](#).

## Solvency is strong

Sampo's solvency at the end of Q3 was 195%, taking into account the exit of Mandatum and the accumulated dividend. This level is above the company's target level of 170-190% and will be reinforced in the coming years as PE investments are phased out and the Swedish Financial Supervisory Authority approves the company's application for a group partial internal model. Furthermore, we believe it is likely that Sampo will lower its solvency target to 160-180% now that Mandatum is no longer part of the group.

Overall, Sampo's solvency is very strong, and we estimate that the company has an excess capital of EUR 2-3 per share. The final amount is likely to be closer to the upper limit or even slightly above it, especially if the Swedish regulator approves the

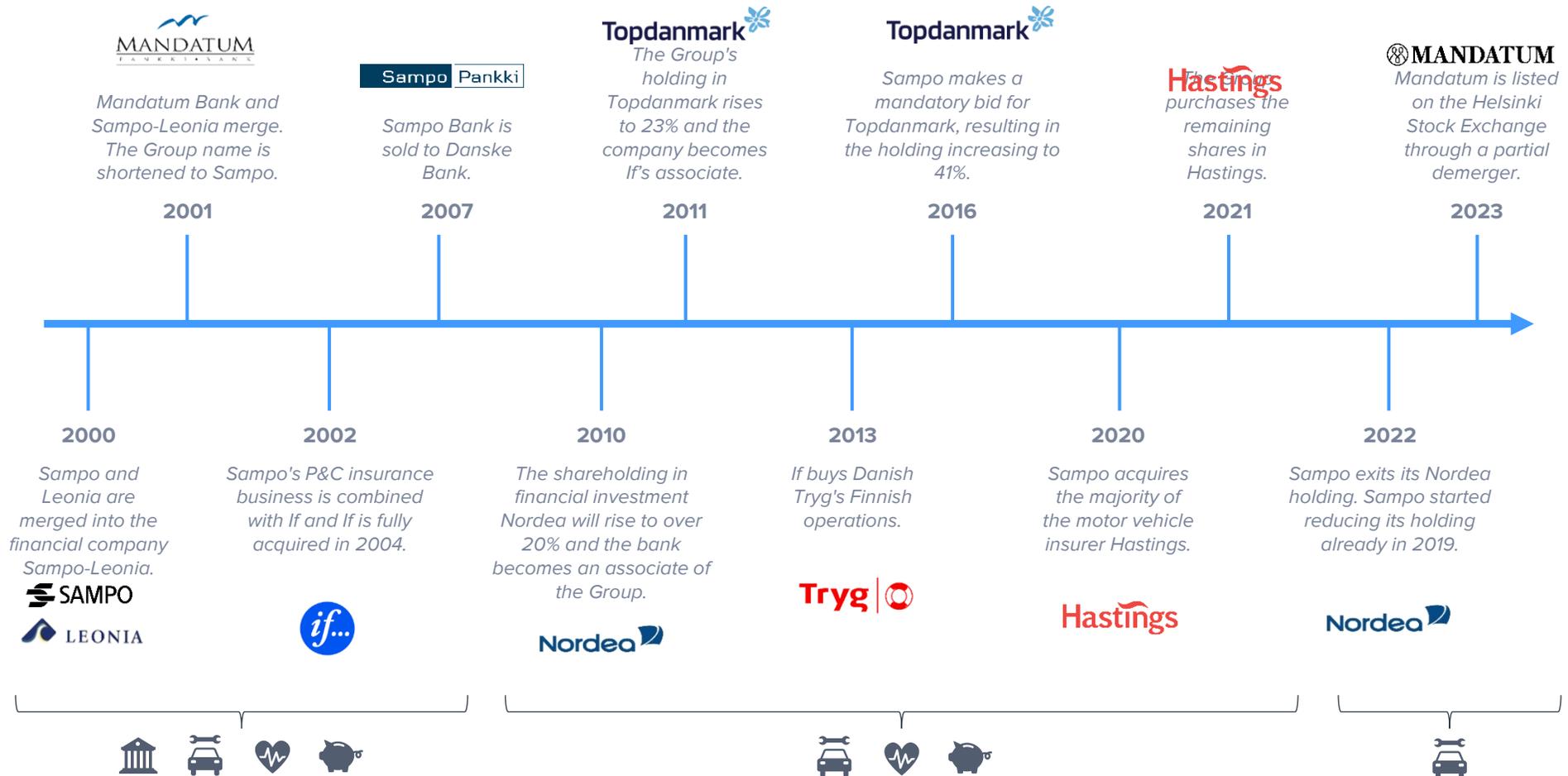
change in solvency formula requested by Sampo.

We expect Sampo to give more precise indications on how to unwind this excess capital at the CMD in December. If the company does not make a takeover bid for Topdanmark, the capital will be gradually returned in the form of share buybacks and additional dividends.

Watch CFO interview:



# M&A transactions – Journey from a financial conglomerate to a P&C insurer



## THE GROUP'S OPERATIONAL BUSINESSES



# Estimate revisions

## Estimate revisions

- We have only made marginal changes to our estimates, and the revisions to 2023 estimates are fully explained by the Q3 earnings beat. We have discussed our estimates in more detail in our [extensive report](#).
- We note that we expect a further slight deterioration in the combined ratio in the next few years, as attractive interest yields and high combined ratios encourage players to increase their market shares more than in the past. Although If P&C continues to grow and investment returns are strong, profit growth will be rocky.
- We have maintained our estimate of the extraordinary profit distribution and expect additional dividends of EUR 0.5/share for both 2024 and 2025 and a new share buyback program of EUR 500 million for 2024. Even after these, the company's balance sheet remains very strong and therefore additional capital may be available for distribution at a later stage, especially if no major moves are made with Topdanmark.

## Operational earnings drivers:

- Our view on Sampo's performance has remained unchanged and we estimate that the company's normal earnings under the current structure is EUR 2.2-2.5 per share (was EUR 2.2-2.4). This level is growing steadily, driven by operating profit growth and share buybacks, but larger level adjustments should not be expected given the strong performance of the businesses. Following extra dividends and rearrangement of the balance sheet, Sampo's dividend capacity is very close to its EPS level.
- In our view, the key concern in terms of performance relates to the insurance service result, as interest rates have risen to reasonable levels. We are skeptical about a situation where the recovery in investment income from rising interest rates would fully benefit companies in the sector and their earnings levels would thus again make an upward adjustment. Although a possible change in the earnings mix would hardly be reflected in the absolute earnings level, 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 is not to be expected.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
If P&C	1282	1291	1%	1312	1304	-1%	1323	1314	-1%
Topdanmark	229	227	-1%	248	248	0%	278	278	0%
Hastings	84	93	11%	137	140	2%	157	168	7%
Ownership	-103	-104	1%	-75	-75	0%	-74	-74	0%
<b>PTP</b>	<b>1485</b>	<b>1498</b>	<b>1%</b>	<b>1622</b>	<b>1616</b>	<b>0%</b>	<b>1684</b>	<b>1686</b>	<b>0%</b>
<b>EPS (adjusted)</b>	<b>2.34</b>	<b>2.41</b>	<b>3%</b>	<b>2.34</b>	<b>2.33</b>	<b>0%</b>	<b>2.48</b>	<b>2.48</b>	<b>0%</b>
Dividend / share	2.10	2.10	0%	2.20	2.20	0%	1.80	1.80	0%

Source: Inderes

# The stock is correctly priced

## The sum of the parts remains unchanged

We have estimated Sampo's fair value through the value of its parts, relative and absolute valuation and a dividend model. In this analysis, we will focus on the sum of the parts, as it is the best way to consider the value of different parts of Sampo and the different profiles of the businesses.

Our view on the amount of Sampo shares has remained unchanged at around EUR 39 with only marginal fine-tuning to estimates. The value still relies heavily on If P&C, which accounts for more than 85% 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 exits
- Other M&A transactions

In terms of earnings growth, we do not see a realistic path to significant earnings growth (the company's targets also indicate this). Thus, we find it difficult to see the SOTP increasing significantly from the current level without significant new M&A arrangements that aren't already on the company's agenda (excluding any subsequent Topdanmark takeover bid).

The SOTP value is in line with our target price. The peer analysis, absolute multiples and our dividend model support our current target price, and we believe that Sampo's share price is currently at the right level.

## Earnings-based valuation is neutral

On a performance basis, the valuation of the stock has become more attractive with the fall in the share price. P/E multiples for 2023-2025 are 17-15x and corresponding dividend yields at 5% (including additional dividends in 2023 and 2024). The levels are in line with the main Nordic insurer peers. The valuation is still not cheap, but that is justified given the high quality of Sampo's businesses. However, it is difficult for us to see any room for valuation to move upwards, especially as higher interest rates have depressed valuation levels for the sector as a whole and for stock markets.

## The dividend model also supports our view

Our DDM model (p. 15) indicates a value at around EUR 39 per share, considering the share buybacks that we forecast. Thus, the dividend model also supports our view of neutral pricing of the stock. We note that the level of the discount rate is still very low in absolute terms (WACC 6.7%), so a possible further rise in interest rates and a subsequent increase in the discount rate would significantly reduce the value indicated by the DDM.

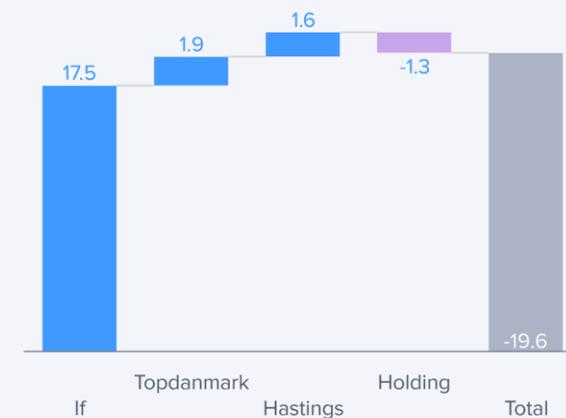
## The stock is correctly priced

Overall, we see Sampo's share as correctly priced. The expected return on the stock relies mainly on dividends, which we do not consider sufficient compensation in the current interest rate environment. In our view, a better expected return would require faster-than-expected earnings growth.

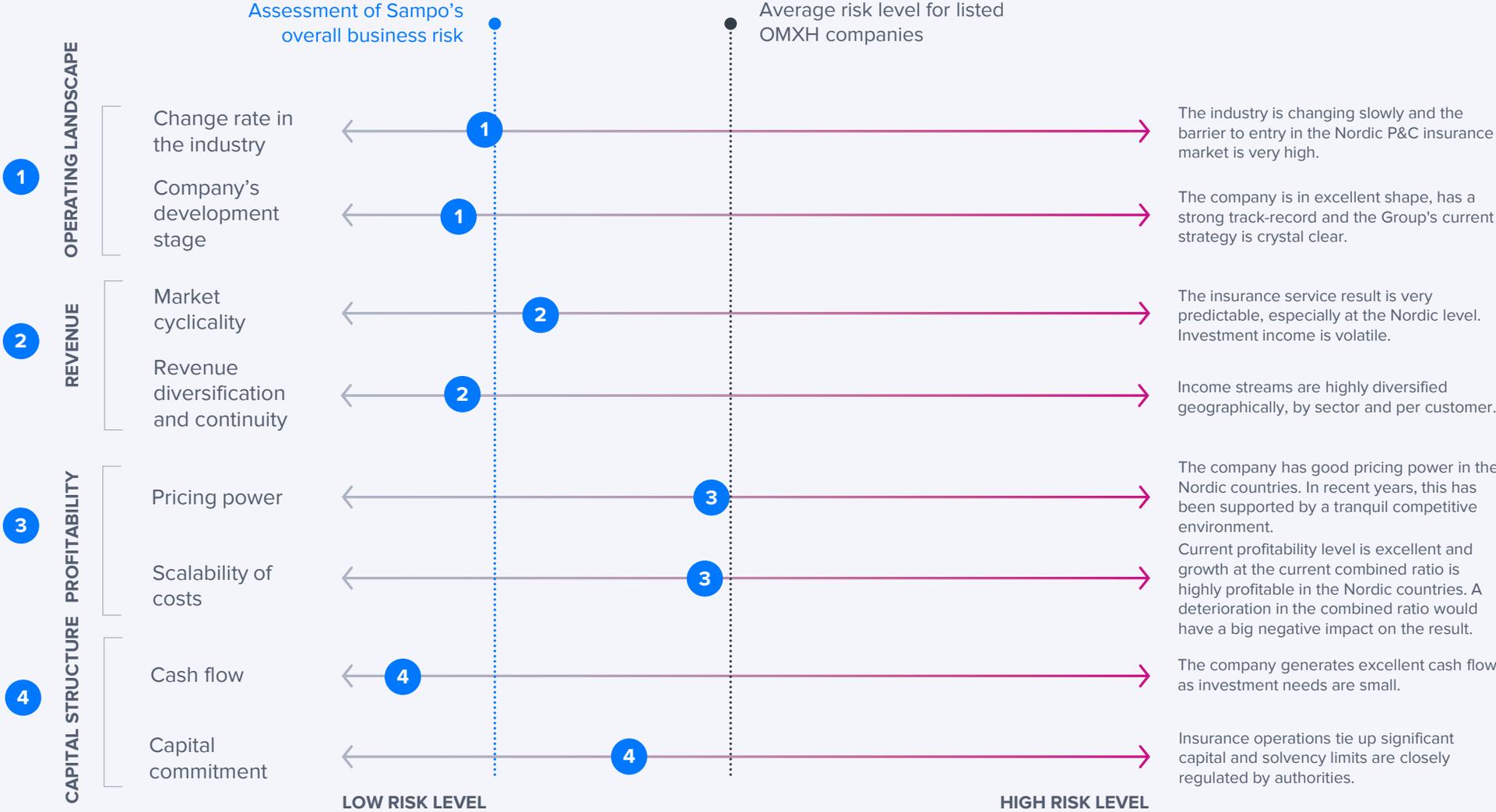
Valuation	2023e	2024e	2025e
Share price	38.9	38.9	38.9
Number of shares, millions	508.1	495.6	489.5
Market cap	19540	19540	19540
P/E (adj.)	16.4	16.7	15.7
P/E	16.4	16.7	15.7
P/B	2.6	2.6	2.5
Payout ratio (%)	87.2 %	93.3 %	72.5 %
Dividend yield-%	5.4 %	5.5 %	4.5 %

Source: Inderes

Sum of the parts	Uusi	Vanha
If P&C	17500	17500
Topdanmark	1896	1782
Hastings	1600	1600
Holdings (incl. liabilities and investments)	-1350	-1350
<b>Total (MEUR)</b>	<b>19646</b>	<b>19532</b>
Per share (EUR)	39,2	39,2



# Risk profile of the business model (excluding Mandatum)



Source: Inderes

# Investment profile (excluding Mandatum)



1.

**Excellent track record of profitable growth in P&C insurance**

2.

**The Nordic P&C insurance market is exceptionally attractive**

3.

**Stable and increasing dividends and extra capital repayments**

4.

**Acquisition of the Topdanmark minority and possible other M&A transactions**

5.

**The increase in interest rates raises investment income, but may put pressure on the competitive situation and underwriting profitability**

## Potential

- Growth in insurance business in the Nordic countries
- Hastings' growth
- Acquisition of the Topdanmark minority and major synergies
- Other M&A transactions
- Higher interest rates improve investment income
- Exit from PE investments

## Risks

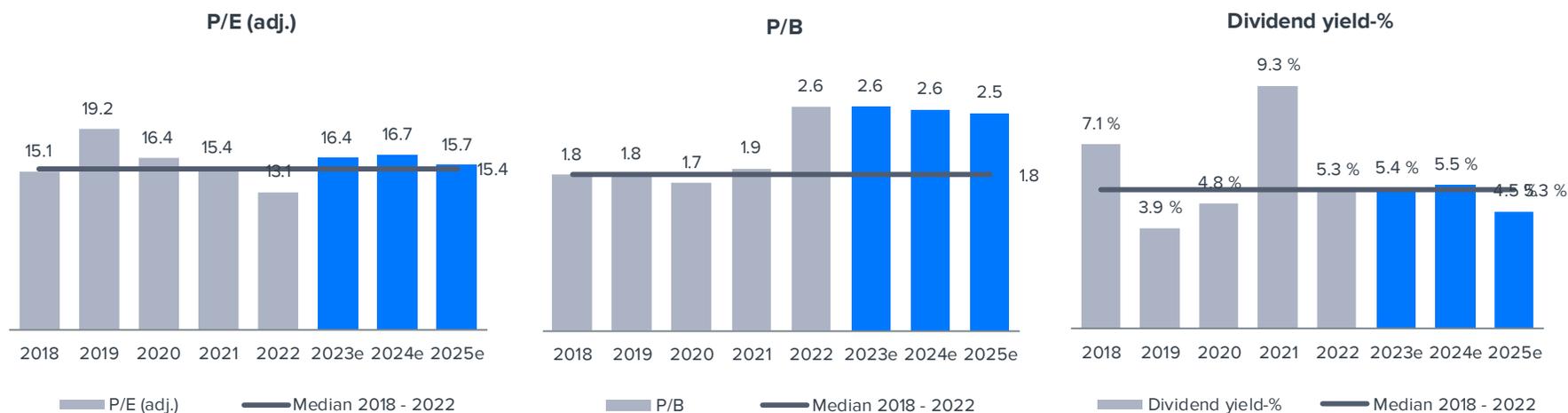


- The tightening competitive situation of the Nordic P&C insurance market
- The increase in interest rates may weaken the underwriting result through increased price competition
- Sampo's valuation multiples have downward pressure if the insurance service result weakens

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	40.4	38.9	35.3	44.1	48.8	38.9	38.9	38.9	38.9
Number of shares, millions	556.6	556.6	556.6	554.3	530.3	508.1	495.6	489.5	489.5
Market cap	22436	21609	19593	24109	25108	19540	19540	19540	19540
P/E (adj.)	15.1	19.2	16.4	15.4	13.1	16.4	16.7	15.7	15.5
P/E	13.3	19.2	>100	9.5	12.3	16.4	16.7	15.7	15.5
P/B	1.8	1.8	1.7	1.9	2.6	2.6	2.6	2.5	2.4
Payout ratio (%)	93.8 %	73.7 %	2484.5 %	87.3 %	63.5 %	87.2 %	93.3 %	72.5 %	75.8 %
Dividend yield-%	7.1 %	3.9 %	4.8 %	9.3 %	5.3 %	5.4 %	5.5 %	4.5 %	4.8 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	P/E		Dividend yield-%		P/B
		2023e	2024e	2023e	2024e	2023e
Tryg	11926	19.7	15.7	5.5	5.8	2.2
Gjensidige	7013	18.9	14.3	5.2	5.6	3.6
Topdanmark	3847	24.1	19.5	4.2	5.2	5.8
ALM	2145	26.3	16.9	6.4	7.7	1.1
Storebrand	3586	12.8	10.0	4.4	5.0	1.3
Admiral	8846	21.5	18.7	4.4	4.9	7.9
Direct Line	2569	10.5	7.8	5.4	8.7	1.0
Zurich Insurance Group	65905	13.4	12.2	5.9	6.3	2.7
Allianz	88507	9.7	8.5	5.5	6.0	1.5
Assicurazioni Generali	29353	8.0	7.6	6.6	6.9	1.1
<b>Sampo (Inderes)</b>	<b>19540</b>	<b>16.4</b>	<b>16.7</b>	<b>5.4</b>	<b>5.5</b>	<b>2.6</b>
<b>Average</b>		<b>16.5</b>	<b>13.1</b>	<b>5.3</b>	<b>6.2</b>	<b>2.8</b>
<b>Median</b>		<b>16.1</b>	<b>13.3</b>	<b>5.4</b>	<b>5.9</b>	<b>1.9</b>
<b>Diff-% to median</b>		<b>1%</b>	<b>26%</b>	<b>-1%</b>	<b>-7%</b>	<b>39%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
<b>Insurance service result</b>	<b>9746</b>	<b>1863</b>	<b>2771</b>	<b>1848</b>	<b>1785</b>	<b>8267</b>	<b>1799</b>	<b>1820</b>	<b>1881</b>	<b>1968</b>	<b>7468</b>	<b>8202</b>	<b>8526</b>	<b>8803</b>
If P&C	4855	1222	2044	1081	1085	5432	1235	1231	1264	1320	5050	5251	5408	5571
Topdanmark	2694	312	343	334	318	1307	318	317	321	353	1309	1513	1572	1572
Hastings	830	329	384	433	382	1528	246	272	296	295	1109	1439	1546	1660
Mandatum	1367	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
<b>EBIT (excl. NRI)</b>	<b>2190</b>	<b>664</b>	<b>769</b>	<b>341</b>	<b>12.0</b>	<b>1786</b>	<b>359</b>	<b>363</b>	<b>390</b>	<b>386</b>	<b>1498</b>	<b>1616</b>	<b>1686</b>	<b>1707</b>
<b>EBIT</b>	<b>3172</b>	<b>692</b>	<b>844</b>	<b>341</b>	<b>47.0</b>	<b>1924</b>	<b>359</b>	<b>363</b>	<b>390</b>	<b>386</b>	<b>1498</b>	<b>1616</b>	<b>1686</b>	<b>1707</b>
If P&C	1077	495	732	264	59	1550	337	320	332	302	1291	1304	1314	1303
Topdanmark	346	15	45	32	65	157	63	42	38	84	227	248	278	278
Hastings	127	21	25	54	7	107	10	17	43	23	93	140	168	199
Holdings	1331	164	39	-9	-48	146	-45	-15	-21	-23	-104	-75	-74	-73
Mandatum	291	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>PTP</b>	<b>3172</b>	<b>692</b>	<b>844</b>	<b>341</b>	<b>47.0</b>	<b>1924</b>	<b>359</b>	<b>363</b>	<b>390</b>	<b>386</b>	<b>1498</b>	<b>1616</b>	<b>1686</b>	<b>1707</b>
Taxes	-423	-107	-62	-86	-129	-384	-91	-81	-79	-83	-334	-364	-371	-376
Minority interest	-181	-11	-20	-14	-69	-114	-26	-18	-17	-34	-95	-98	-101	-104
<b>Net earnings</b>	<b>2568</b>	<b>773</b>	<b>563</b>	<b>241</b>	<b>530</b>	<b>2107</b>	<b>271</b>	<b>306</b>	<b>363</b>	<b>269</b>	<b>1209</b>	<b>1153</b>	<b>1214</b>	<b>1227</b>
<b>EPS (adj.)</b>	<b>2.86</b>	<b>1.37</b>	<b>0.92</b>	<b>0.46</b>	<b>0.93</b>	<b>3.71</b>	<b>0.53</b>	<b>0.61</b>	<b>0.72</b>	<b>0.54</b>	<b>2.41</b>	<b>2.33</b>	<b>2.48</b>	<b>2.51</b>
<b>EPS (rep.)</b>	<b>4.63</b>	<b>1.43</b>	<b>1.06</b>	<b>0.46</b>	<b>1.00</b>	<b>3.97</b>	<b>0.53</b>	<b>0.61</b>	<b>0.72</b>	<b>0.54</b>	<b>2.38</b>	<b>2.33</b>	<b>2.48</b>	<b>2.51</b>

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>50970</b>	<b>19463</b>	<b>3700</b>	<b>3738</b>	<b>3776</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	3794	3322	3357	3392	3427
Tangible assets	375	329	332	335	338
Associated companies	777	11.7	0.0	0.0	0.0
Other investments	26274	15789	0.0	0.0	0.0
Other non-current assets	19711	0.0	0.0	0.0	0.0
Deferred tax assets	39.0	11.0	11.0	11.0	11.0
<b>Current assets</b>	<b>10091</b>	<b>19749</b>	<b>19500</b>	<b>19882</b>	<b>20051</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	2977	15617	15617	15617	15617
Receivables	2295	1820	1643	1805	1876
Cash and equivalents	4819	2312	2240	2461	2558
<b>Balance sheet total</b>	<b>61061</b>	<b>39212</b>	<b>23200</b>	<b>23620</b>	<b>23827</b>

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>13464</b>	<b>10178</b>	<b>7940</b>	<b>8039</b>	<b>8177</b>
Share capital	98.0	98.0	98.0	98.0	98.0
Retained earnings	9952	8482	6354	6453	6591
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	2738	1038	1038	1038	1038
Minorities	676	560	450	450	450
<b>Non-current liabilities</b>	<b>45129</b>	<b>14484</b>	<b>15260</b>	<b>15581</b>	<b>15650</b>
Deferred tax liabilities	855	506	506	506	506
Provisions	9.0	6.0	6.0	6.0	6.0
Interest bearing debt	4346	3087	3863	4184	4253
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	39919	10885	10885	10885	10885
<b>Current liabilities</b>	<b>2468</b>	<b>14550</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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	2468	14550	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>61061</b>	<b>39212</b>	<b>23200</b>	<b>23620</b>	<b>23827</b>

# DDM calculation

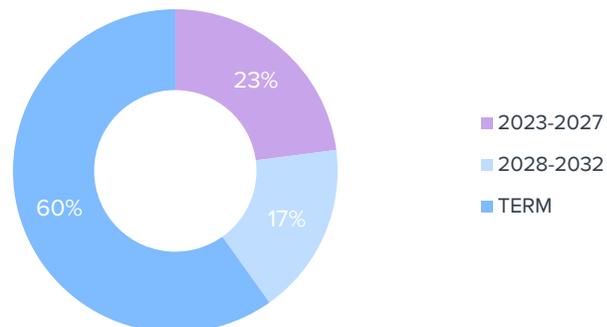
DDM valuation (MEUR)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Sampo's result	1209	1153	1214	1227	1188	1175	1161	1183	1206	1229	1229
Dividend	1054	1076	881	930	1069	1058	1045	1065	1085	1106	21485
-Payout ratio	87%	93%	73%	76%	90%	90%	90%	90%	90%	90%	
Dividend growth-%	-21.2 %	2.2 %	-18.2 %	5.6 %	15.0 %	-1.1 %	-1.2 %	1.9 %	1.9 %	1.9 %	2.0 %
Discount rate	1043	994	758	746	800	738	680	646	614	583	11328
Cumulative discount rate	18930	17886	16893	16135	15389	14589	13851	13171	12525	11911	11328

Equity value, DDM	18930
<b>Per share EUR</b>	<b>37.7</b>

## Cost of equity

Risk-free interest	2.5%
Market risk premium	4.8%
Company Beta	1.00
Liquidity premium	0.0%
<b>Cost of equity</b>	<b>7.3%</b>
WACC-%	6.7%

## Cash flow breakdown



# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Insurance service income	8412	9746	8267	<b>7468</b>	<b>8202</b>	EPS (reported)	0.07	4.63	3.97	<b>2.38</b>	<b>2.33</b>
PTP	380	3172	1924	<b>1498</b>	<b>1616</b>	EPS (adj.)	2.15	2.86	3.71	<b>2.38</b>	<b>2.33</b>
Net profit	38	2568	2107	<b>1209</b>	<b>1153</b>	Dividend / share	1.70	4.10	2.60	<b>2.10</b>	<b>2.20</b>
Extraordinary items	-1161	982	138	<b>0</b>	<b>0</b>	Book value / share	20.5	23.1	18.1	<b>14.7</b>	<b>15.3</b>
Balance sheet	2020	2021	2022	2023e	2024e	If P&C figures	2020	2021	2022	2023e	2024e
Balance sheet total	56529	61061	39212	<b>23200</b>	<b>23620</b>	Insurance service income	4589	4772	5024	<b>5049</b>	<b>5251</b>
Equity capital	12258	13464	10178	<b>7940</b>	<b>8039</b>	Insurance service income growth	4.6 %	6.0 %	5.3 %	<b>0.5 %</b>	<b>4.0 %</b>
ROE-%	0.3 %	21.2 %	18.8 %	<b>14.1 %</b>	<b>15.3 %</b>	Investment income	90	174	278	<b>552</b>	<b>582</b>
						Combined ratio	82.1 %	81.3 %	86.6 %	<b>83.1 %</b>	<b>82.8 %</b>
						Risk ratio	60.7 %	59.9 %	65.0 %	<b>61.9 %</b>	<b>61.5 %</b>
						Cost ratio	21.5 %	21.4 %	21.6 %	<b>21.2 %</b>	<b>21.3 %</b>

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	Lisää	44.00 €	40.35 €
10/2/2023	Lisää	39.00 €	40.98 €
11/9/2023	Reduce	39.00 €	38.94 €



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