

CIG Pannonia

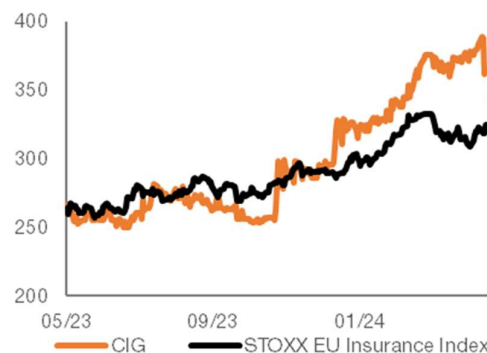
Recommendation: Under revision

Target price (12m): Under revision

HUF mn	Q1/23	Q1/24	YoY Chg
Gross written premium	10,587	12,119	14.5%
Insurance revenue	4,503	5,327	18.3%
Insurance service result	152	-107	
Net profit	-177	472	
Net profit (w/o one-time taxes)	482	765	58.7%
Return on equity	-3.8%	8.1%	
Capital Adequacy	215%	220%	
EPS	-1.87	5.00	
BVPS	199.6	248.3	24.4%

Performance	12M	3M	1M	YTD
Absolute (%)	39.4%	8.2%	-1.3%	25.2%
Relative (%)	-2.8%	11.4%	4.8%	-1.3%

Closing share price as of 05/30/2024	368	Bloomberg	Pannonia HB
Number of shares [mn]	94.4	Reuters	CIGP.BU
Market capitalization [HUF bn]	34.7	Free float	0.4
Daily turnover 12M [HUF mn]	8.2	52-week range [HUF]	250.0-389.0



CIG Pannonia delivers solid results in Q1 2024

Equity Analyst

Mihály Gajda
+361 489 2269
m.gajda@con.hu

55-61 Alkotás
Street, Budapest
www.con.hu

Key Message

- CIG Pannonia reported strong first-quarter results for 2024. Gross written premiums rose by 14% year-over-year, from HUF 10.6 billion to HUF 12 billion. Pre-windfall tax profitability increased by 59% year-over-year, from HUF 482 million to HUF 765 million. These figures indicate that the company is on a robust growth trajectory.

Major developments

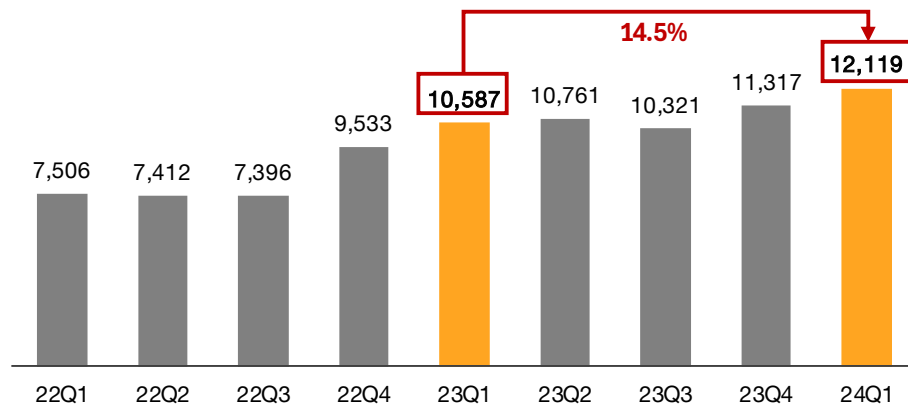
- The introduction of IFRS 17 in 2023 significantly altered the accounting and reporting of insurance activities. Consequently, the company's equity increased by HUF 7 billion, resulting in a HUF 498 million tax, which reduced the reported profit for Q1 2023.
- Both periods were impacted by windfall taxes imposed by the Hungarian government. The windfall tax for Q1 2023 was HUF 161 million, compared to HUF 294 million in Q1 2024.

Notes to the financial performance

- The gross written premium in Q1 2024 reached HUF 12.1 billion, representing a HUF 1.5 billion increase YoY. The following products had the biggest impact:
 - Premium income related to unit-linked products increased by roughly HUF 0.85 billion, driven by a less volatile return environment.

- Property insurance premium increased by HUF 0.7 billion due to the company's portfolio growth.
- Fleet casco premiums decreased by HUF 0.1 billion as a result of a portfolio clean-up and renewed pricing model.
- Significant premium growth of HUF 0.3 billion occurred in group life, accident, and health insurance due to portfolio growth.
- Premium income related to credit insurance decreased by HUF 0.5 billion.
- The sales network significantly grew year-over-year: the banking network increased by 20%, the alternative network by 22%, and the independent broker channel by 10%.
- Insurance service results decreased to HUF -107 million from HUF 152 million. The insurance products with the biggest contribution to this change were:
 - The profit related to Group life, accident, and health products declined by HUF 342 million due to a deterioration in the claim ratio, but the company has taken the necessary steps to restore profitability.
 - The profit contribution of regular premium unit-linked products increased by HUF 285 million due to improved pricing.
 - The profit from corporate insurance products declined by HUF 246 million due to a slight change in revenue recognition timing.
 - Annual profit from Casco products improved by HUF 235 million due to an improved claim ratio.
 - The profit from suretyship products declined by HUF 166 million.
 - The profit from risk life insurance products declined by HUF 109 million due to deteriorating claim ratios.
- Both periods were impacted by windfall taxes imposed by the Hungarian government. The windfall tax for Q1 2023 was HUF 161 million, compared to HUF 294 million in Q1 2024.
- The company maintained a robust balance sheet with a capital adequacy ratio of 220% at the end of Q1 2024.

Gross written premium (HUF mn)



Source: CIG Pannonia, Concorde Research

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Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if the covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

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Prices are taken as of the previous day's close on the home market unless otherwise stated.

Valuations and risks:

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