

CIG Pannonia

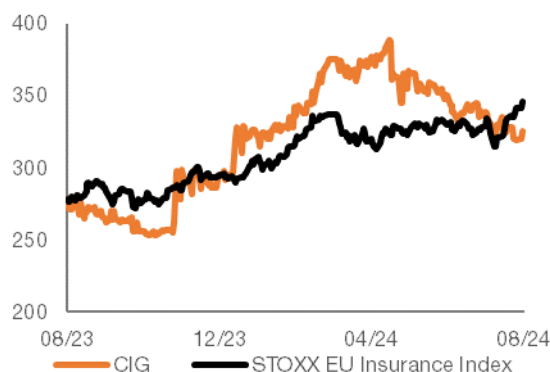
Recommendation: Under revision

Target price (12m): Under revision

HUF mn	Q2 2023	Q2 2024	Change
Gross written premium	10,761	14,508	34.8%
Insurance revenue	5,052	6,670	32.0%
Insurance service result	216	1,073	396.8%
Net profit	739	1,576	113.3%
Net profit (w/o one time taxes)	876	1,740	98.6%
Return on equity	15.8%	28.5%	80.4%
Capital Adequacy	234%	237%	
EPS	7.83	16.69	113.3%
BVP	198.0	234.1	18.2%

Performance	12M	3M	1M	YTD
Absolute (%)	21.9%	-7.6%	0.0%	15.3%
Relative (%)	-4.3%	-13.0%	1.4%	-3.9%

Closing share price as of 08/28/2024	339	Bloomberg	Pannonia HB
Number of shares [mn]	94.0	Reuters	CIGP.BU
Market capitalization [HUF bn]	31.9	Free float	41%
Enterprise value [HUF bn]	29.7	52-week range [HUF]	253.0-389.0
Daily turnover 12M [HUF mn]	8.6		



CIG Pannonia continued its strong growth trajectory in Q2 2024.

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Key Message

- In 2024 Q2 gross written premium reached HUF 14,508 mn, representing a 19.7% QoQ improvement and 34.8% YoY. In 2024 H1 gross written premium reached HUF 26,627 mn, representing a 24.7% increase YoY.
- Net profit, excluding extra taxes, was HUF 2,505 mn for H1 2024, an 84% year-on-year increase, driven by substantial growth in premium income across multiple insurance segments due to effective sales strategies, portfolio expansion, and successful new product introductions.
- The extremely strong results were primarily due to substantial growth in premium income across multiple insurance segments, driven by effective sales strategies, portfolio expansion, and the successful introduction of new products.

Major developments

- The report was prepared under the new IFRS 17 accounting standard, impacting revenue recognition and profit reporting, particularly for long-term contracts. The company has made adjustments to align its reporting with IFRS 17 requirements, which included restating some figures for the first half of 2023 for a more accurate comparison.

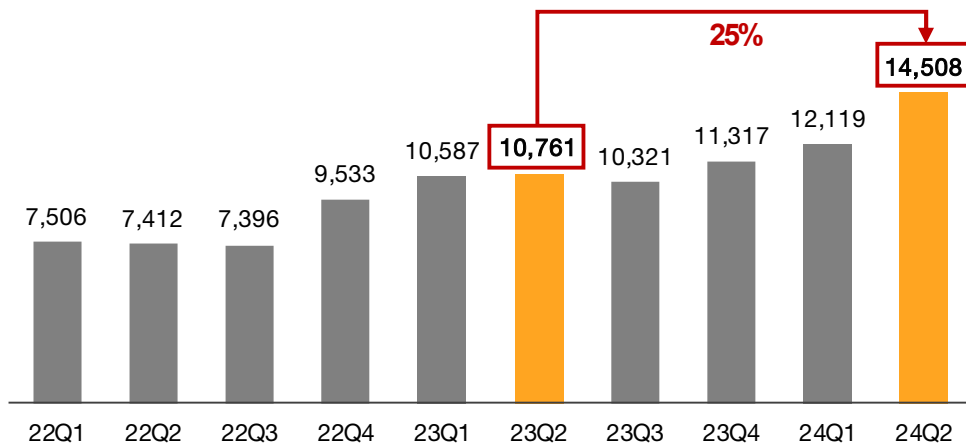
- The extra profit tax impact was HUF 457 mn in H1 2024, compared to HUF 321 mn in H1 2023, which also included a HUF 475 mn one-time corporate tax due to the capital increase from the transition to IFRS 17.

Notes to the financial performance

- In 2024 Q2 gross written premium reached HUF 14,508 mn, representing a 19.7% QoQ improvement and 34.8% YoY. In 2024 H1 gross written premium reached HUF 26,627 mn, representing a 24.7% increase YoY. The main drivers of the growth in the first half of 2024 were:
 - Unit-linked life insurance contributed HUF 2,664 mn due to a stable yield environment and strong market demand.
 - Corporate property insurance also played a significant role, adding HUF 986 mn, fuelled by portfolio expansion and improved pricing strategies.
 - Group accident and health insurance saw a notable increase of HUF 676 mn, reflecting a rise in demand for comprehensive coverage plans.
 - Additionally, risk life insurance contributed HUF 575 mn to the growth, driven by the successful launch of the new CIG360 Life-, Accident-, and Health Insurance product.
- Net profit for Q2 2024 was HUF 1,576 mn, reflecting a 234% QoQ and 113% YoY increase. For H1 2024, net profit reached HUF 2,048 mn, up 364% YoY, despite the significant impact of one-time and extra taxes in the base period.
- Net profit, excluding extra taxes, was HUF 2,505 mn for H1 2024, an 84% YoY increase, driven by substantial growth in premium income across multiple insurance segments due to effective sales strategies, portfolio expansion, and successful new product introductions.
- The extra profit tax impact was HUF 457 mn in H1 2024, compared to HUF 321 mn in H1 2023, which also included a HUF 475 mn one-time corporate tax due to the capital increase from the transition to IFRS 17.
- Sales channel growth was robust in H1 2024, led by a 40% increase in premium income from the banking channel, while the independent broker and alternative channels grew by 16% and 21%, respectively, highlighting the success of the company's multi-channel distribution strategy.
- Insurance service results reached HUF 1,073 mn in Q2 2024, a nearly fivefold YoY increase, while H1 2024 results were HUF 966 mn, up 237% YoY. The products contributing most significantly to this change were:
 - Group life, accident, and health products saw an annual profit decline of HUF 445 mn, primarily due to a deterioration in the claims ratio and the recognition of a loss component in the first half of this year.
 - Regular premium UL products reported an annual profit improvement of HUF 404 mn, driven by an increased contract service margin (CSM) and the release of claims reserves, along with lower actual costs and renewal commissions compared to previous assumptions.
 - Credit coverage insurance and account protection products achieved an annual profit improvement of HUF 247 mn, mainly due to an increased contract portfolio and higher expected results from changes in regulatory environment thresholds.
 - Vehicle insurance products recorded an annual profit improvement of HUF 553 mn, primarily due to decreased costs and expenses, streamlined insurance portfolio, and favourable changes in insurance tax legislation.
 - Suretyship insurance products experienced an annual profit decline of HUF 147 mn due to foreign exchange losses on reserves held in foreign currency and claims settlement costs, partially offset by gains from foreign exchange forward contracts.

- The insurer's capital position remains strong, with a capital adequacy ratio of 237%.

Gross written premium (HUF mn)



Source: CIG Pannonia, Concorde Research

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Rating	Trigger
Buy	Total return is expected to exceed 20% in the next 12 months
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 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.

Securities prices:

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

Valuations and risks:

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