

Europe Satellite*

Recommended since

19.05.2017

06.12.2024



Country CH	Market capitalization (bn) CHF 42.1	Perf. since reco. (%)
Sector Insurance	Free float 88.5%	Swiss Re AG 50.6
Factset SREN-CH	Closing price CHF 132.55	Sector 52.6
ISIN CH0126881561	ESG Risk score* 13.4 Low risk	

Profile

Swiss Re (SREN) is one of the leading providers of reinsurance, insurance and other insurance-based forms of risk transfer. The group trades both directly and through brokers. Its customers consist of insurance companies, medium-sized and large corporates and public sector customers. SREN operates in the following segments: Property & Casualty Reinsurance (49% of group revenue), Life & Health Reinsurance (33%), Corporate Solutions (11%) and Life Capital (7%). The company was founded in 1863 and is headquartered in Zurich.

Strengths/opportunities

- Very high degree of geographical and product diversification -> mitigates risks.
- Very high solvency -> high shareholder returns.
- Upward pricing cycle in P&C reinsurance.

Weaknesses/threats

- Highly seasonal business model: summer hurricanes in US and winter storms in Europe.
- Recent hiccups with a rising combined ratio in the US.
- Reserves more volatile than peers.

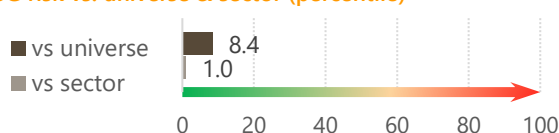
Investment case

- Swiss Re is restructuring with the aim of optimising capital allocation within the group. While the two key business units of P&C Re and L&H Re have generated average RoEs of 15% and 12% over the past few years, CorSo is well on the way to joining them at these levels.
- Life Capital has been scaled back, with ReAssure sold to Phoenix Group for a total of £2.3bn. As for CorSo, it has undergone a serious restructuring over the last three years and this is now reflected in a combined ratio close to 90%.
- SREN is very well capitalised. The solvency ratio of approx 300% was above the target range of 200-250%. This allows for high shareholder returns in the form of dividends (with a dividend around 6%) and share buybacks.
- After falling for several years, premium rates have begun to trend upwards in P&C reinsurance, fattening underwriting margins and thus helping the combined ratio (claims + expenses/premiums).

Valuation

SREN trades at a slight discount on a 25^e PE basis compared to the average European reinsurers. This is not justified given its 15% higher ROE and a dividend yield that is 30% > sector.

ESG risk vs. universe & sector (percentile)*



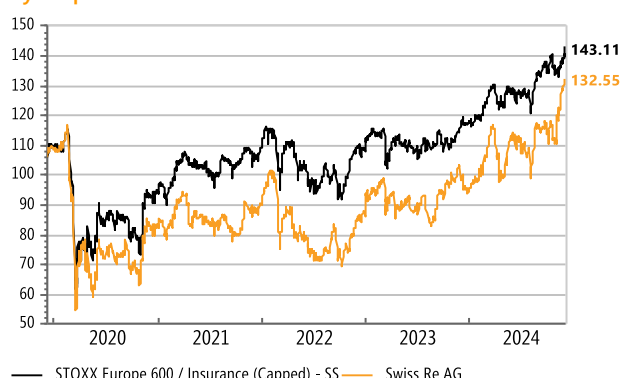
USD	12/2023	2024e	2025e
Sales revenue (mio)	49 441	45 450	47 153
Sales growth	6.8%	-8.1%	3.7%
EBIT adjusted (mio)	4 588	4 538	5 903
% of sales	9.3%	10.0%	12.5%
Net income (mio)	3 214	3 172	4 365
Net income growth	580.9%	-1.3%	37.6%
Combined ratio	94.7%	90.9%	85.4%
ROE	19.5%	14.8%	18.5%
Dividend yield	4.7%	4.8%	5.1%
PE	9.5x	14.0x	10.2x
P/BV	2.0x	2.1x	1.9x

Factset estimates

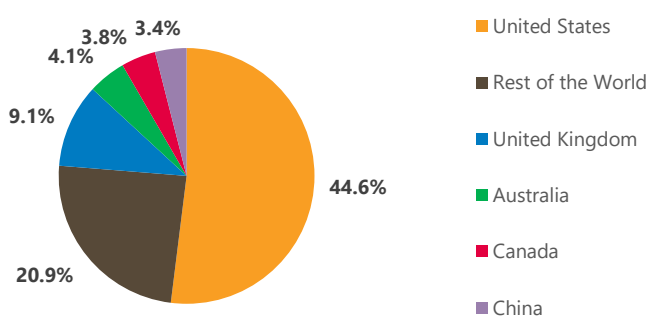
ESG - risks and key points

- SREN's exposure to the economic impact of ESG factors is average thanks to management's sound handling of these issues.
- The group's practices in relation to human resources management are better than average and the risk is low.
- The group's investments meet high ethical standards, well above the industry average.

5-year performance vs sector



Sales breakdown - 12/2023



Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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