

DFV Deutsche Familienversicherung AG

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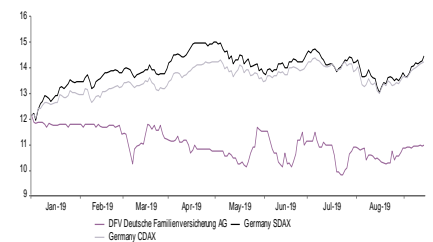
BUY

Old rec.: BUY

Price target **EUR 15.00** (15.00)
Price* **EUR 10.87** (+38%)

*XETRA trading price at the close of the previous day

Change	2019e	2020e	2021e
Total income	-	-	-
EBIT	-	-	-
EPS	-	-	-



Source: Factsset

Share Data

Shares (millions)	13.26
Free Float (%)	38.18%
Market Cap (EURm)	144.0
Daily turnover (Ø)	4.808
High (EUR, 52 weeks)	12.0
Low (EUR, 52 weeks)	9.50

Shareholders

SK Beteiligungen (Dr. Knoll)	21.31%
Heirs & Supervisory board	21.03%
Luca Pesarini	22.91%
Free float, others	34.75%

Company events

Q3 2019 report	15.11.2019
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H1/19-New business aligned with Guidance

Net adds of new contracts in Q2/19 affected by seasonal effects: DFV Deutsche Familienversicherung AG has published its H1/19 report last Friday on 13.09.2019. After the Insurtech added +30,049 contracts in Q1/19, DFV was also able to grow in contracts in Q2/19. After six months, the total net adds amounted to +49,105 contracts, exceeding thus our expectations (FMR H1/19: +40,000). The low rate of net adds compared to Q1/19 is according to company information affected by seasonal effects, hence, also visible in Q3/19. Regardless of that, DFV has confirmed the goal and expects to win +100,000 new contracts in 2019 (FMR: +80,000 contracts).

Development of contracts and contributions per segment: The lion share of new contracts has been generated in the supplementary health insurances segment (Share of 94.1%; +46,214 contracts; +110.2% vs. H1/18). The goal of the company is to raise the share of the complementary property insurance segment with regards to new business to 10% (Share of 5.9%; +2,891 Contracts; +157.9% vs H1/18). A positive contribution among others should be made from animal health insurances, which has been successfully offered to clients since 15.05.2019.

However, premiums grew much more strongly than the number of newly acquired insurance contracts. While the premium volume in the segment of supplementary health insurance increased by 144.8% YoY to EUR 15.6m, the corresponding premiums in the acquired property insurance increased by 365.0% to EUR 0.76m.

Income and operating result: After six months, total revenue amounted to EUR 26.97m, 61.9% above the comparable figure for the previous year. For the year as a whole, we continue to expect total income of EUR 43.6m. Despite a disproportionately low increase in services paid to customers (+54.1%) compared to the development of earnings, the increased selling expenses led to a clearly negative result of EUR -3.6m (H1/18: EUR +0.16m). For 2019 as a whole, we continue to expect pre-tax earnings of EUR -9.6m.

We confirm our BUY recommendation with a price target of EUR 15.00 per share.

FY End: 31.12. in EURm	CAGR	2016	2017	2018	2019e	2020e	2021e
	(18-21e)						
Gross written premium	27.8%	64.1	70.7	66.5	86.2	113.9	138.9
Total income	26.9%	28.1	33.1	34.7	43.6	58.0	71.1
EBIT		2.0	2.1	-4.1	-9.6	-3.6	3.9
EBIT margin		7.2%	6.4%	-11.8%	-22.1%	-6.2%	5.4%
Net income		1.5	0.9	-5.9	-7.2	-2.7	2.9
Net margin		5.3%	2.8%	-16.9%	-16.6%	-4.6%	4.1%
EPS		0.19	0.17	-0.25	-0.54	-0.20	0.22
Dividend per share		0.00	0.00	0.00	0.00	0.00	0.00
Price/Book		-	-	-	2.4	2.5	2.4
Combined ratio		86.8%	93.2%	96.4%	115.6%	100.3%	89.0%
Equity ratio		25.5%	20.6%	38.1%	35.0%	27.6%	24.3%

Source: DFV, FMR

Appendix

IFRS EURm	2016	2017	2018	2019e	2020e	2021e
Gross written premiums	64.1	70.7	66.5	86.2	113.9	138.9
YoY growth	1.4%	10.3%	-5.8%	29.6%	32.1%	22.0%
Share of reinsurers	36.3	39.7	30.8	43.1	56.9	69.5
as % of gross written premiums	56.7%	56.1%	46.3%	50.0%	50.0%	50.0%
Net written premiums	27.8	31.0	35.7	43.1	56.9	69.5
as % of gross written premiums	43.3%	43.9%	53.7%	50.0%	50.0%	50.0%
Net change in unearned premiums	-0.7	-0.6	-0.4	0.0	0.0	0.0
as % of net written premiums	-2.4%	-1.8%	-1.0%	0.0%	0.0%	0.0%
Earned net premiums	28.4	31.6	36.1	43.1	56.9	69.5
as % of gross written premiums	44.4%	44.7%	54.2%	50.0%	50.0%	50.0%
Result from investments	-0.6	1.1	-2.3	0.0	0.6	1.2
as % of earned net premiums	-2.1%	3.4%	-6.5%	0.0%	1.0%	1.7%
Other income	0.2	0.5	1.0	0.5	0.5	0.5
as % of earned net premiums	0.9%	1.5%	2.9%	1.1%	0.8%	0.7%
Total income	28.1	33.1	34.7	43.6	58.0	71.1
as % of gross written premiums	43.8%	46.8%	52.2%	50.5%	50.9%	51.2%
Net change in benefits paid to customers	16.8	18.0	20.2	24.6	30.7	34.6
as % of gross written premiums	26.2%	25.5%	30.4%	28.5%	27.0%	24.9%
Net change of expenses for insurance operations	7.9	11.4	14.5	25.3	26.4	27.2
as % of gross written premiums	12.3%	16.2%	21.9%	29.3%	23.2%	19.6%
Other expenses	1.4	1.6	4.1	3.4	4.5	5.4
as % of gross written premiums	2.1%	2.2%	6.2%	3.9%	3.9%	3.9%
Total expenses	26.0	31.0	38.8	53.2	61.6	67.2
as % of gross written premiums	40.6%	43.8%	58.4%	61.7%	54.0%	48.4%
EBIT (Operating result)	2.0	2.1	-4.1	-9.6	-3.6	3.9
as % of gross written premiums	3.2%	3.0%	-6.2%	-11.2%	-3.1%	2.8%
EBT (Earnings before income taxes)	2.0	2.1	-4.1	-9.6	-3.6	3.9
as % of gross written premiums	3.2%	3.0%	-6.2%	-11.2%	-3.1%	2.8%
Income taxes	0.3	0.6	-0.8	-2.4	-0.9	1.0
as % of EBT	16.0%	30.1%	18.7%	25.0%	25.0%	25.0%
Income from continuing operations	1.7	1.5	-3.3	-7.2	-2.7	2.9
Other results (recognized directly in equity)	-0.2	-0.5	-0.1	2.4	0.0	0.0
Expenses for the procurement of equity capital	0.0	0.0	-2.5	0.0	0.0	0.0
Total result	1.5	0.9	-5.9	-4.8	-2.7	2.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders	1.5	0.9	-5.9	-4.8	-2.7	2.9
as % of gross written premiums	2.3%	1.3%	-8.8%	-5.6%	-2.4%	2.1%
Adjusted net income after minorities	1.5	0.9	-5.9	-4.8	-2.7	2.9
as % of gross written premiums	2.3%	1.3%	-8.8%	-5.6%	-2.4%	2.1%
Shares outstanding (in m)	9.0	9.0	13.3	13.3	13.3	13.3
Basic earnings per share (EUR)	0.19	0.17	-0.25	-0.54	-0.20	0.22

Source: DFV Deutsche Familienversicherung AG, FMR

Balance sheet

IFRS EURm	2016	2017	2018	2019e	2020e	2021e
Assets						
Intangible Assets	9.6	9.3	9.2	10.0	17.7	18.5
as % of total assets	13.2%	9.9%	5.9%	5.8%	8.5%	7.4%
Investments	31.7	46.4	90.1	89.8	98.3	115.9
as % of total assets	43.7%	49.2%	58.0%	52.1%	47.1%	46.5%
Financial investments available for sale	31.7	44.1	33.7	36.9	57.9	78.0
Time Deposits and call money	0.0	2.3	56.4	52.9	40.4	37.9
Receivables from direct insurance business	3.4	1.9	4.9	4.9	4.9	4.9
as % of total assets	4.7%	2.0%	3.2%	2.9%	2.4%	2.0%
Current accounts at banks	4.7	5.5	9.0	12.0	13.8	18.4
as % of total assets	6.4%	5.8%	5.8%	7.0%	6.6%	7.4%
Share of reinsurers in underwriting provisions	20.7	29.4	35.0	48.6	66.9	84.4
Assets	28.5%	31.2%	22.5%	28.2%	32.0%	33.9%
Unearned premiums	2.0	2.0	0.6	3.1	3.9	4.3
Actuarial reserves	14.1	22.0	30.5	38.9	53.9	68.7
Reserves for outstanding claims	4.5	5.4	4.0	6.7	9.1	11.4
Other underwriting provisions	0.0	0.0	0.0	0.0	0.0	0.0
Tax refund claims	0.5	0.4	2.0	2.0	2.0	2.0
as % of total assets	0.6%	0.4%	1.3%	1.2%	1.0%	0.8%
Other assets	2.1	1.4	5.1	5.1	5.1	5.1
as % of total assets	2.9%	1.5%	3.3%	2.9%	2.4%	2.0%
Total assets	72.6	94.3	155.3	172.3	208.7	249.2
Shareholders' equity and liabilities						
Shareholders' equity	18.5	19.5	59.2	60.3	57.6	60.5
as % of total equity and liabilities	25.5%	20.6%	38.1%	35.0%	27.6%	24.3%
Gross underwriting provisions	35.3	46.8	56.2	67.4	91.4	114.4
as % of total equity and liabilities	48.6%	49.7%	36.2%	39.1%	43.8%	45.9%
Unearned premiums	4.9	4.3	2.5	5.0	5.9	6.3
Actuarial reserves	20.2	30.9	42.6	47.7	65.8	83.6
Reserves for outstanding claims	9.5	10.7	10.3	13.8	18.9	23.8
Other underwriting provisions	0.8	0.8	0.9	0.8	0.8	0.8
Other reserves	0.7	0.5	0.9	0.9	0.9	0.9
as % of total equity and liabilities	1.0%	0.5%	0.6%	0.5%	0.4%	0.3%
Liabilities from direct insurance business	16.8	26.0	37.9	42.7	57.7	72.2
as % of total equity and liabilities	23.1%	27.6%	24.4%	24.7%	27.6%	29.0%
to policyholders	0.2	0.2	0.2	0.2	0.2	0.2
to insurance brokers	0.8	0.5	1.4	1.4	1.4	1.4
Other liabilities	15.7	25.3	36.3	41.0	56.1	70.6
Tax debt	1.3	1.5	1.2	1.2	1.2	1.2
as % of total equity and liabilities	1.8%	1.6%	0.7%	0.7%	0.6%	0.5%
Total equity and liabilities	72.6	94.3	155.3	172.3	208.7	249.2

Source: DFV Deutsche Familienversicherung AG, FMR

Cash Flow Statement

IFRS EURm	2016	2017	2018	2019e	2020e	2021e
Results for the period before extraordinary items	1.7	1.5	-3.3	-7.2	-2.7	2.9
Change of gross underwriting provisions	2.0	2.7	3.8	-2.5	5.8	5.5
Change in deposits retained and accounts payable as well as accounts receivables and accounts payable	8.2	11.0	6.1	4.8	15.0	14.6
Change in other receivables and liabilities	1.0	-0.2	2.7	0.0	0.0	0.0
Gains and losses on the disposal of investments	0.5	-0.3	2.0	0.0	0.0	0.0
Change in other balance sheet items	-0.2	0.4	-7.7	0.0	0.0	0.0
Other non-cash expenses and income	1.6	1.6	3.0	3.0	0.8	0.8
Cash flow from operating activities	14.8	16.6	6.6	-1.9	18.8	23.7
Proceeds from the sale and maturities of other investments	0.0	2.2	-0.1	0.0	0.0	0.0
Payments from the acquisition of other investments	-17.0	-17.0	-46.7	-1.2	-10.0	-19.1
Other proceeds	-0.3	0.0	-0.3	0.0	0.0	0.0
Other payments	-1.4	-1.0	-1.5	0.0	-7.0	0.0
Cash flow from investing activities	-18.7	-15.8	-48.7	-1.2	-17.0	-19.1
Proceeds from additional equity	0.0	0.0	45.6	6.1	0.0	0.0
Payments to company owners and minority shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	0.0	0.0	45.6	6.1	0.0	0.0
Total change in cash and cash equivalents	-3.9	0.9	3.5	3.0	1.8	4.6
Cash and cash equivalents at the start of the period	8.5	4.7	5.5	9.0	12.0	13.8
Cash and cash equivalents at year's end	4.7	5.5	9.0	12.0	13.8	18.4

Source: DFV Deutsche Familienversicherung AG, FMR

Declaration of liability (disclaimer) and mandatory details pursuant to Section 85 Securities Trading Act (WpHG), EU Market Abuse Regulation (EU Regulation No. 596/2014), Delegated Regulation 2016/958 and Delegated Regulation 2017/565 including details of possible conflicts of interest (disclosures), the author and the responsible supervisory authority

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- a) First publication: 17.09.2019,
- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
- f) All prices and price developments listed in the analysis are based on closing prices insofar as no contradictory details were provided about prices and price developments.

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 - (ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;
 - (iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements;
 - (iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;
 - (v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;
 - (vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
DFV Deutsche Familienversicherung AG	-

b) FMR Frankfurt Main Research AG has concluded a cooperation agreement with Oddo Seydler Bank AG, on the basis of which this financial analysis is compiled. Oddo Seydler Bank AG is acting as the agent of the issuer, which is either the subject of the financial analysis itself or its financial instruments are the subject of the financial analysis.

Neither Oddo Seydler Bank AG nor an affiliated company, nor any person who contributed to the compilation

(i.) has an involvement in the share capital of the issuer of at least 5 per cent;

(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
DFV Deutsche Familienversicherung AG	iii, vi

Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date	Price target
07.02.2019	BUY	11.63	15.00
08.04.2019	BUY	11.35	15.00
17.04.2019	BUY	10.60	15.00
23.05.2019	BUY	10.35	15.00
17.09.2019	BUY	10.87	15.00

4. Creation and distribution

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Enid Omerovic, Senior Analyst

Marcus Silbe (CEFA), Head of Research, Senior Analyst

c) This study may only be used for the internal purposes of the addressee within the EEA or Switzerland.

5. Investment recommendation details

Investment recommendation details - stocks:

- Purchase: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

- Retain: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.
- Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

Trend prediction details – thematic information:

- Opportunities/winners/positive: In our opinion, the company will profit from the assumed development.
- Risks/losers/negative: In our opinion, the company will be negatively affected by the assumed development.
- Neutral/balanced: In our opinion, the assumed development will not have any decisive impact on the company.

A possible indicated ranking position of the issuers demonstrates the relatively strong impact we believe the assumed development will have on the various issuers.

6. Sensitivity of the evaluation parameters

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

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8. Summary of the basis for evaluation

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