

DFV Deutsche Familienversicherung AG

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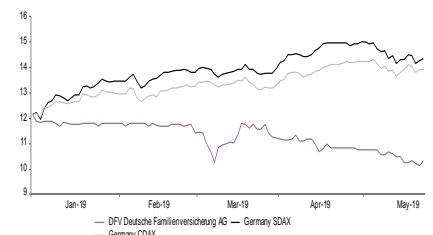
BUY

Old rec.: BUY

Price target **EUR 15.00** (15.00)
Price* **EUR 10.35** (+45%)

*XETRA trading price at the close of the previous day

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



Source: Factset

Gross written premiums grow faster than policies

Strong first quarter – guidance confirmed: As expected, DFV Deutsche Familienversicherung AG had a solid start into fiscal year 2019. Based on the Q1/19 figures published today, we see no need to adjust our estimates. The insurtech firm is well on its way to achieving its forecasted growth in the area of new contracts (+100,000 in 2019) as well as our forecasted gross written premiums for the overall year.

Development of contracts by segment: Compared to the prior-year quarter, the overall number of contracts is up 31,917 from 442,515 to 474,432 (+7.2%), with the individual segments making contrasting contributions: While the number of contracts in the supplementary health insurance segment rose by 50,571 to 368,251 (+15.9%) compared to Q1 18, the number of contracts in the non-life insurance segment declined by 18,654 to 106,181 (-15%) in the same period.

Portfolio premiums and gross written premiums with above-average growth: Operational development in relation to portfolio premiums and gross written premiums also saw pleasing growth, coming in at EUR 83.8 m (+26.1%) and EUR 20.1 m (+27%) over the corresponding prior-year quarter. Both operating figures grew much more strongly than the total contract portfolio, which implies that the average premiums of newly concluded contracts are rising.

No adjustment to estimates: DFV Management continues to expect to gain 100,000 new customer contracts in total in 2019. Portfolio premiums should then rise to around EUR 100m by the end of the year. For gross written premiums, the management expects an increase of 20%. We believe the company can push this a little higher to 29%; our expectation is supported by the comparison of quarterly contributions. The contribution of gross written premiums in the previous fiscal year 2018 was at around 24%, for example. In the same proportions, this would result in expected gross written premiums for the full fiscal year 2019 of EUR 84.3m (FMRe: EUR 86.2 m)

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

FY End: 31.12. in EURm	CAGR (18-21e)	2016	2017	2018	2019e	2020e	2021e
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		0.16	0.10	-0.44	-0.54	-0.20	0.22
Dividend per share		0.00	0.00	0.00	0.00	0.00	0.00
Price/Book		-	-	-	2.5	2.7	2.5
Combined ratio		86.8%	93.2%	96.4%	115.6%	100.3%	89.0%
Equity ratio		25.5%	20.6%	38.1%	31.7%	24.6%	21.7%

Source: DFV, FMR

» Update «

Share Data

Shares (millions)	13.26
Free Float (%)	38.18%
Market Cap (EURm)	132.0
Daily turnover (Ø)	6,165
High (EUR, 52 weeks)	12.0
Low (EUR, 52 weeks)	10.0

Shareholders

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

Company events

H1 2019 report	13.09.2019
Q3 2019 report	15.11.2019

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In cooperation with



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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	0.0	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	-7.2	-2.7	2.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Shares outstanding (in m)	9.0	9.0	13.3	13.3	13.3	13.3
Basic earnings per share (EUR)	0.16	0.10	-0.44	-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%	6.1%	8.8%	7.7%
Investments	31.7	46.4	90.1	89.8	98.3	115.9
as % of total assets	43.7%	49.2%	58.0%	54.7%	49.1%	48.1%
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%	3.0%	2.5%	2.0%
Current accounts at banks	4.7	5.5	9.0	3.6	5.5	10.1
as % of total assets	6.4%	5.8%	5.8%	2.2%	2.7%	4.2%
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%	29.7%	33.4%	35.0%
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%	3.1%	2.5%	2.1%
Total assets	72.6	94.3	155.3	164.0	200.3	240.8
Shareholders' equity and liabilities						
Shareholders' equity	18.5	19.5	59.2	51.9	49.3	52.2
as % of total equity and liabilities	25.5%	20.6%	38.1%	31.7%	24.6%	21.7%
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%	41.1%	45.6%	47.5%
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%	0.4%
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%	26.0%	28.8%	30.0%
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	164.0	200.3	240.8

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	0.8	0.8	0.8
Cash flow from operating activities	14.8	16.6	6.6	-4.2	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	0.0	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	0.0	0.0	0.0
Total change in cash and cash equivalents	-3.9	0.9	3.5	-5.4	1.8	4.6
Cash and cash equivalents at the start of the period	8.5	4.7	5.5	9.0	3.6	5.5
Cash and cash equivalents at year's end	4.7	5.5	9.0	3.6	5.5	10.1

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

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(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

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

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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.

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