

H&A FIRST TAKE

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04-January-21

DFV steps down as primary insurer from CareFlex

To recap, CareFlex Chemie is seen to be the first employer-financed supplementary long-term care insurance which is expected to take effect as of July 2021. As part of a consortium with Barmenia and R+V, **DFV initially intended to obtain a 35% share as primary insurer** which would have resulted in an additional € 50m investment capital in security assets p.a. for DFV (vs € 70m total in FY'20).

In light of increased volatility with regards to COVID-19, the management board now considers the required € 50m additional investment capital to be too risky. Nonetheless, **DFV is seen to benefit from CareFlex, taking the role of a re-insurer** for Barmenia. This should yield c. € 40m GWP in '21E, partially compensating for the 'lost' primary insurance premiums (€ 70m, whereof € 35m in FY'21).

Therefore, **DFV still expects strong growth of >50% yoy** leading to a premium volume of close to € 200m in FY'21. At the same time, EBIT is expected to remain negative due to the absence of CareFlex related kickbacks and a temporary lack of fixed cost coverage (i.e. personnel, IT, previously: positive EBIT, eH&A: € 10.8m).

Our view: While the news is seen as an incremental negative, we would recommend to buy on weakness once the dust has settled. In fact, **DFV's structural growth drivers** (i.e. shift towards digital insurance) **should remain fully intact**, which is also reflected in the new 2021 guidance implying dynamic organic growth of >30% yoy. The company will hold conference calls at 9am (German) and 3pm (English) CET.

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Buy

Price target: EUR 30.00

Price: EUR 22.90

Close price as of: 30.12.2020

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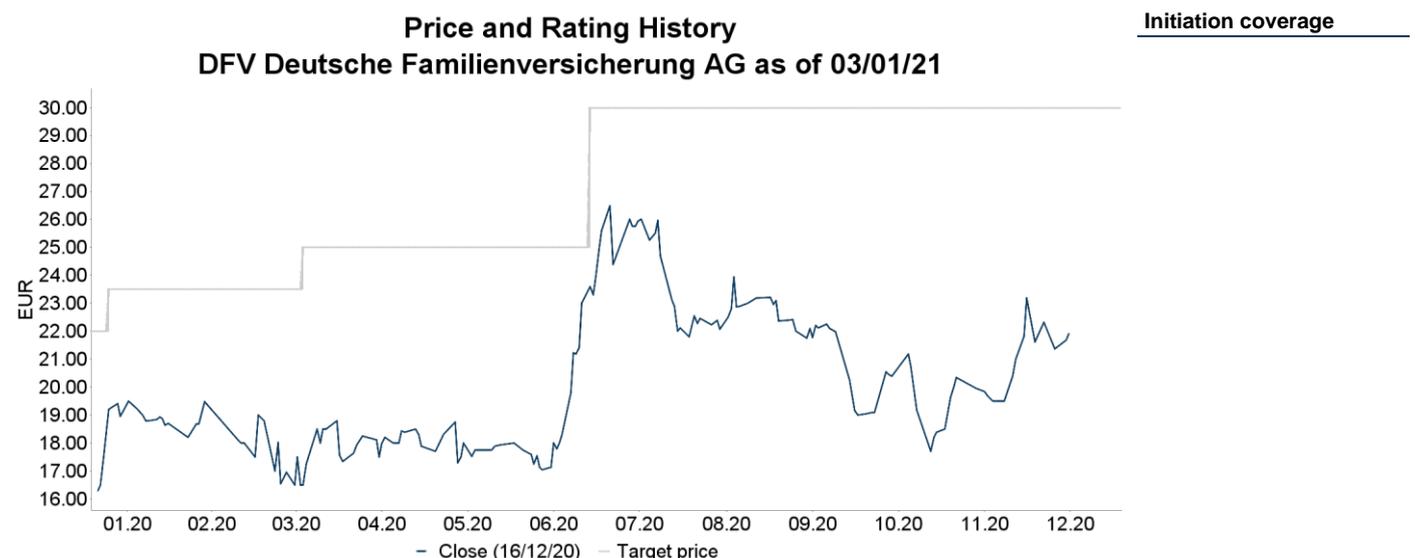
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Company	Disclosure
DFV Deutsche Familienversicherung AG	

Historical target price and rating changes for DFV Deutsche Familienversicherung AG in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
DFV Deutsche Familienversicherung AG	02.12.2020	Salis, Christian	Buy	EUR 30,00	EUR 23,20
	13.11.2020	Salis, Christian	Buy	EUR 30,00	EUR 19,95
	02.11.2020	Salis, Christian	Buy	EUR 30,00	EUR 18,50
	04.09.2020	Salis, Christian	Buy	EUR 30,00	EUR 22,37

14.08.2020	Salis, Christian	Buy	EUR 30,00	EUR 22,07
03.07.2020	Salis, Christian	Buy	EUR 30,00	EUR 25,60
30.06.2020	Salis, Christian	Buy	EUR 30,00	EUR 23,30
16.06.2020	Salis, Christian	Buy	EUR 25,00	EUR 18,00
15.05.2020	Salis, Christian	Buy	EUR 25,00	EUR 18,00
20.03.2020	Salis, Christian	Buy	EUR 25,00	EUR 17,26
13.01.2020	Salis, Christian	Buy	EUR 23,50	EUR 19,42

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