DFV Deutsche Familienversicherung AG
Germany - Financial Services

Q4 prelims out: Excellent finish to the year, chg est. & PT

DFV published sound Q4 prelims ahead of expectations reflecting that the company is fully on track executing its growth strategy.

GWP grew by 35% yoy to €25.4m in Q4 (eH&A: €23.4m) largely in-line with the FY’19 run-rate of +37% yoy to €91m, exceeding our expectations. DFV should have benefited from successful cross-media marketing campaigns as well as rising brand awareness following the announcement of its major collaboration with the German chemical industry (‘CareFlex Chemie’) which provides access to around 500k new customers.

The number of new customers rose by 100,034 fully meeting the FY’19 guidance of 100k. In the seasonally important Q4, DFV was able to accelerate new customer growth to 30k in Q4 (vs 70k in 9M). With that, existing premiums rose by 34% yoy to €101m slightly exceeding the FY’19 guidance of €100m.

Profitability showed a strong improvement reflecting the scalability of the company’s highly efficient insurtech platform. With Q4 EBIT improving to €-1.2m (Q4’18: €-3.4m), EBIT arrival at €-4.5m in FY’19 (eH&A: €-9m) beating the guidance range of €-9 to €-11m. EBIT in Q4 was supported by economies of scale on the back of strong volume growth, lower customer acquisition costs, investment income as well as low cancellation rates. Note that in general profitability is yet weighed down by growth investments.

Finally, DFV announced that CFO Morgenstern left the management board at the end of 2019. He will remain part of the finance department until March 2020 while CEO Dr. Knoll will take over interim responsibility of the finance department. Mr Morgenstern joined DFV in 2018 and is leaving for personal reasons. In our view, Dr. Knoll is seen to be DFV’s mastermind and we would not expect any changes to its successful strategy.

Action: Sales estimates are increased to reflect better than expected sales growth and scale effects. BUY, new PT €23.50 (old: €22.00), based on DCF.

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<th>Key share data:</th>
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<td>Number of shares: (in m pcs)</td>
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<tr>
<td>Authorised capital: (in € m)</td>
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<tr>
<td>Book value per share: (in €)</td>
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<td>Ø trading volume: (12 months)</td>
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<table>
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<th>Major shareholders:</th>
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<tbody>
<tr>
<td>Luca Pesarini</td>
</tr>
<tr>
<td>Dr. Stefan Knoll (CEO)</td>
</tr>
<tr>
<td>Vogel Family &amp; Heir</td>
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<td>VPV Versicherungen</td>
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<td>Free Float</td>
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<td>Ethenea</td>
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Company description:
The DFV is an early mover in the insurtech field being the first fully digital insurance company in Europe and among the healthiest worldwide.

Source: Company data, Hauck & Aufhäuser Close price as of: 10.01.2020

Please refer to important disclosures at the end of the report
## Financials

### Profit and loss (EUR m)

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### Profit and loss (common size)

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<td><strong>EBIT</strong></td>
<td><strong>3.1 %</strong></td>
<td><strong>5.5 %</strong></td>
<td><strong>5.2 %</strong></td>
<td><strong>neg. neg.</strong></td>
<td><strong>9.0 %</strong></td>
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<td>neg. neg.</td>
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<td><strong>3.2 %</strong></td>
<td><strong>3.0 %</strong></td>
<td><strong>neg. neg.</strong></td>
<td><strong>9.0 %</strong></td>
<td><strong>6.2 %</strong></td>
<td><strong>6.2 %</strong></td>
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<td><strong>30.0 %</strong></td>
<td><strong>30.0 %</strong></td>
<td><strong>30.0 %</strong></td>
<td><strong>30.0 %</strong></td>
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<tr>
<td><strong>Net income from continuing operations</strong></td>
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<td><strong>2.7 %</strong></td>
<td><strong>2.1 %</strong></td>
<td><strong>neg. neg.</strong></td>
<td><strong>3.2 %</strong></td>
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<td><strong>Net income</strong></td>
<td><strong>1.4 %</strong></td>
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<td><strong>2.1 %</strong></td>
<td><strong>neg. neg.</strong></td>
<td><strong>3.2 %</strong></td>
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<td>0.0 %</td>
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<td><strong>1.4 %</strong></td>
<td><strong>2.7 %</strong></td>
<td><strong>2.1 %</strong></td>
<td><strong>neg. neg.</strong></td>
<td><strong>3.2 %</strong></td>
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Source: Company data, Hauck & Aufhäuser
## Balance sheet (EUR m)

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## Balance sheet (common size)

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<th>2020E %</th>
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Source: Company data, Hauck & Aufhäuser
### Cash flow statement (EUR m)

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Source: Company data, Hauck & Aufhäuser

### Regional split (EUR m)

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Source: Company data, Hauck & Aufhäuser
### Key ratios (EUR m)

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<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
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<tr>
<td><strong>Asset utilisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Capital employed turnover</td>
<td>1.4</td>
<td>1.2</td>
<td>1.1</td>
<td>0.5</td>
<td>0.7</td>
<td>1.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Operating assets turnover</td>
<td>7.5</td>
<td>11.6</td>
<td>21.5</td>
<td>10.8</td>
<td>11.2</td>
<td>11.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Plant turnover</td>
<td>39.9</td>
<td>30.5</td>
<td>51.3</td>
<td>39.7</td>
<td>45.7</td>
<td>60.8</td>
<td>77.1</td>
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<tr>
<td>Inventory turnover (sales/inventory)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
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<tr>
<td><strong>Returns</strong></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>ROCE</td>
<td>2.0%</td>
<td>4.1%</td>
<td>3.5%</td>
<td>-4.3%</td>
<td>-3.6%</td>
<td>-0.9%</td>
<td>7.0%</td>
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<tr>
<td>ROE</td>
<td>5.1%</td>
<td>9.2%</td>
<td>7.6%</td>
<td>-4.3%</td>
<td>-5.5%</td>
<td>-1.5%</td>
<td>11.6%</td>
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<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interest paid / avg. debt</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>No. employees (average)</td>
<td>205</td>
<td>133</td>
<td>119</td>
<td>114</td>
<td>111</td>
<td>112</td>
<td>116</td>
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<tr>
<td>Number of shares</td>
<td>13.3</td>
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<td>13.3</td>
<td>13.3</td>
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<td>DPS</td>
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<td>0.0%</td>
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<td>0.0%</td>
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<td>EPS reported</td>
<td>0.07</td>
<td>0.13</td>
<td>0.11</td>
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<td>-0.23</td>
<td>-0.06</td>
<td>0.50</td>
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<td><strong>Valuation ratios</strong></td>
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<tr>
<td>P/BV</td>
<td>14.9</td>
<td>13.7</td>
<td>13.0</td>
<td>3.9</td>
<td>4.5</td>
<td>4.8</td>
<td>4.4</td>
</tr>
<tr>
<td>EV/sales</td>
<td>4.1</td>
<td>4.1</td>
<td>3.7</td>
<td>3.4</td>
<td>2.6</td>
<td>1.8</td>
<td>1.2</td>
</tr>
<tr>
<td>EV/EBITDA</td>
<td>133.9</td>
<td>74.5</td>
<td>71.4</td>
<td>-199.7</td>
<td>-161.9</td>
<td>187.7</td>
<td>19.5</td>
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<tr>
<td>EV/EBITA</td>
<td>133.9</td>
<td>74.5</td>
<td>71.4</td>
<td>-199.7</td>
<td>-161.9</td>
<td>187.7</td>
<td>19.5</td>
</tr>
<tr>
<td>EV/EBIT</td>
<td>367.6</td>
<td>130.5</td>
<td>124.5</td>
<td>-55.1</td>
<td>-53.7</td>
<td>-217.0</td>
<td>26.3</td>
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<tr>
<td>EV/FCF</td>
<td>25.6</td>
<td>17.8</td>
<td>15.9</td>
<td>-198.0</td>
<td>-731.6</td>
<td>-3021.6</td>
<td>33.9</td>
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<tr>
<td>Adjusted FCF yield</td>
<td>0.7%</td>
<td>1.1%</td>
<td>0.9%</td>
<td>-0.7%</td>
<td>-1.0%</td>
<td>0.0%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
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Source: Company data, Hauck & Aufhäuser
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<th>Company</th>
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<td>DFV Deutsche Familienversicherung AG</td>
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Historical target price and rating changes for DFV Deutsche Familienversicherung AG in the last 12 months

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Analyst</th>
<th>Rating</th>
<th>Target price</th>
<th>Close</th>
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<tr>
<td>DFV Deutsche Familienversicherung AG</td>
<td>28.11.19</td>
<td>Salis, Christian</td>
<td>Buy</td>
<td>EUR 22,00</td>
<td>EUR 13,40</td>
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<td></td>
<td>18.11.19</td>
<td>Salis, Christian</td>
<td>Buy</td>
<td>EUR 17,50</td>
<td>EUR 10,07</td>
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<td></td>
<td>06.09.19</td>
<td>Salis, Christian</td>
<td>Buy</td>
<td>EUR 17,00</td>
<td>EUR 10,95</td>
</tr>
<tr>
<td></td>
<td>24.05.19</td>
<td>Becke, Carlos</td>
<td>Buy</td>
<td>EUR 17,50</td>
<td>EUR 10,90</td>
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<td></td>
<td>09.04.19</td>
<td>Becke, Carlos</td>
<td>Buy</td>
<td>EUR 17,50</td>
<td>EUR 11,10</td>
</tr>
<tr>
<td>Date</td>
<td>Name</td>
<td>Action</td>
<td>Price 1</td>
<td>Price 2</td>
<td></td>
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<td>------------</td>
<td>----------</td>
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<tr>
<td>29.03.2019</td>
<td>Becke, C.</td>
<td>Buy</td>
<td>EUR 17.50</td>
<td>EUR 11.21</td>
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<tr>
<td>07.03.2019</td>
<td>Becke, C.</td>
<td>Buy</td>
<td>EUR 17.50</td>
<td>EUR 10.25</td>
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<tr>
<td>22.01.2019</td>
<td>Becke, C.</td>
<td>Buy</td>
<td>EUR 17.50</td>
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<tr>
<td>14.01.2019</td>
<td>Becke, C.</td>
<td>Buy</td>
<td>EUR 17.50</td>
<td>EUR 11.80</td>
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**Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services**

<table>
<thead>
<tr>
<th>Action</th>
<th>Proportion Hauck</th>
<th>Proportion Aufhäuser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>65.41 %</td>
<td>76.19 %</td>
</tr>
<tr>
<td>Sell</td>
<td>11.32 %</td>
<td>4.76 %</td>
</tr>
<tr>
<td>Hold</td>
<td>23.27 %</td>
<td>19.05 %</td>
</tr>
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