

## Europe Satellite\*

Recommended since

19.05.2017

24.05.2022



<b>Country</b> CH	<b>Market capitalization (bn)</b> CHF 25.3	<b>Perf. since reco. (%)</b>
<b>Sector</b> Insurance	<b>Free float</b> 90.7%	Swiss Re AG -9.6
<b>Factset</b> SREN-CH	<b>Closing price</b> CHF 79.58	Sector 10.1
<b>ISIN</b> CH0126881561	<b>ESG Risk score*</b> 15.9 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.
- Still impacted by Covid losses in early 2022.

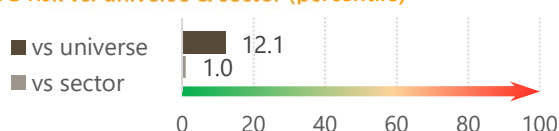
### Investment case

- 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, the same cannot be said of CorSo and Life Capital (with RoEs of -4% and 3% respectively).
- 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 225% based on the Swiss Solvency Test (SST) corresponds to a Solvency II ratio > 250%, compared with 220-230% for the group's competitors. This allows for high shareholder returns in the form of dividends (with a dividend > 7%) and share buybacks, not counting the possibility of selling off CorSo.
- 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). The ROE benefits thereof: target of 14% for 2024.

### Valuation

SREN trades at a 10%+ discount on a 23x PE basis compared to the average European reinsurers. This is not justified by 20% higher ROE and a dividend yield that is 35% > sector.

### ESG risk vs. universe & sector (percentile)\*



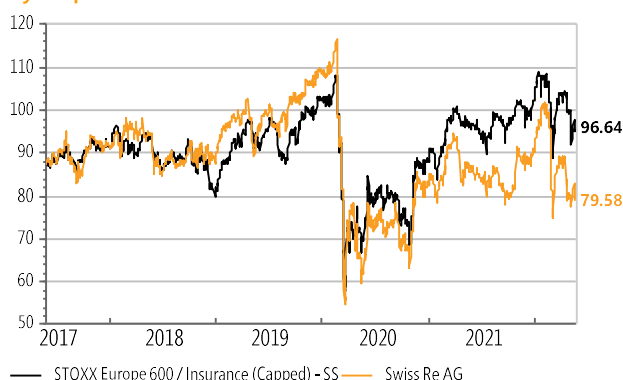
USD	12/2021	2022e	2023e
Sales revenue (mio)	46'001	40'428	41'777
Sales growth	7.5%	-12.1%	3.3%
EBIT adjusted (mio)	2'338	2'979	4'398
% of sales	5.1%	7.4%	10.5%
Net income (mio)	1'437	2'030	3'298
Net income growth	-263.7%	41.2%	62.5%
Combined ratio	95.8%	95.7%	94.4%
ROE	5.9%	10.0%	15.6%
Dividend yield	7.4%	7.8%	8.2%
PE	19.9x	12.2x	7.5x
P/BV	1.2x	1.2x	1.2x

Factset estimates

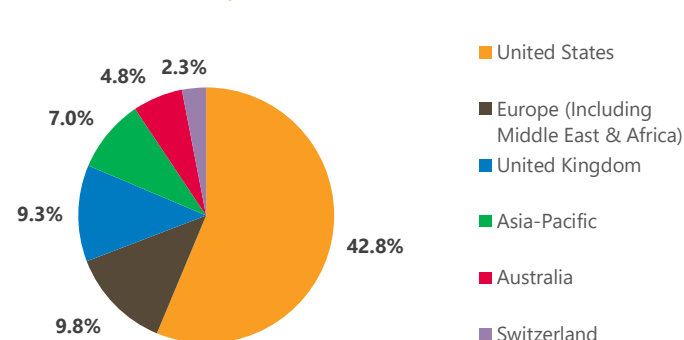
### ESG - risks and key points

- 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 - 12/2021



# 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.

## Offices & Branches

### Bordier & Cie Genève

Rue de Hollande 16  
CH-1204 Genève  
Case postale  
CH-1211 Genève 3  
T + 41 58 258 00 00  
F + 41 58 258 00 40

### Bordier & Cie Berne

Spitalgasse 40  
Case postale  
CH-3001 Berne  
T + 41 58 258 07 00  
F + 41 58 258 07 10

### Bordier & Cie Nyon

Rue de la Porcelaine 13  
CH-1260 Nyon  
Case postale 1045  
CH-1260 Nyon 1  
T + 41 58 258 07 50  
F + 41 58 258 07 70

### Bordier & Cie Zurich

Talstrasse 83  
CH-8001 Zürich  
T + 41 58 258 05 00  
F + 41 58 258 05 50

### Bordier & Cie (France) S.A.

1, rue François 1er  
75008 Paris – France  
T + 33 1 55 04 78 78  
F + 33 1 49 26 92 48

### Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102  
Zonamerica  
91600 Montevideo  
Uruguay  
T + 598 2 518 2700  
F + 598 2 518 2703

### Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00  
138 Market Street  
Singapore 048946  
T + 65 6239 9999  
F + 65 6239 9998

### Bordier Bank (TCI) Ltd

Leeward Highway  
Caribbean Place  
Providenciales  
Turks and Caicos  
T + 1 649 946 45 35  
F + 1 649 946 45 40

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does namely not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no mean directed to such persons or entities.