

COMPANY PROFILE

BELL POTTER

QBE Insurance Group Limited

GICS - Insurance

ASX Code: QBE

Price: \$17.59

12 Mth Target Price: \$18.47

Rating: Hold

Business Summary

QBE Insurance Group (QBE) is involved in underwriting general insurance and reinsurance risks, management of Lloyds syndicates and investment management.

North American: North America is an Integrated Specialist Insurer offering product lines in specialty, commercial, program, personal, crop and assumed reinsurance. Their product set spans four major market segments: Alternative Markets (third party distribution including programs), Specialty & Commercial (retail agents and brokers), Crop and QBE Re. These solutions are underpinned by global strength and applied expertise, working with a limited network of preferred agents and brokers distributed through a regional operating model. Their customised and comprehensive solutions demonstrate our ability to meet the emerging needs of the market.

International: International forms a significant part of the QBE Insurance Group, a market leader that can cover most business risks. They utilise deep underwriting expertise to provide a wide range of commercial and specialty products and risk management solutions across the globe through offices in the UK, Europe, Asia and Canada as well as through our Lloyds syndicates and QBE Re, a global, multi line reinsurance business.

Australia Pacific: Australia Pacific provides a broad range of insurance products to personal, business, corporate and institutional customers. From car and home insurance, to tailored business packages and specialist cover. They are building a culture with a focus on improved outcomes for their customers and people, with a vision to be the insurer that builds the strongest partnership with customers and provides people the confidence to achieve their ambitions.

Discontinued operations: During the period, the Group disposed of its remaining Latin American operations in Colombia and Puerto Rico, following the prior period disposal of operations in Argentina, Brazil, Ecuador and Mexico. Together, these completed the disposal of the Group's discontinued operation in Latin America.

Latest Research

Improving or nearing a cycle peak?

QBE has performed well. Premium rates have been improving (renewals up 9.7% in

2023), ahead of inflation, showing that insurers retain pricing power. The business is seeing an improving underwriting profit, and investment returns are reasonable and stable (running yield 4.7%) meaning the business is profitable making return on equity

of 16%. Management are maintaining capital levels (to 1.82x PCA required capital), allowing dividends and selective growth. The company, under CEO Andrew Horton, is being selective about what it underwrites and sees upside from improving the returns in its US business (which made an underwriting loss in 2023).

For more information see research 7 May 2024.

Snapshot

Date	10 May 2024
Market Cap.	\$26,427m
Shares on issue	1,502.4m
12 Month High	\$18.43
12 Month Low	\$13.80

Rating

Rating	Hold
12 Mth Target Price	\$18.47
Capital Gain	5.6%
Gross Yield	4.5%
Implied Total Return	10.1%

Investment Fundamentals

FYE 31 Dec		2023A	2024F	2025F	2026F
Profit	\$m	2,051.2	2,602.4	2,669.9	2,645.0
Profit (norm)*	\$m	2,051.2	2,602.4	2,669.9	2,645.0
EPS*	¢	136.7	172.7	176.5	174.2
EPS Growth	%	111.5	26.3	2.2	-1.3
P/E*	x	12.8	10.1	9.9	10.0
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	62.0	77.8	76.5	64.8
Yield	%	3.5	4.4	4.4	3.7
Franking	%	10.0	10.0	10.0	10.0

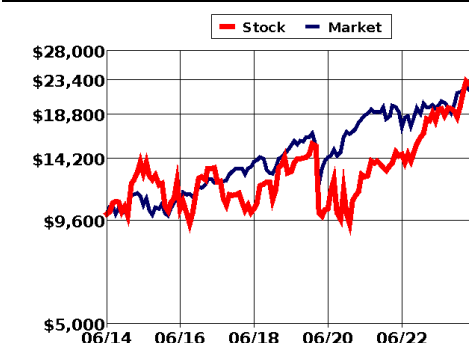
* Adjusted for goodwill and unusual items

Source: Based on Bell Potter estimates

Share Price Chart



Total Return on \$10,000 Investment



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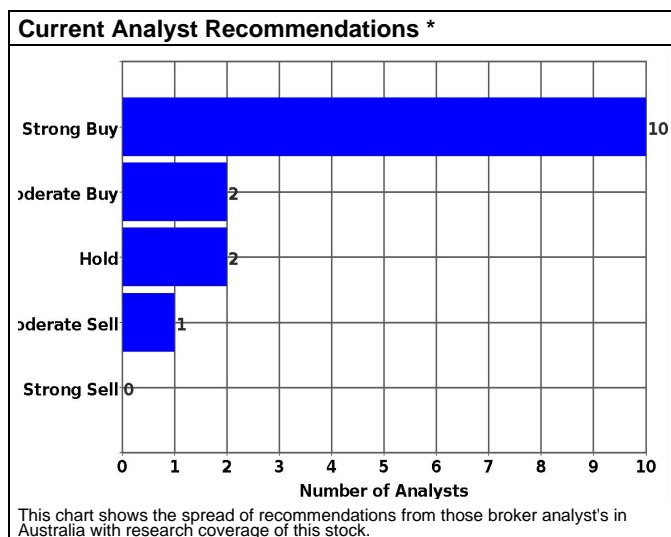
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Profit & Loss (\$M)					
	2019A	2020A	2021A	2022A	2023A
Net Earned Premiums	16,570	15,201	18,479	19,790	--
Claims Expense	-10,799	-10,818	-10,172	-10,803	6,442
Underwriting Profit	311	-918	2,059	1,923	6,442
Investment Income	1,503	316	203	-1,103	2,056
Unrealised Gains	--	--	--	--	--
Profit Before Tax	1,026	-1,205	1,360	1,473	2,683
Income Tax	-164	-88	-243	-208	-692
Outside Equity Int.	4	-8	-10	-12	-13
Profit after Tax	866	-1,301	1,108	1,253	1,978
Significant Items after Tax	-51	-669	-74	-117	3
Reported Profit after Tax	785	-1,970	1,034	1,137	1,981
Preference Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2019A	2020A	2021A	2022A	2023A
Premiums Received	19,562	18,789	23,456	27,166	30,591
Outward Reinsurance Paid	-2,591	-2,667	-3,605	-6,151	-8,595
Claims Paid	-12,702	-12,242	-13,859	-15,327	-20,883
Reinsurance Received	3,387	2,701	3,498	4,688	6,737
Net Operating Cashflow	2,539	1,602	3,795	4,121	2,197
Acquisitions & Investments	-1,470	-3,099	-3,846	-2,977	-443
Sale of Invest. & Subsid.	187	77	221	533	96
Net Investing Cashflow	-1,536	-2,807	-3,819	-2,962	-626
Proceeds from Issues	--	1,688	--	--	--
Dividends Paid	-655	-344	-223	-465	-645
Net Financing Cashflow	-1,405	1,549	139	-1,166	-728
Net Increase Cash	-401	344	116	-7	844
Cash at Beginning	1,232	710	1,056	1,209	1,218
Exchange Rate Adjust.	-53	-60	-43	28	-64
Cash at End	781	995	1,129	1,230	1,997

Ratios and Substantial Shareholders						
		2019A	2020A	2021A	2022A	2023A
Profitability Ratios						
Claims Ratio	%	65.17	71.17	55.05	54.59	--
Expense Ratio	%	32.95	34.87	33.81	35.70	--
Combined Ratio	%	98.12	106.04	88.86	90.28	--
Return on Equity	%	7.45	-11.80	9.05	9.44	13.59
Safety Ratios						
Solvency Ratio	%	70.23	72.53	66.24	67.06	--
Top 5 Substantial Shareholders						
AustralianSuper Pty Limited						8.4%
BlackRock Group						7.2%
State Street Corporation and subsidiaries						6.1%
The Vanguard Group,Inc						6.1%

Balance Sheet (\$M)					
	2019A	2020A	2021A	2022A	2023A
Cash & Equivalent	781	995	1,129	1,230	1,997
Receivables	9,002	10,628	16,050	21,046	12,504
Investments	6,843	8,672	13,852	16,283	16,646
Other Current Assets	2,838	3,256	276	422	414
Current Assets	19,463	23,551	31,307	38,982	31,561
Receivables	4,879	5,325	6,776	5,365	--
Investments	27,202	26,379	24,979	24,109	25,382
PP&E	635	714	666	630	560
Other (inc Intangibles)	4,964	4,566	4,220	3,979	4,058
Non-Current Assets	37,681	36,984	36,641	34,084	30,000
Total Assets	57,144	60,535	67,948	73,066	61,561
Trade Creditors	2,141	2,823	4,174	4,923	632
Unearned Premiums	8,438	8,347	10,814	11,709	--
Outstanding Claims	11,055	12,093	13,447	--	--
Borrowings	288	1,097	623	1,170	545
Provisions	61	19	33	58	186
Other	--	--	--	-1,686	--
Total Liabilities	21,984	24,379	29,092	16,174	1,363
Unearned Premiums	782	1,346	1,089	3,371	--
Outstanding Claims	17,371	18,887	20,018	35,491	40,303
Borrowings	4,844	4,396	4,992	3,895	4,513
Provisions	216	260	221	517	798
Other (inc Creditors)	310	240	296	345	34
Non-Current Liabilities	23,523	25,130	26,615	43,619	45,648
Net Assets	11,637	11,026	12,241	13,272	14,551



Principals & Directors	
Principals	
Company Secretary	Ms Carolyn Scobie Mr Peter Smiles
Directors	
Mr Michael (Mike) John Wilkins	(Non-Executive Chairman, Non-Executive Director)
Ms Jann E Skinner	(Non-Executive Director)
Ms Tan Le	(Non-Executive Director)
Mr Andrew Horton	(Chief Executive Officer, Executive Director)
Ms Yasmin Anita Allen	(Non-Executive Director)
Sir Brian Pomeroy	(Non-Executive Director)
Mr Rolf Tolle	(Non-Executive Director)
Ms Kathryn (Kathy) Lisson	(Non-Executive Director)
Mr Peter Wilson	(Non-Executive Director)
Mr Stephen Ferguson	(Non-Executive Director)
Mr Penny James	(Non-Executive Director)

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