

ASX Code: QBE Price: \$15.02 12 Mth Target Price: \$18.00 Rating: Buy

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

It's true! QBE on track for FY guidance

QBE's 3Q23 update is largely as we expected and previewed in our 6 November note and it reiterates it is on track for its FY23 group COR guidance of ~94.5%. With a benign US hurricane season, there remains ~US\$380m in its CAT allowance for the last two months of the year suggesting a favourable variance is likely. As expected, this will be offset by a slightly adverse crop result (COR of 93-97%), though QBE should be at the better end of this given the impact of its quota share, and some areas of persistent inflation causing some element of strain and modest PYD (this could be conservative but that's hard to know or prove). Top line guidance for 10% GWP growth (constant fx) is also retained while, quite reasonably, QBE suggests the supportive premium rate environment should continue into FY24. With all largely in line with expectations, we retain Buy.

For more information see research 28 Nov 2023.

Snapshot

Date	16 January 2024
Market Cap.	\$22,439m
Shares on issue	1,493.9m
12 Month High	\$16.23
12 Month Low	\$12.72

Rating

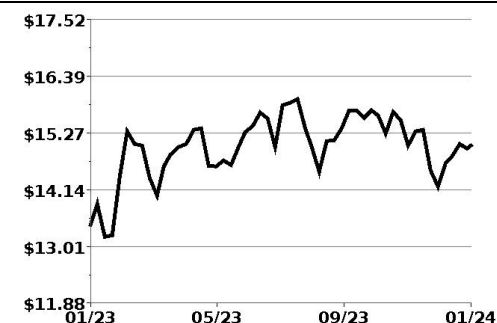
Rating	Buy
12 Mth Target Price	\$18.00
Capital Gain	19.7%
Gross Yield	5.4%
Implied Total Return	25.1%

Investment Fundamentals

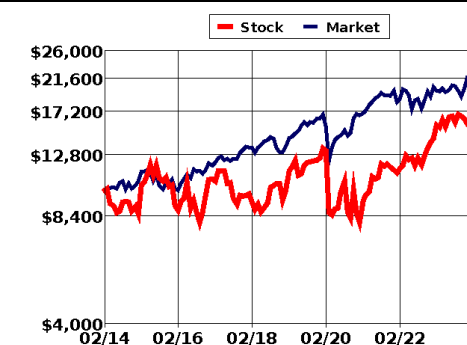
FYE 31 Dec		2022A	2023F	2024F	2025F
Profit	\$m	962.0	1,990.0	2,645.0	2,781.0
Profit (norm)*	\$m	962.0	1,990.0	2,645.0	2,781.0
EPS*	¢	64.0	133.0	176.0	185.0
EPS Growth	%	-5.9	107.8	32.3	5.1
P/E*	x	23.5	11.3	8.5	8.1
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	38.0	60.0	79.0	86.0
Yield	%	2.5	4.0	5.3	5.7
Franking	%	10.0	10.0	10.0	10.0

* Adjusted for goodwill and unusual items
Source: Based on Citi estimates

Share Price Chart



Total Return on \$10,000 Investment



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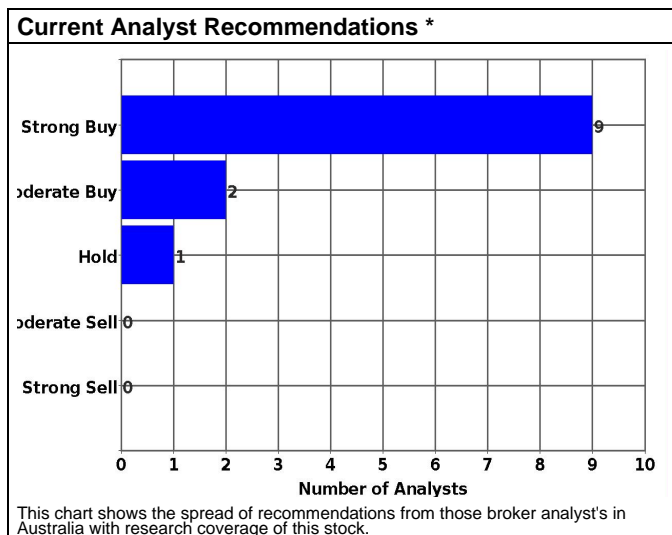
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Profit & Loss (\$M)					
	2018A	2019A	2020A	2021A	2022A
Net Earned Premiums	16,492	16,570	15,201	18,479	19,790
Claims Expense	-10,681	-10,799	-10,818	-10,172	-10,803
Underwriting Profit	162	311	-918	2,059	1,923
Investment Income	799	1,503	316	203	-1,103
Unrealised Gains	--	--	--	--	--
Profit Before Tax	912	1,026	-1,205	1,360	1,473
Income Tax	-102	-164	-88	-243	-208
Outside Equity Int.	17	4	-8	-10	-12
Profit after Tax	827	866	-1,301	1,108	1,253
Significant Items after Tax	-24	-51	-669	-74	-117
Reported Profit after Tax	553	785	-1,970	1,034	1,137
Preference Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2018A	2019A	2020A	2021A	2022A
Premiums Received	20,264	19,562	18,789	23,456	27,166
Outward Reinsurance Paid	-3,633	-2,591	-2,667	-3,605	-6,151
Claims Paid	-13,990	-12,702	-12,242	-13,859	-15,327
Reinsurance Received	2,251	3,387	2,701	3,498	4,688
Net Operating Cashflow	-628	2,539	1,602	3,795	4,121
Acquisitions & Investments	-3,049	-1,470	-3,099	-3,846	-2,977
Sale of Invest. & Subsid.	5,666	187	77	221	533
Net Investing Cashflow	2,417	-1,536	-2,807	-3,819	-2,962
Proceeds from Issues	--	--	1,688	--	--
Dividends Paid	-336	-655	-344	-223	-465
Net Financing Cashflow	-1,296	-1,405	1,549	139	-1,166
Net Increase Cash	493	-401	344	116	-7
Cash at Beginning	810	1,232	710	1,056	1,209
Exchange Rate Adjust.	-50	-53	-60	-43	28
Cash at End	1,223	781	995	1,129	1,230

Ratios and Substantial Shareholders						
	2018A	2019A	2020A	2021A	2022A	
Profitability Ratios						
Claims Ratio	%	64.77	65.17	71.17	55.05	54.59
Expense Ratio	%	34.25	32.95	34.87	33.81	35.70
Combined Ratio	%	99.02	98.12	106.04	88.86	90.28
Return on Equity	%	6.95	7.45	-11.80	9.05	9.44
Safety Ratios						
Solvency Ratio	%	71.84	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%	
Macquarie Group Limited					5.2%	

Balance Sheet (\$M)					
	2018A	2019A	2020A	2021A	2022A
Cash & Equivalent	1,223	781	995	1,129	1,230
Receivables	9,997	9,002	10,628	16,050	21,046
Investments	4,299	6,843	8,672	13,852	16,283
Other Current Assets	3,315	2,838	3,256	276	422
Current Assets	18,834	19,463	23,551	31,307	38,982
Receivables	5,214	4,879	5,325	6,776	5,365
Investments	26,945	27,202	26,379	24,979	24,109
PP&E	278	635	714	666	630
Other (inc Intangibles)	4,810	4,964	4,566	4,220	3,979
Non-Current Assets	37,247	37,681	36,984	36,641	34,084
Total Assets	56,081	57,144	60,535	67,948	73,066
Trade Creditors	1,615	2,141	2,823	4,174	4,923
Unearned Premiums	8,093	8,438	8,347	10,814	11,709
Outstanding Claims	11,000	11,055	12,093	13,447	--
Borrowings	937	288	1,097	623	1,170
Provisions	44	61	19	33	58
Other	--	--	--	--	-1,686
Total Liabilities	21,689	21,984	24,379	29,092	16,174
Unearned Premiums	708	782	1,346	1,089	3,371
Outstanding Claims	16,740	17,371	18,887	20,018	35,491
Borrowings	4,517	4,844	4,396	4,992	3,895
Provisions	224	216	260	221	517
Other (inc Creditors)	302	310	240	296	345
Non-Current Liabilities	22,491	23,523	25,130	26,615	43,619
Net Assets	11,901	11,637	11,026	12,241	13,272



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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