

ASX Code: SUN Price: \$13.75 12 Mth Target Price: \$15.40 Rating: Buy

Business Summary

Suncorp Group Limited (SUN) is a Queensland-based financial services conglomerate offering retail and business banking, general insurance, life insurance, superannuation and investment products in Australia and New Zealand. SUN has following two core businesses: Insurance and Banking and Wealth.

Insurance: In Insurance segment they design, manufacture and delivery of general insurance products and services to customers in Australia. Their key insurance products include home and contents, motor, marine, travel, commercial property, industrial special risk, public liability and professional indemnity, workers compensation, compulsory third party, loan protection, equity and cash benefit.

Banking and wealth: This division provides Designs, manufacture and delivery of banking, financial planning, and superannuation and fund administration services to customers in Australia. Their Key products include commercial, agribusiness, small business, home and personal loans, savings and transaction accounts, foreign exchange, treasury products and services, superannuation, funds administration services and financial planning.

Suncorp New Zealand: This division provides design, manufacture and delivery of general and life insurance products to customers in New Zealand. Their Key insurance products include home and contents, motor, commercial property, public liability and professional indemnity, life, trauma, total and permanent disablement and income protection.

Latest Research

APS 330 suggests bank volumes slightly soft but no major surprises

SUN's 1Q24 APS 330 for its bank suggests growth momentum returned to its loan portfolio in the month of September with positive growth and an uptick in

application volumes. However, for the quarter as a whole loans contracted 0.1%, suggesting the potential for some modest downside risk to our 2.0% volume growth forecast for the half. However, we estimate the sensitivity of reducing this to, say, 1% is immaterial for group EPS. The future of the bank remains uncertain with SUN hoping to sell this to ANZ but with the Competition Tribunal's verdict on the matter likely in either late February or late March 2024, we continue to believe this is more likely than not to go through. However, no one can be certain.

For more information see research 13 Nov 2023.

Snapshot

Date	16 January 2024
Market Cap.	\$17,466m
Shares on issue	1,270.3m
12 Month High	\$14.41
12 Month Low	\$11.46

Rating

Rating	Buy
12 Mth Target Price	\$15.40
Capital Gain	10.1%
Gross Yield	7.6%
Implied Total Return	17.6%

Investment Fundamentals

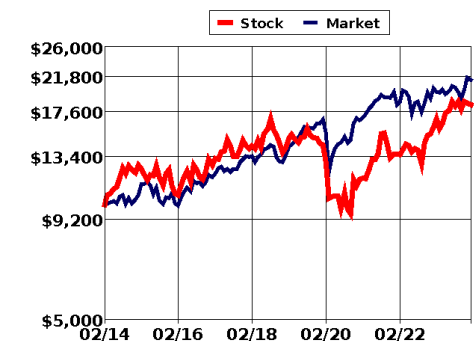
FYE 30 Jun		2023A	2024F	2025F	2026F
Profit	\$m	1,254.0	1,440.0	1,144.0	1,250.0
Profit (norm)*	\$m	1,254.0	1,440.0	1,144.0	1,250.0
EPS*	¢	96.0	109.0	99.0	115.0
EPS Growth	%	88.2	13.5	-9.2	16.2
P/E*	x	14.6	12.8	14.1	12.2
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	60.0	72.0	74.0	76.0
Yield	%	4.3	5.1	5.3	5.4
Franking	%	100.0	100.0	100.0	100.0

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

Share Price Chart



Total Return on \$10,000 Investment



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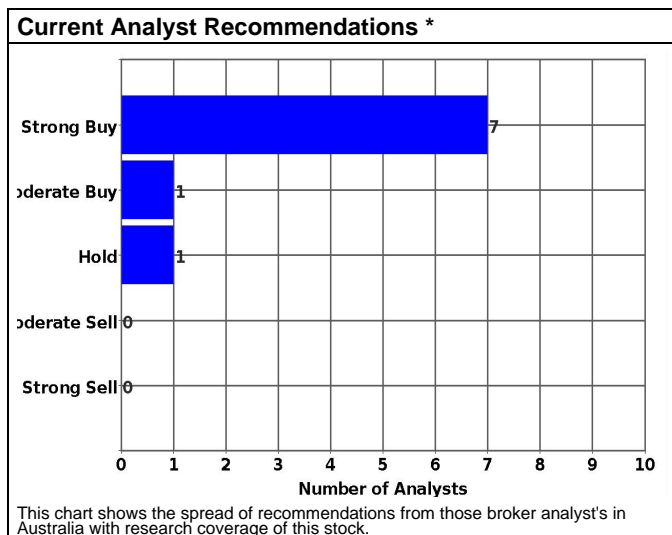
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Profit & Loss (\$M)					
	2019A	2020A	2021A	2022A	2023A
Net Earned Premiums	8,609	8,662	9,003	9,559	10,342
Claims Expense	-6,201	-6,244	-6,381	-6,334	-7,571
Underwriting Profit	-800	-765	-594	-162	-674
Investment Income	3,069	2,550	2,115	2,117	3,571
Unrealised Gains	--	--	--	--	--
Profit Before Tax	1,538	1,104	1,705	882	1,642
Income Tax	-449	-305	-461	-138	-483
Outside Equity Int.	-20	-19	-15	-18	-11
Profit after Tax	1,069	780	1,229	726	1,148
Significant Items after Tax	-13	-153	-196	-45	--
Reported Profit after Tax	175	913	1,033	681	1,148
Preference Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2019A	2020A	2021A	2022A	2023A
Premiums Received	11,174	11,240	11,872	12,588	13,778
Outward Reinsurance Paid	-1,448	-1,336	-1,299	-1,382	-1,624
Claims Paid	-8,175	-8,657	-7,906	-8,808	-10,857
Reinsurance Received	1,556	1,884	1,737	1,331	2,739
Net Operating Cashflow	1,842	2,303	4,344	2,485	742
Acquisitions & Investments	-31,939	-22,106	-25,528	-21,082	-20,403
Sale of Invest. & Subsid.	32,191	22,019	23,957	19,085	19,429
Net Investing Cashflow	-62	43	-1,399	-2,238	-1,118
Proceeds from Issues	--	--	--	--	--
Dividends Paid	-1,062	-897	-428	-905	-584
Net Financing Cashflow	-2,043	-2,257	-1,672	903	2,210
Net Increase Cash	-263	89	1,273	1,150	1,834
Cash at Beginning	1,491	1,232	1,320	2,592	3,743
Exchange Rate Adjust.	4	-1	-1	1	-2
Cash at End	1,232	1,320	2,592	3,743	5,575

Ratios and Substantial Shareholders						
	2019A	2020A	2021A	2022A	2023A	
Profitability Ratios						
Claims Ratio	%	72.03	72.08	70.88	66.26	73.21
Expense Ratio	%	37.26	36.75	35.72	35.43	33.31
Combined Ratio	%	109.29	108.83	106.60	101.69	106.52
Return on Equity	%	8.14	6.10	9.14	5.68	8.60
Safety Ratios						
Solvency Ratio	%	152.09	147.10	148.84	133.10	128.42
Top 5 Substantial Shareholders						
BlackRock Group					6.1%	
State Street Corporation and subsidiaries					6.0%	
FIL Limited and the entities					5.6%	
The Vanguard Group, Inc					5.4%	

Balance Sheet (\$M)					
	2019A	2020A	2021A	2022A	2023A
Cash & Equivalent	1,086	1,046	1,200	1,418	3,908
Receivables	14,282	13,071	14,082	16,854	16,152
Investments	15,948	16,400	17,966	18,784	20,033
Other Current Assets	3,468	3,688	3,274	3,914	4,205
Current Assets	34,784	34,205	36,522	40,970	44,298
Receivables	48,027	47,687	46,734	50,704	55,394
Investments	4,522	4,823	4,843	4,895	5,234
PP&E	208	576	504	712	604
Other (inc Intangibles)	8,694	8,453	8,254	9,097	9,453
Non-Current Assets	61,451	61,539	60,335	65,408	70,685
Total Assets	96,235	95,744	96,857	106,378	114,983
Trade Creditors	1,980	1,828	1,600	1,760	2,924
Unearned Premiums	5,113	5,215	5,567	6,024	6,771
Outstanding Claims	10,611	10,598	10,788	11,692	11,651
Borrowings	49,688	50,304	48,589	57,984	65,151
Provisions	62	662	679	541	494
Other	776	784	802	1,119	1,153
Total Liabilities	68,230	69,391	68,025	79,120	88,144
Unearned Premiums	10	4	1	--	--
Outstanding Claims	--	--	--	--	--
Borrowings	9,798	9,679	13,903	14,121	13,019
Provisions	155	227	228	104	109
Other (inc Creditors)	4,909	3,659	1,252	250	364
Non-Current Liabilities	14,872	13,569	15,384	14,475	13,492
Net Assets	13,133	12,784	13,448	12,783	13,347



Principals & Directors	
Principals	
Company Secretary	Ms Cassandra Jane Hamlin Mr Darren Charles Solomon
Directors	
	Ms Christine Frances McLoughlin(Non-Executive Chairman, Non-Executive Director)
	Mr Elmer Funke Genaamd Kupper(Non-Executive Director)
	Mr Stephen(Steven) Edward Johnston(Chief Executive Officer, Managing Director)
	Mr Duncan Gerald West(Non-Executive Director)
	Ms Sally Herman(Non-Executive Director)
	Ms Sylvia Falzon(Non-Executive Director)
	Mr Ian Hammond(Non-Executive Director)
	Mr Lindsay James Tanner(Non-Executive Director)
	Mr Simon Machell(Non-Executive Director)

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