Y 2018 Earnings Call

Company Participants

- Cristiano Borean, Group Chief Financial Officer
- Frederic de Courtois, General Manager
- Leonardo Meoli, Head of Investor and Rating Agency Relations and Head of Strategy
- Philippe Donnet, Group CEO

Other Participants

- Alberto Villa
- Analyst
- Andrew Ritchie
- Farooq Hanif
- Gianluca Ferrari
- Giuseppe Mapelli
- James Shuck
- Johnny Vo
- Michael Huttner
- Niccolo Dalla Palma
- Nick Holmes
- Peter Eliot

Presentation

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Generali Group Full Year 2018 Results Conference Call. At this time, all participants' lines are in a listen-only mode. There will be a presentation followed by a question-and-answer session. (Operator Instructions)

I would now like to turn the conference over to your speaker Leonardo Meoli, Head of Investor and Rating Agency Relations. Please go ahead, sir.

Leonardo Meoli {BIO 20776681 <GO>}

Welcome, everyone. Today, we're here to talk about the Generali full-year 2018 results. Before we start the Q&A conference call, Let me hand it over to the Group CEO

Philippe Donnet {BIO 4657671 <GO>}

Thank you, Leonardo. Good morning, everyone, and thank you for being here. I assume you already have read our presentation and press release on 2018 full year financial results. It's definitely a very positive (inaudible) . Before leaving the floor to your questions, I would like to highlight some facts. First, Generali (inaudible) delivered on its 2015 to 2018 financial targets in terms of cumulative net operating cash, cumulative dividend, and average operating return on equity. But (inaudible) targets that we also exceeded them. This is proof again of our ability to execute with discipline.

Second, (inaudible) to deliver 2018 and net result increased by 9.4% year-on-year. This increased profitability is underpinned by the best technical performance among peers in terms of new business margin and combined ratio. Volumes were also strong as shown by the growth in Property & Casualty premiums and significant performance of Life net inflows.

Third, we were able to proposed to shareholders and dividend per share of EUR0.90 or 5.9% increase on 2017 dividend. At last, we are now well positioned to deliver January 2021, we are ready to leverage our strength to accelerate our growth and to push our ambition of becoming lifetime partner to our customers. Over the next three years we commit to three new financial targets. We aim to go earnings per share 8% on average annually. We aim to increase dividend with the payout range between 55% and 65%. We aim for higher returns for shareholders with an average return on equity above 11.5%. I look forward to update to you (inaudible) on a regular basis on Generali's progress against is targets.

Our General Manager, Frederic de Courtois and our Chief Financial Officer, Cristiano Borean and myself are now available to answer to your question. Thank you.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions). I'm going to take our first question from Peter Eliot. Your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. I wants to ask first, I guess, you're target is 6% to 8 % EPS growth. When you said that and I went through the various drivers, I don't remember hearing that was coming partly from restructuring cost falling away, but obviously, it has been (inaudible) cost in these assets results. So I'm just wondering, I mean, as per due [ph] fall away, because you seem to be saying, does that represent a tailwind and can we expect even more than with a great (inaudible) that carried away there? And secondly, I just wanted to understand a little bit better the development of the enforce runoff. I mean, if we look at the enforce own funds capital generation, its fallen from 1.6 billion to 1.3 billion. I was just wondering that sort of the drivers of that and when we look at your business, (inaudible) is very impressive increase and ahead of target. And obviously if you strip out Generali Leben and then it would have been slightly light but then and I guess you've had the market impacted so?

Now, a little bit more color how we should expect those things to develop would be very useful. And if I can add just a quick numbers question at the end, of the country VA, [ph] I was just wondering if you could confirm, how far we were below that at year-end? Thank you.

A - Frederic de Courtois {BIO 16976110 <GO>}

Thank you, Peter. I'm Frederic. I will start with your first one on restructuring cost. Yes, it's so, -- you are right. But restructuring cost had increased last year, at the end of the year. You see it's mainly due to Germany and very much need to the sale of Generali Leben. What we plan is that this restricted (inaudible) over the plan period and what I can tell you is that in the 200 million objective that we had -- that we have announced, (inaudible) not planned on the reduction of expenses, these are total expenses. So, we include restructuring cost, so in other words, with decrease of restructuring cost over the next three years even bigger in the 200 million target that we gave at the Investor Day.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay.

A - Frederic de Courtois {BIO 16976110 <GO>}

And then, to answer the second question on the element on the false or not. It's basically related to the release of the pre (inaudible) basis (inaudible) and the despite [ph] the and beginning of the year was lower. And the in '17 and '19, it would be higher.

First question you asked about the Country VA, how far we are lead to the level? actually it is really a couple of business points. But, it has not been activated.

Q - Peter Eliot {BIO 7556214 <GO>}

Thanks very much.

Operator

Thank you. Your next question is from line of James Shuck. Your line is open.

Q - James Shuck {BIO 3680082 <GO>}

Hi, good morning everybody. I have three question please. I also listened to counter proceedings and [ph] (inaudible) profit outlook for 2021. So, obviously this period we've seen the restriction charges, which you just you just talked about, when I've gone for offset by impairments to going to mess [ph] into it and negative number as well. Could you just your guidance about what you can be in plan for 2021 to no more pricing license excluding the bad costs (inaudible) . Because obviously, there should be some kind of harvesting rate on capital gains, if you're including those or not. And then be more specific about the restructuring charges weather is actually going to grow by 2021? That's my first question.

Secondly, some members only target on the actual results themselves. So, it was a big positive in the other businesses within the holding company items. So, 150 million, (inaudible) [ph] 160 million or any operating profit. Is that a new base, I think it's (inaudible) to do private equity gains, but just came to know how much of that is worn off, it seems to be rusted off within the consolidation just went drop [ph] as well that might have explained it, so missing to zero, but not too clear on that, if you could just share a little concerns on that please.

And then finally just on the cash remittances so keep on entering [ph] in 2018. Comment around would you actually view as being exceptional upstream cash. So, whether that's capital management actions or deployment of surface capital or cash from the underlying units. And then I think about the 3.1 billion targeted over three years. Can you just highlight for me how much of that 3.1 is kind of recurring and sustainable and how much that it is actually coming from deployment of such as cash from operating units, please? Thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

Okay, James, good morning. (inaudible) our result outlook. Let's start from the different components. First of all, we've not -- is that we had higher depreciation on the asset in the -- especially in the fourth quarter, which happened because of the market. We will be more and more focused on these item going forward. As You know, since we set the target on earning per share. Regarding the (inaudible) involving expenses especially the part of financial debt would be an significant driver of reduction as you are expecting going forward.

On the other net -- non-operating net expenses, the point I -- restructuring cost, it's in an acceleration in the second half of 2018, after the signing the deal with Leben, which is accelerating the transformation there, so this is going to fall on something you should expect to be less relevant and less and less relevant in (inaudible) that and is consistent to what we announced in the Investor Day. Those are motivation [ph] and is basically stable and moving of (inaudible) a movement (inaudible) . And regarding the other components of the expenses, you should think about going forward our further stability. This is the first point.

Then, regarding the second question relating to the other sector in the positively relevant [ph] which could become an (inaudible) inflation adjustment. Let me first start saying that, these elements includes also the consolidated private equity investments we have, which are consistent with our private asset investment strategy and which are giving more and more result (inaudible) we are announcing our strategy and you can expect these to be a consistent items. Clearly the consolidating when you look on the part of the segment reporting that there is an effect of certain the final operating result of consolidation.

But, there are few other elements, which are also important in developing which are related to some -- real estate funds, which are starting to generate cash flow, which is the fully consolidated. But in the -- adjustment (inaudible) in our Asset Management in South America, which is growing as well, this is the second element.

Regarding the first question. The gross cash flow, how much is exceptional. Well, we have highlighted that in France for the (inaudible) excess capital and interest for something which is around 1 billion -- 5.1 billion sorry, which is something in the order of flat another EUR100 million. This is consistent with our strategy that we announced to keep healthy, so many (inaudible) others in our correcting entities but, up streaming the excess cash related to capital above a certain level of services, which is not put that work at the same level of return on equity, could proceed with other growth strategy, we would have foreseen going forward. So, what I'm saying is, how much the exceptional is we are recognizing more than EUR100 million.

Q - James Shuck {BIO 3680082 <GO>}

In 2018, Okay. (inaudible) three year plan of the 3.1 billion and how much of that is kind of come from exceptional management action play in upstream yourself as long as you can when sustainable.

A - Philippe Donnet {BIO 4657671 <GO>}

Just to be sure, you're asking from the '19 to '21 period?

Q - James Shuck {BIO 3680082 <GO>}

Yes, yes that's right.

A - Philippe Donnet {BIO 4657671 <GO>}

I mean, we disclosed everything (inaudible) already as you know that has been and there will be an uplift coming from the excess capital repatriation [ph] that you should expect and now as usual including (inaudible) are coming to consistently with the weaker in the result [ph]. And so there are the two elements that you should not focus too much only on the excess capital part because the solid part of growth will come and the results in the extreme of the maximum amount can build up currently (inaudible) announced.

Q - James Shuck {BIO 3680082 <GO>}

Okay, thank you very much.

Operator

Thank you. We will now take our next question from Farooq Hanif. Please go ahead. Your line is now open.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, there and thanks very much. You talk about pruning in your motor business, especially Italy to protect profitability. How much of that is coming from margin pressure and competition, how much is just shifting the mix of the portfolio. You mentioned, corporate, so are we talking (inaudible) business.

Secondly, just going back to James' question about the consolidation adjustment it went up and you talked about higher inter-group proceeds from investment fund. If you just explain that one more time that will be helpful.

And then lastly, on the Solvency II model. There is still, I think, some further move outstanding to the full internal model. Could you tell us what the potential impact of that might be and when that might happen? Thank you.

A - Philippe Donnet {BIO 4657671 <GO>}

Hi, Farooq. So, on the (inaudible) was not so good, but I tried to understand you -- I tried to answer your first question on the current pruning business so, what we mentioned is that it is mainly related to Italy, we've done some pruning in order to further improve the technical result, and you can see for Italy that we had stable motor average premiums last year, which is the news show the addition of some pruning, which led to reduced frequency for the Generali and stable average which premium led to significant improvement of the technical result form (inaudible) in Italy.

Q - Farooq Hanif {BIO 4780978 <GO>}

And is that, I hope you can hear me? Is that pruning in the fleets business, in the commercial business or is it retail?

A - Philippe Donnet {BIO 4657671 <GO>}

Not specifically, mostly the retail but I would say overall.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. Do you want me to repeat my other questions?

A - Cristiano Borean {BIO 15246531 <GO>}

Farooq, it's Cristiano. So, going on the second question is I understood properly. Sorry because the line was really, really very disturbed. It is worth relating again to the explanation on the higher consolidation adjustment, is it correct?

Q - Farooq Hanif {BIO 4780978 <GO>}

That's correct. Yes. If you could explain what's next?

A - Cristiano Borean {BIO 15246531 <GO>}

Okay. So let's say, let's clarify this point. We had both some private equity, fully consolidated funds and investment in some real estate funds where basically, we had a higher result, which is standing out and which has to be accounted of full consolidation [ph] we have we have which is out. But the (inaudible) this result is distributed to other line of business like Life or Non-Life, this has to be meted out in the consolidation of adjusting principal and the contribution is on that and sometimes it happen as well for example or other simple asset we have, the higher the dividends advantage in Generali will be, which is fairly consolidated with the higher also will be from the consolidation adjustment for example, to speak for another asset of example. So, I hope I answered this point.

Second point in terms to the [ph] returns again stood well, I hope with the gap expected between the solvency II regulatory, as we have a 14 in the potential gap within listing with the internal. Is it correct?

Q - Farooq Hanif {BIO 4780978 <GO>}

That's correct.

A - Cristiano Borean {BIO 15246531 <GO>}

Okay, the answer is a (inaudible) we are growing only for the regulatory, I just recalled that in the mobile is not included. Spain, that we are expecting too soon adjusted inside and operational risk part of it, which is still not too difficult part.

Q - Farooq Hanif {BIO 4780978 <GO>}

Can I just quickly return to consolidation adjustment. So if you continue to have good private equity gains. Then we should expect elevated consolidation adjustment?

A - Cristiano Borean {BIO 15246531 <GO>}

Yes, this is a exactly and clearly, you should not linearly manage this. Because its depending as well on the where we allocate this between life (inaudible) and how much you describe the life cycle because you know that the life cycle on private equity in the value for the dividend is not a linear one. That is -- you should not freely [ph] (inaudible) .

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. Thank you very much.

A - Cristiano Borean {BIO 15246531 <GO>}

Cumulative Dividend.

Q - Farooq Hanif {BIO 4780978 <GO>}

Thank you.

Operator

Thank you. We now take our next question from Nick Holmes. Your line is now open.

Q - Nick Holmes {BIO 3387435 <GO>}

Hi, guys. Thanks so much. Couple of questions. Firstly with the BTP spread impacts wonders, can you tell us what the impact is for spread widening over 100 basis points without whatever thinking is presumably, the sensitivity is a symmetric. So, would the minus 7 percentage points be different for the next 100 basis points.

And then secondly, just looking at the French combined ratio, this is still a bit high at 100%. And I just wondered what your thoughts are about why it is a bit high and what you can do about it? Thank you very much.

A - Philippe Donnet {BIO 4657671 <GO>}

I'll start coloring. Start with the second one and Frederic [ph] Thank you, Nick. I'll start with the second one, on the French combined ratio. So, our French combined ratio is 99.9. So, you have to know that these includes the French (inaudible) or far global corporate and commercial business. And we had extremely bad results last year due to a lot of manmade losses on the corporate and commercial business. You know that, corporate and commercial business for us is a separate business unit. So if I look at the French business units only, so excluding corporate and commercial the combine ratio is very close to 97%, which is a further improvement of the combined ratio. So we are, on the right track off to improve our retail (inaudible) these combine ratio in trends.

Cristiano for the first question query. So, it's seems what happens if spreads opened, up it is the effect of the VA country. And your question was related, what if like closed down, so narrow instead of opening that. It actually would be the sensitivity, book up symmetric, I confirm you because, we are exiting from the region of relativity adjustment countries, paying the classical (inaudible) and if you can get them not weaken if it is narrowed look and that is open we had minus 100 movement, we will render in a sensitivity closer to the around its growth level, which you will have a double-digit one 10 to 12, as you remember.

Q - Nick Holmes {BIO 3387435 <GO>}

Yes, sorry. I was really thinking about safety was a 200 basis points change, what the impact on that would be, it is an -- it's wrong to take minus 7 and multiply by 2 for a 200 basis point impact.

A - Philippe Donnet {BIO 4657671 <GO>}

So, I got your point. The answer is a broadly (inaudible) you staying for between 7 to 8 extra (inaudible) sensitivity mid-2015 7 point for the first 100 and between 7 to 8 for the second 100, this is the answer.

Q - Nick Holmes {BIO 3387435 <GO>}

Okay. I'm sorry just final point would that continue with additional 100 basis points. It is a linear extrapolation or is there some what --

A - Philippe Donnet {BIO 4657671 <GO>}

optimal (inaudible) linear (inaudible) brilliant, right.

Q - Nick Holmes {BIO 3387435 <GO>}

Okay. That's very clear. Thank you, very much.

Operator

Thank you. And our next question is from the line of Michael Huttner. Your line is open.

Q - Michael Huttner {BIO 1556863 <GO>}

Fantastic. Thank you, so much. I have the most of little questions on the fed, and the first one way, on the slide where you show a potential cash for deals 2.5 billion from disposals, which I'm assuming should would be reinvested? and when you originally talked about Generali Leben, you also mention that there was 800 million or 900 million of debt repayment. And I can't see that, there. I Just wondered, where that figure, how you think about that figure now? is it not something that you think of is money available, is it to reduce leverage whatever?

And the other is something a little bit older still on topic of leverage, in January you issued 500 million, which means a technically according to the calendar of debt repayments at best you could do 1.5 billion through 2021 rather than the top end of the target range 1.5 billion to 2 billion. I just wondered if you could explain your thinking that?

And then the final question is you raised and this is (inaudible) , the targets from net profit from Asset Management some 300 million in 2020 to 400 million in 2021. That's a huge jump right for pre-tax on 130 million at the moment, it's improving at the rate of somewhere around 70 million per year. And can you explain a little bit, the thinking there why you can -- how confident you are and where you see this big rise coming from? Thank you, so much.

A - Cristiano Borean {BIO 15246531 <GO>}

Hi Michael. It's Cristiano. I'll start with the first one relating to understanding on the cash flow from the potential failure of the Generali Leben. What we presented is the total amount of cash of 1.9 (inaudible) and then there are 800 to which (inaudible) and there are internal long (inaudible) as well, which has to be deployed before remitting to you about this the amount which is a broadening life to EUR1 billion. So, and we will not use this extra 900 to deleverage the external debt. It is more for on internal debt that Generali ever [ph] been had. This is important to clarify.

The second question related to leverage. Yes (inaudible) for an asset we issued 500 million in January, I recall you, that we reduced (inaudible) for another system, because we're ready reduce spend 700 million, (inaudible) . And so the net effect will be Minus 250 of the preparation [ph] and seven asset in order to (inaudible) that do the cofounder and there is a skill room to use it. And as I told you already during the investor day, that is managed in a proactive role and rather a very clear view on which are the sources of that we want to keep in the balance sheet and looking at both (inaudible) of liquidity and quality of capital. So these are the driving let's say stars are the (inaudible) I mean which will we move conference in the next months, years certainly manage this target.

Q - Nick Holmes {BIO 3387435 <GO>}

Just to understand and I understand, you are talking about the quality of a debt here. (inaudible) if you can also maybe give me a hint on the number quality is lovely, but I was hoping you introduced debt by 2 billion on here the numbers 1.5, is what you're indicating about sources of data (inaudible) . That you may be finding willing fellows before call date?

A - Cristiano Borean {BIO 15246531 <GO>}

Michael, to be fair. What I've already forgiven little over that (inaudible) in the (inaudible) to regime. You have quality of capital which is important and so there is a different treatment between senior and subordinated debt and there is the way, we also operated in the issuing of the EUR500 million with a specific structure that makes you understanding that we have looking at all sources of relative capital cost of it. And we are consistent through that. And we will consistently act together. I can't comment on (inaudible) things. Because of we need to be absolutely effective and worker in the practical approaches towards this. Because it's really dependent on many configurations around that.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay understand.

A - Cristiano Borean {BIO 15246531 <GO>}

On asset management. So yes (inaudible) accounted for 2021 is 400 million net results and I like to make two comments on please. You remember that we have the 6% to 8% target EPS growth for the Group and the difference between the 6 and the 8 is typical relocation to we to organize the 400, you need to have in mind that 350 would be internal. So, we'll be in the 6% and 50 will be let's say capital relocation from our multi-boutique strategy and will contribute to the 8% efficient net metrics payment, so the comment was what are the drivers of this -- of initial growth. Roughly, speaking you could say that 50% of growth comes from internal sources to review for mandates investment in newly sets, 25% comes from growth of extreme mandates and more inclusion of Generali community. So I would say start shooting external and passion thermal and (inaudible) 25% user is not only 50 million I mentioned. So we made of (inaudible)

Q - Nick Holmes {BIO 3387435 <GO>}

Thank you very much.

A - Philippe Donnet {BIO 4657671 <GO>}

Well then, lovely. Thank you so much

Operator

Thank you. Next question is from Gianluca Ferrari. Your line is now open.

Q - Gianluca Ferrari {BIO 15042989 <GO>}

Yes. Hi, good morning. I have a couple of questions. The first one is from I think Frederic mentioned during the speech related to higher distribution costs in Italy for selling non-motor products. And non-motor was down 1.5%, year-on-year. So I wanted to know if you can elaborate a bit more on which kind of initiatives you put in place to push non-motor product in Italy.

The second is on man-made losses, if you can elaborate bit more on what was here. I suppose the Generali were on the bridge, was there any involvement in the (inaudible) accident and what else outside Italy would disrespect, thank you.

A - Philippe Donnet {BIO 4657671 <GO>}

Well Luca, I comment on your two questions. The first one is you know that, we have a very good combined ratio in Italy on P&C (inaudible) . So, Generali (inaudible) decided to have various marketing actions and incentives to develop and to grow the number of (inaudible) . So you can see the cost of fees. Of course at the end it will bring a better technical result because, (inaudible) to develop, how you could give up and how you created in line for general Italy.

On man-made is your question specifically related to Italy or broader one?

Q - Gianluca Ferrari {BIO 15042989 <GO>}

No, no. Broader one.

A - Philippe Donnet {BIO 4657671 <GO>}

So I'm not coming -- I will not comment and on specific man-made versus -- I mean you had in terms of geography, first, I mean we had a lot of money investors in Italy, France, (inaudible) Austria, last year. So you said about the geography which are by the way consistent with our geographical footprint. If I look at the man-made loss that we had last year. So it represented 1.5. Of combined (inaudible) ratio which is about 0.63 0.7 points higher [ph] than last year and it's about 0.3 [ph] points higher than the average of the past values. So if you ask me what would be the normalized and again it's about five years average normalized man-made loss amount for Generali, this is 0.3 [ph] points lower than what we had in here.

Q - Gianluca Ferrari {BIO 15042989 <GO>}

Thank you very much.

Operator

Thank you. Our next question comes from the line of Andrew Ritchie. Your line is now open

Q - Andrew Ritchie {BIO 18731996 <GO>}

(inaudible) Thanks. Just following up on that, if we want to -- broadly speaking normalize the P&C result. Your only suggestion would be to lower the loss ratio by 30 bps for an average man-made. I mean how would you characterize net caps [ph] versus budget and the PYD versus a normalized level, I'm just trying to get a sense of how you think of what (inaudible) normalize combined ratio was?

And two other very short questions. (inaudible) is a helpful reminder of the small sort of its also M&A The group has done recently. Can you tell us because disclosure -- hasn't done disclosure for each transaction, what the total amount is that you've spent on those deals and what the associated expected earnings from those deals so far, would be in the next 12-18 months.

And the same question slide 33, is a reminder of the progress you've made on reducing the average guarantee on the Life (inaudible) , I guess I was surprised it fell the piece of reduction was (inaudible) as we guarantee in the (inaudible) 25 basis points. Is only one often there? Is that stripping out Generali Leben? Is that straight like-for-like and was that just simply the wake of new business having another sides. Thanks.

A - Cristiano Borean {BIO 15246531 <GO>}

Andrew, thank you for your question. So, if you look at the combined ratio, the net GAAP for 2018 at 1.7% [ph] is exactly in line with our historical average based on the past five years. So then, about net debt each five years (inaudible) , you have to answer, but again if you normalize everything over five years, net debt in line with the average of the past five years and as I said man-made users 0.3 higher than the past five years.

I move to the question 3, reduction of the guarantee, it includes the disposal of the Generali Leben and Generali Leben had an impact of 20 basis points on the reduction of the guarantee rates. So, of course, it was specific impact and it explains the acceleration compared to the previous year. On second question on M&A, I'll make it an answer which is not totally satisfactory to you, because, you haven't (inaudible) before, we have not disclosed the amount for (inaudible) both on these so that this has been only built on these and the order of magnitude of the sum of all years is in hundreds of millions (inaudible) it was not discussed more than that for the time being.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay great, thank you.

Operator

Thank you. Our next question is from the line of Johnny Vo. Your line is open.

Q - Johnny Vo {BIO 5509843 <GO>}

Yes. Thank you. Just two questions from me, Generali Italian the sub. I think in 2017 it had a solvency ratio of 257. Can you tell us what the Solvency ratio at the end of 2018 for that sub? And the second question, just regards to the Solvency development which is clearly done well. What is the lag between Solvency development and your ability to extract additional remittances from the development? Thank you.

A - Philippe Donnet {BIO 4657671 <GO>}

Jonny, for the first question about Generali Italian (inaudible) to do not disclose it for now I can tell you that it is lower but it is not materially. From the point of view of the second question, if you can please repeat to be sure that I understood properly, so speaking of into, can you repeat?

Q - Johnny Vo {BIO 5509843 <GO>}

Yes just investment in Solvency, it's developed very well. So what is the lag between your ability to extract between the solvency development? And your ability to extract the excess capital from that?

A - Philippe Donnet {BIO 4657671 <GO>}

Okay, fair enough this is quite consistent with what we -- I think already discussed during the Investor Day, especially in the light component. Do you remember that the transformation of the businesses starting in 2016 and basically the change in the products use material going up, but and you see in the solvency the PV of all of those and to we need to have this time lag among the two very important, if you just look for (inaudible) capital generation capacity, is that we are doing better quality. And this is arriving (inaudible) towards less capital to be trapped to rather business. So we had this effect which is allowing that as well our remittance capacity.

So we have to link these two things, there is a component of pure cash without, when I was speaking this so-called investor profit, the development could intervene the (inaudible) confirm the new business well underwriting as well, which is releasing some capital. These are the two components of you have to keep in the in mind.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay brilliant. Thank you.

Operator

Thank you and I'll take our next question comes from the line (inaudible) . Your line is now open.

Q - Analyst

Yes, good afternoon, there is only one question and it's relating a motor TPL We have to understand, if you are experiencing significant shift of the motor TPL from B2C business toward the (inaudible) long-term rental profit sharing. And if you [ph] , so in which way are you talking about these kind of change and what could be they impact on the profitability of the motor TPL B2B change going forward in the mid-term. Thank you.

A - Philippe Donnet {BIO 4657671 <GO>}

Thank you Giuseppe. So simple answer we are not experiencing significant shift from the B2C, B2B, [ph] we don't see -- we don't see it yet. However let me remind you what we said at the Investor Day with the mobility platform that we (inaudible) in Italy, in to extend to other European countries, you need to be prepared for fees. So, we believe it will increase. And we are building the platform and the tools to save this new marketing area. But again, we don't see anything, yet in the figures.

Q - Giuseppe Mapelli {BIO 7269722 <GO>}

Okay, thank you.

Operator

We have another question from the line of James Shuck. Your line is now open.

Q - James Shuck {BIO 3680082 <GO>}

Okay. On the presentation, on the side the (inaudible) follow-ups to professional just the global corporate and commercial, which just dragged on some of the results in (inaudible) in particular can you just remind me what is the total funds at premium to that unit and as a standalone unit, what was the combined ratio in 2018? Please.

And question -- I guess just taking step back with these numbers and stuff to keep gravitation to the main operating profit items, which were disproportionately be negative compared to what you might expect them to be by 2021. It's quite easy to become (inaudible) scenario where that might be 300 million or 400 million swing on a pre-tax basis and in that number and if you think about all of the exception license and maybe you can give me some interest for harvest and gains but we can debate it. But is it trying to contributing about three points also to the six points of spend free capital deployment, EPS growth rate to EBITDA as far as -- with your target. The debt -- low debt cost had one point for that. And then asset management is about two points, so when you take a step back and trying to be, it's business anywhere excluding those items. So (inaudible) being normally very conservative with that, you're going to substitute anything to you. Although a big headwinds in some of the other geographical entities that you could just shed some light on that for me please? That be very helpful thank you.

A - Philippe Donnet {BIO 4657671 <GO>}

Thank you James. On GC&C Generali Corporate and Commercial business you need to provide about EUR2 billion premium, officially supported the size of the business unit. You have to move that the business unit is very much focused on one hand to specialties and on the other hand to (inaudible) . So we underline very legal general accounts and we want to stick to the strategy.

Last year was not a good year, when we had a combined ratio of 1%, 2% and so which means that the result was with break even. We had (inaudible) a lot of man-made events. I noticed that it has been the same for our peers and in the market we seen more lifting results however we have implemented planned to be even stricter in the underwriting and even more focused on that we underwrites. So we believe this business unit you can be profitable (inaudible) -- it remains there is strict in the underwriting and very focused on specialties and (inaudible) .

On the third one Cristiano?

A - Cristiano Borean {BIO 15246531 <GO>}

Yes. So James we try to summarize it's a performance thing, it points to be sure to answer properly is that anything that (inaudible) works efficiently conservative in European in evaluating EPS growth potential due to the fact that you foresee a better manipulating the right outlook. You got the point.

Q - James Shuck {BIO 3680082 <GO>}

(inaudible) improvement in asset management. It doesn't look like you if actual moment [ph] great in any of the other divisions in the core business. So all of those headwinds, all this concerns with in terms that,

A - Cristiano Borean {BIO 15246531 <GO>}

Yes, I stressed already what we said, we are conservative, especially when I put any of the financial market development. When we showed you, the development of our results, we did not took that's on the market development on web development, which as you can see, now it is a good way because the movement is against what we have in November. So I confirm that we were conservative in the estimating our potential growth not making assumption. Also specifically (inaudible) as you said, which we fixed to what we found in that moment, which is I think our safe brand to guarantee the execution of the target of these plan.

Q - James Shuck {BIO 3680082 <GO>}

My point was really about weight assumption and conservatism, it is just that the reversal of momentary license combined with lower debts and we hit the asset management target that you said, that (inaudible) six points anyway from just, I'm just kind of struggling that doesn't look like there's any gross anywhere else, but that's clearly that is confirm? [ph]

A - Cristiano Borean {BIO 15246531 <GO>}

So, you say the asset management and operating for using (inaudible) is a alone in the 6% development which is it then?

Q - James Shuck {BIO 3680082 <GO>}

Yes.

A - Cristiano Borean {BIO 15246531 <GO>}

I mean I think this your point that would I confirm, what we presented you at the Investor Day and we will keep growing the business consistently there. So I could not categorically review, I often speak with what we presented to you, because (inaudible) with our in the (inaudible) of our plans.

Q - James Shuck {BIO 3680082 <GO>}

Okay, yes that's alright, and thank you very much.

Operator

Thank you our next question is Alberto Villa. Your line is now open.

Q - Alberto Villa {BIO 16005221 <GO>}

Yes, and good afternoon. Just a quick question on the M&A side apart from the bolt on acquisition you made in 2018. Did you make any progress in developing M&A's for 2019. So, can we expect other bolt on acquisitions and where are you looking apart from the multi-boutique strategy in Asset Management going forward. We remember, we discussed it also on the Investor Day and the other rate. Is there any new consideration we are to keep in mind, going forward or discussions we had at an Investor Day are still valid? thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

Thank you. It's difficult for me to come on point. So I'll speak to we said at the Investor Day, which are criteria on it's the financial fatigue and the cultural [ph] heat and that we want to remain extremely disciplined. Then obviously, I'm in a team looking at opportunities and it includes the multi-boutique strategy that we're going to continue to implement, but again no news on that front.

Q - Alberto Villa {BIO 16005221 <GO>}

Any geography or segment you would like to grow to external?

A - Philippe Donnet {BIO 4657671 <GO>}

-- This is Philippe speaking. On the geographies talking about the insurance business, we said that we would further strengthen our leadership position in Europe. So in Europe remains essential geography and business lines for the insurance business we definitely consider property casualty business, health insurance business and assistance business and protection business on top on the life side (inaudible) . Talking about asset management, we would also out of Europe I mean the UK, US And Asia remaining in the strategy for the asset management, which is focused on the acquisition of competence rather than the acquisition of volumes then as for the (inaudible) agreement remained very consistent with the strategy and very consistent with our financial discipline.

Q - Alberto Villa {BIO 16005221 <GO>}

Okay, thank you. Just a follow-up if I may. Obviously, in the Asia and It would be approved to add a new one of the buyback plan, which is a (inaudible) , I would just ask if you have any plans to activate this buyback any time in the future? Thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

Alberto It's Cristiano. You speak about your buyback effort the long term and shown to the plan or divested for the portfolio for the show plan for the employees.

Q - Alberto Villa {BIO 16005221 <GO>}

I was speaking about profit and beyond that, is there any chance of the buyback the beyond the (inaudible) .

A - Cristiano Borean {BIO 15246531 <GO>}

What we presented with yesterday after the Board of Director's as the buyback as the relation to be proposed to our shareholders and if only for the (inaudible) plan took and I will be working to collect--

A - Frederic de Courtois {BIO 16976110 <GO>}

I contribute in the is one of the -- that I did have Investor Day outside of the incentive plan to do share buyback is not our priority, however if we don't find a good opportunity to relocate capital, this is obviously something we would consider.

Q - Alberto Villa {BIO 16005221 <GO>}

Okay. Thank you, very much.

Operator

Thank you. Your next question is from Niccolo Dalla Palma. Your line is open.

Q - Niccolo Dalla Palma {BIO 16052945 <GO>}

Hi. Just a quick follow-up on the French business and the improvement in the technical results in Life. And can you share to longevity in one of the drivers. Can you elaborate on what exactly is changing is it recurring or one off? Thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

Good morning Niccolo. Yes, it's Cristiano. So that, what is happening there but our pension business has suffered that in the previous year of the increased prevalence of an indication of the other day I (inaudible) explain times. What is the President doesn't mean that you can see reduction of their larger we reduction this provision in great, and that this is consistent and recurring are going forward. So from that to market about.

Q - Niccolo Dalla Palma {BIO 16052945 <GO>}

Okay, thank you.

Operator

Okay. Our next question is from Michael Huttner. You line is open.

Q - Michael Huttner {BIO 1556863 <GO>}

Thanks. So much. Just two (inaudible) questions on some of the key you mentioned, Spain, The next positive and of course, France is coming off this is the (inaudible) allocation this is coming on and France the pension fund is coming on. I just wondered, if you could give a net figure for the impact of these three items. The impact was on subject to, and then you spoke the (inaudible) about the cash coming from the reducing capital allocated to the life back brokers you invest in a new capital by products rather than the traditions and I just wonder if you can you give the figure for this to help you maybe anyone's used to go figure 500 and the Investor Day that said now 300. Thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

Hi, Michael, it's Cristiano. So, the extension of the internal the internal moment of Spain and the operational [ph] is clearly as you can understand something which is under the (inaudible) is the regulator. So we cannot disclose the impact because it will stay unknown giving the final impact of (inaudible) approved. So, we cannot comment on things, which are not still there. I am sorry but this is the real beginning (inaudible) with the regulators.

And regarding the cash coming from the reduction of the capitalized product a little acting as a washing machine in our balance sheet. Let me try to comment on this point that we see from exactly when we look at the capital generation in the capital that you need is 1.5 that is the capital that you have which is 1.3. So there I think you get the blend of the lower effective, that we can expect to going forward. And this is part of the contribution of why we are in the correct path to deploy all the remittances target, but we need to get in the plan. Because this is a facilitator to help our target. I hope this gives you more clarity (inaudible) .

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you, thank you so much.

Operator

And our final question is from Farooq Hanif. Your line is open.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, I'm going back to the comment you made about P&C reserving. Can you give us a bit more of a guide to where you are seeing the biggest buffers geographically in your business? thank you.

A - Cristiano Borean {BIO 15246531 <GO>}

Okay, it's Cristiano, answering the Farooq. There is a (inaudible) let me state a but our revenue levels scheme are the highest level of the standard as we presented on the lender and there are absolutely no material change around that. The geographically solutions of these (inaudible) is difficult and there are different and that we did not disclose this so far. Clearly you can imagine it is (inaudible) better I'm not stinking country -- country-by-country because it's different situation country-by-country.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay thank you very much.

Operator

There appears to be no further questions at this time. I'll now hand back to the speaker for closing remarks.

A - Leonardo Meoli {BIO 20776681 <GO>}

Thank you , everyone. Please additional question (inaudible) Investor Relation at generali.com. Now hand the (inaudible) to the General Manager for his final remarks.

A - Frederic de Courtois {BIO 16976110 <GO>}

Thank you, Leo. Thank you to you all. First, just let me summarize in one word what we said. We've presented today is very strong set of results. And I would like to highlight, especially the strong industrial performance, but I could come industrial performances, that we've on the insurance side we beat Latin P&C, we've been able to grow volumes and margins, margin for the right side and keep the margins to (inaudible) besides we've been able to grow the asset management result in line with our plan and expectations continue to very much focused on the -- on cost.

So, we believe that we are extremely well placed for the new Generali 2021 plan and I would like to remind you in the coming weeks, we have one appointment for the first quarter results, for the first quarter call, on May 14, and we have one (inaudible) with our new exploring Generali event in London on May 24, see you there. Thank you very much and talk to you soon. Bye, bye.

Operator

Thank you that does conclude the conference for today. Thank you all for participating and you may now disconnect.