

Assicurazioni Generali SpA Conference Call with Group CEO Mario Greco & Group CFO Alberto Minali

Company Participants

- Alberto Minali, Group CFO
- Mario Greco, Group CEO
- Spencer Horgan, Group Head of Investor & Rating Agency Relations

Other Participants

- Alberto Villa, Analyst
- Federico Salerno, Analyst
- James Shuck, Analyst
- Michael Huttner, Analyst
- Niccolo Dalla Palma, Analyst
- Peter Eliot, Analyst
- Ralph Hebggen, Analyst

Presentation

Operator

Welcome to today's conference call. Today's conference is being recorded. I would now like to turn the conference over to Mr. Spencer Horgan, Head of Investor and Rating Agency Relations. Please go ahead.

Spencer Horgan {BIO 4241901 <GO>}

Thank you, operator and welcome everybody to this call to discuss the news that you've seen us publish last night. And thank you for your availability at such short notice, which I'm sure you'll understand.

With me in the call I have Mario Greco, Group CEO and Alberto Minali, Group CFO. And I'm going to hand it directly over to Mario now for some opening comments and then we'll be ready to take your questions. Mario, please go ahead.

Mario Greco {BIO 1754408 <GO>}

Thanks Spencer. So hello everybody. Let me, first of all, apologize for this period of uncertainty and then the news of yesterday. And let me explain to you what happened and what's going to happen.

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As I tried to be clear in a written description of my decision, there has been a relatively long period of discussion with some shareholders about a possible new mandate for me at the helm of Generali. These discussions, after many months, have not brought a conclusion. And so it was my understanding that there wasn't enough correspondence of intention between myself and shareholders on what I should do. And so this moved me to say to the Chairman that I am not ready to accept a new mandate.

The thing that I want to make it clear is that there's never been any uncertainty or any discussion or any criticism on the strategy of the Company. This has been accepted, fully supported and endorsed by the Board. And as far as I know, by all shareholders of the Company.

In the same token, the actions that the Company has taken from all (stance) and standpoints, managerial and market actions are fully supported and endorsed. This was an issue between a CEO as a person and the shareholders as others. And does not correspond in changes at the Company's level.

I'm saying that because I just want all of you to be reassured that it remains -- the Company remains as confident as it was some days ago on delivering on the targets, on executing on the strategy and on maintaining the same path of results and actions that has been maintained over the past years. The team here is strong and will do even better when I will move out from the Company.

That's pretty much all I wanted to say myself. And so, I don't know Alberto if you wanted to add something?

Alberto Minali {BIO 16909383 <GO>}

No, really, want just to add a couple of more things that we are fully committed, all the management team that Mario (technical difficulty) until today. We are all focused, all driven by the same impetus to execute the strategy. So I'd like to confirm as the Group CFO that the targets in terms of cash, dividends, cost and operating performance will remain exactly as they are. There's no change, whatsoever. And we are all fully committed, all the employees and managers of the Group to execute such a strategy that, as you said, was welcomed by the Board and approved by the Board last December. Certainly, we enter into (technical difficulty) for the best interest.

Mario Greco {BIO 1754408 <GO>}

Are there any questions that we can address?

Spencer Horgan {BIO 4241901 <GO>}

Yes, operator, we're ready for questions, if there are any.

Questions And Answers

Operator

(Operator Instructions) Peter Eliot, Berenberg.

Q - Peter Eliot {BIO 7556214 <GO>}

Mario, I guess, yourself and Generali have achieved an awful lot since you joined in 2012. Arguably, maybe that hasn't been sort of fully reflected in the sort of relative share price and I'm guessing you'd share that view. And with that in mind, I'm wondering if you could comment on the extent to which you sort of feel your job is done, or whether you would have liked to have seen more through? Then perhaps secondly, I guess the job that you've accepted will not be your first turnaround story. But this time you're going to an area that is addressing, is one that you really know very well. I'm just wondering whether you can comment on the extent to which that influences your decision at all.

A - Mario Greco {BIO 1754408 <GO>}

Look, Generali, over the last three years, did a financial turnaround. And it's not for me to say that. But I think that was very successfully executed by the colleagues and by all the teams who work in that. The capital is being restored, the financial position of the Company has been greatly improved, debt has been reduced. And cash has been generated internally.

So that part, the turnaround program, I would declare it finished and that's the reason we moved on to the new strategy presentation in May and to the new targets. Now this new strategy and these new targets had been completely shaped, the plans have been embedded, the countries -- the colleagues know what to do. You might remember that also, all this came out of an internal development program, which -- so the ownership is extremely strong. Our own people developed the strategy, the vision and the targets. But a lot still has to be delivered and shown. I think with the results of this year, you're going to see the first piece of execution, is the (first of four) of this plan and you will see that it's going to be coherent with the targets. But three-fourth of the plan will still be delivered and that's the reason I'm personally sad that I cannot give my contribution to the remaining three-fourth.

So that's the way I see it. So a turnaround done, new growth, new plans, frankly delivered for one-fourth, which is the one which will be released in a few weeks. I can't comment anything on Zurich. I don't know much about it. And so there will be time in the next (few years) to talk about Zurich.

Operator

Federico Salerno.

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Q - Federico Salerno {BIO 2565091 <GO>}

Mario, you mentioned a contrast with some shareholders and I would ask two questions on this point. The first one, I was just curious to know if you feel like expanding a little on this point. And secondly, is it fair to say --

A - Mario Greco {BIO 1754408 <GO>}

Sorry, I didn't get what you are asking me to expand on. Can you repeat that?

Q - Federico Salerno {BIO 2565091 <GO>}

Just on the kind of contrast with shareholders, if it concerns strategy or whatever it was.

A - Mario Greco {BIO 1754408 <GO>}

I mean it's not on strategy. It's, as I wrote, I think, in my -- I think I've been specific in my words, it was about my role going forward into the organization. That's about it. But nothing about the strategy, the execution, the targets, the organization or anything else. I think I wrote it precisely and don't have me repeating that, because otherwise I will exactly look at the words I use.

Q - Federico Salerno {BIO 2565091 <GO>}

And the second question still on this point, is it fair to say that you would have left the camp at this stage anyways even without a Zurich opportunity or not?

A - Mario Greco {BIO 1754408 <GO>}

Yes, very likely, yes.

Operator

Alberto Villa, Intermonte.

Q - Alberto Villa {BIO 16005221 <GO>}

Hi. Good afternoon. Not easy to ask questions in this very moment. But just trying to understand when you mention shareholders, I think you refer to the one that presumably are represented at the Board of Directors level, is that correct way of reading it? And secondly, maybe I wanted just to understand if maybe one of the reason for this friction is related to, for example, the screening by the Board of Directors about the possibility to introduce the loyalty vote system at Generali as one of the reasons?

A - Mario Greco {BIO 1754408 <GO>}

Not at all, Alberto, not at all. There hasn't been any specific disagreement with shareholders. There hasn't been any conflict with shareholders. It was much more in kind of educated discussion on the future of the Company, what' was best for the future of the Company. And as I said, this was a natural conclusion. But there hasn't been any point where I specifically disagreed or where they disagreed with me on the other side. In this

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three years and a half, again as I wrote, I have been fully supported by the Board. All decisions have been taken with the Board, not only agreements. But full support. And that's something which I will always remember and has been great for me.

Q - Alberto Villa {BIO 16005221 <GO>}

The only thing that's difficult to me to understand is the extent that you can discuss with shareholders, because this is a public company, in a way. So it's not easy to -- I mean to understand how far is this change of opinion with shareholders.

A - Mario Greco {BIO 1754408 <GO>}

No. But the -- what happened was exactly what you say. These are discussions with shareholders who are represented on the Board and so it's all inside the normal framework of the governance. And you know that Generali is a number of Board Members who represent shareholders.

Operator

(Operator Instructions) Michael Huttner.

Q - Michael Huttner {BIO 1556863 <GO>}

I can't quite reconcile what I see on Bloomberg. If I cite what they were, they say they saw a letter. The letter says -- (tell about) the Company uncertainty to meet targets. This doesn't quite -- it's not coherent with what you're saying at the moment. So I just wondered whether Bloomberg got it wrong or whether the letter doesn't exist or something -- there's something a little bit odd. Then on the previous point the -- and I think the point that everybody is kind of struggling with, the share price hasn't done much in the past four years.

A - Mario Greco {BIO 1754408 <GO>}

Yes. Michael. I mean, I apologize. I don't know why Bloomberg wrote that. What I'm telling you. And in a sense what I want to reassure all of you. And Alberto can do the same, is that I'm very sad, I would have stayed. I think the Company still has a lot more to do and to deliver. I think the plans that we have are extremely well founded. We never announced and you can track back to what we did in the past year, we never announced something that was not in our capabilities to reach. And so far we have always, always reached targets. We have not any track record of missing targets. And that's exactly the situation where we are at the moment.

Q - Michael Huttner {BIO 1556863 <GO>}

Then the other point --

A - Mario Greco {BIO 1754408 <GO>}

And that I want all of you to have it very clear in mind and this decision has nothing to do with the targets, with the confidence on the targets, with the numbers. And I think you're

going to see that in a few weeks with the first year of the plan, which we'll deliver according to the plan and the expectations.

Q - Michael Huttner {BIO 1556863 <GO>}

The other question and at first what I'm trying to see here is the bigger picture. And I think the questions before kind of were in the same direction. We're trying to reconcile the achievement of the first plan of turning around the balance sheet with the relatively not very strong performance of the share price versus peers in that same period. And my disquiet is that the way this episode has happened. If I were a US investor and the US investors are probably the most conscious of seeing some governance, if you just encourage me to stay away from Italy overall, not just Generali. And you've explained exactly what happened. But the whole episode doesn't inspire any kind of confidence. And I just wonder is that kind of getting back to a broad approach? Is that really what is driving your decision that you'd feel more comfortable with the governance in a kind of more (Northern) environment?

A - Mario Greco {BIO 1754408 <GO>}

No. I don't even think that is fair. I mean, honestly, there's nothing wrong or there is nothing in this story, which is Italian specific. Shareholders have the right to choose a manager, CEOs, to run companies and they have -- perfectly they're right to think that even a manager has been successful up to a point should better not do another phase. And that's exactly their right. And I respect that to the point that if I think that this is what they believe, I'm the first one to step down or to step aside. I think this is it. I mean it's a very traditional, a straightforward choice and I'm fine with that.

Operator

Niccolo Dalla Palma, Exane BNP Paribas.

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

The first question would be on whether you think that governance of Generali needs some improvement. And if so, on what? I mean, was it a governance issue also in which you couldn't find an agreement on your future role within the Company? The second one is about succession planning. Has this been a topic thought of before you even started considering leaving the Group. And what is the -- has there been preparation work independently of your personal decision this time? And thirdly, a more practical question. How does it work for non-compete clauses in terms of hiring people from Generali when you will be at Zurich? How is Generali protected from Zurich hiring more people alongside yourself? Thank you.

A - Mario Greco {BIO 1754408 <GO>}

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So Niccolo, let me start from the last one. I came three years ago from Zurich to Generali. I did not bring anybody with me and that I think is the answer. It is not my policy to have a tribe or a gang of friends following me around. I've worked with very different teams and so it did not happen in the past, it will not happen in the future. Legally speaking, I do not have any constraint years ago. And I don't have constraints today. But it's not about constraints. It's about standards. So this is not going to happen.

Then your second question, if I'm not wrong, was on changes in governance. I don't think this is a matter of governance. This is a matter of choice. And again, shareholders have the right to do this choices. And as a manager, you have to be prepared for that. This is what happens. And again, I completely respect that. I have no bad feelings about it. I have no discussions. Again, there hasn't been any specific point, which was debated. It's just a matter of shareholders preference on who should run the Company in the future. And again, I respect that 100%. Then I apologize. But I think I forget your third question.

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

The last one was on succession planning.

A - Mario Greco {BIO 1754408 <GO>}

Sorry. So succession plan is very important, you are right. So we are going to present, I think in a week time, to the Board our succession update. I think this Company has one of the most remarkable and well done succession plans that I've ever seen in my life. There are successors for my position. Only 4% of the top 200 positions do not have a ready now successor. We have excellent talent mapping. We have assessed many hundreds of talents in the organization and developed specific plans for them. So I think succession plan is one of the jewel of the Company today.

Operator

Ralph Hebgen.

Q - Ralph Hebgen {BIO 6297020 <GO>}

I've got two questions, one for Mario and one for Alberto. Mario, can you help me with this. I'm still not entirely clear on your reasons why you would leave. You're saying very clearly that you're sad that you won't be there to oversee the next phase of the plan. You are saying there is no disagreement on strategy, the numbers will be all right. So could you give us some clear examples of what precisely your differences were with the shareholders, because they must have been severe to make your leave at this juncture?

And second question to Alberto. Could you perhaps share with us what your relationships are like with the shareholders, what is the state of your contract and are you planning to stay at Generali?

A - Mario Greco {BIO 1754408 <GO>}

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So first of all, if I can help Alberto talking of these delicate things. Now, the contracts are very different, because as in Italy, as a CEO, you have a three-year contract, right. So my contract is expiring in April. Alberto's contract is indefinite. All right? So this is very different. So Alberto does not need to readdress periodically his contract. I did have this need. So given that my contract was expiring in April, I was engaged in discussion, which started in June last year, on the possible renewal of my mandate. This discussion went on until some days ago and as you can understand the sheer fact that after so many months there hasn't been a conclusion, an agreement already tells a lot by itself.

And also during this discussion, I made myself thinking that there wasn't the type of support which is needed now for the CEO of the Company to execute on the plan. And so, when you start thinking that you start thinking that it might be helpful if you're moving aside, which is what I did. I have great affection for this Company. I've enormous affection and respect for the managers. This is a fantastic team and it deserves to have a CEO who is 100% supported and interest by all the shareholders of the Company. And I felt this was not the case for me. That's about it.

Q - Ralph Hebgen {BIO 6297020 <GO>}

And would you not be able to share with us what the specific reasons where that the key shareholders were unhappy with you?

A - Mario Greco {BIO 1754408 <GO>}

Ralph, there is no more than this really.

A - Alberto Minali {BIO 16909383 <GO>}

Ralph, to come back to the second part of your question regarding my relationship with the shareholders, I think that is important to stress that the definition of shareholders for me, it's all the shareholders that are in the capital share base of the Company. So I hope that in the last three and a half years, I have been able to deliver a quality job to all shareholders, not only the one representing the Board. And also to have been able to set up one of the best, I think, financial infrastructure for a Company active in Europe and in the world for running the insurance business. So I do have a very good relationship with most of the shareholders that have bought shares in the Company and I do want to carry on this way also for the future. But again, my definition of shareholder is all the public investors and all the people and investor that put money into the stock of Assicurazioni Generali.

Operator

(Operation Instructions) James Shuck, UBS.

Q - James Shuck {BIO 3680082 <GO>}

I just had one question left from my side please. It's quite a simple question. I just like to know, is there anything that stops Generali being run purely in the interest of shareholders in the interest of value creation, or is there anything either in the governance or concentrated at one particular shareholder that stops that process happening effectively?

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A - Mario Greco {BIO 1754408 <GO>}

Then, can I ask you myself a question. Do you think that this is not what we did over the last three years? I thought we did exactly that.

Q - James Shuck {BIO 3680082 <GO>}

Yes. But you're indicating there's a difference of opinion between perhaps what you think is the best way forward for Generali from now, versus what the shareholders think and I'm interested to know what's the genesis of that disagreement might be?

A - Mario Greco {BIO 1754408 <GO>}

No, no, honestly, I never indicated that. On the contrary I said that nothing was raised about the strategy, the targets, the organization, the actions that the Company is taking. No. I never indicated that and I want to be clear. It was not about what the Company should do. It was not about what targets the Company should achieve. It wasn't that. I think that's exactly the way we've been running the Company for three years and a half and honestly, if I look back, I would still support all the decisions we took, because they were in the interest of the shareholders of the Company.

A - Alberto Minali {BIO 16909383 <GO>}

Mario, if I can add only one point, just for memory. When we arrived here three and a half years ago, we decided to get out all the syndication (packs) that the Company was full of. We decided also not to support, let's say, transactions which were not in the interest of the shareholders. We started to generate internally capital by retained earnings and improving profitability in every single line of business and every single country. And this is really the value creation story. So there is no other definition in my mind on what we did. And I think I totally agree with you, no regret on no decision. What we did was exactly in the direction of the value creation for all the shareholders. And the proof of the pudding is in the fact that we constantly have increased the performance for the shareholder in terms of dividend payout and we will do the same in the next years to come.

Q - James Shuck {BIO 3680082 <GO>}

This is just the reason why I raise it, is because clearly the delivery has been excellent and Mario has introduced his own Executive Committee, internationalized the Executive Committee, improved shareholder communication measurably, introduced a strategy that wasn't there previously. The relationships with my clients is much better for Generali than they ever have been. And to see a leading light depart in this manner raises serious questions about looking back to the past and corporate governance style issues. So really I just want to focus on this number one question, which is going forward, is part of the reason why Mario is leaving, is it because the future outlook for shareholder value creation, then the tools to be able to deliver that were perhaps being taken away from him?

A - Mario Greco {BIO 1754408 <GO>}

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No. I can't -- I cannot support that, no. In none of the discussions that I had during this many months, the issue was the value creation, or the path to value creation. So I would not expect, even if I will be outside of the Company that things will change. Nowhere I was the shield against anything. There hasn't been any strange request to me, there hasn't been anything which is not common to an insurance company. And I don't think that this should be honestly any concern for any of you.

Operator

Michael Huttner.

Q - Michael Huttner {BIO 1556863 <GO>}

And so, you mentioned the word choice and the choice of shareholders. I'm sure there's a limited number of shareholders in this case. What do you think you see could be better than you?

A - Mario Greco {BIO 1754408 <GO>}

Michael, that's a good question. Definitely my successor will be better than me. Then I don't know, there are lots of people much better than me. Even as a (cyclist), I know thousands of people are much better than me. Although, as (cyclist) I don't easily admit it.

Q - Michael Huttner {BIO 1556863 <GO>}

Maybe help us out -- I don't know, in one characteristic to understand the choice word, because -- how to say, we love you, right. (We don't all) understand, because we think you're a bad guy, we think you're a good guy. (Eric) thinks you're a good guy. And clearly, if somebody disagrees (with you), we have to question our own sanity a little bit.

A - Mario Greco {BIO 1754408 <GO>}

No. I don't think you have to read that way and I don't think that is right, to be honest Michael. Again, I mean I finish a phase in the life of Generali, which is the financial turnaround, I delivered that. So the shareholders called me for the financial turnaround. And I was happy to report to them that I did what they wanted from me. Then we started the new phase and they have all the rights for the new phase and they are not breaching any promise, any pact with me by thinking about who else could do that or having doubts or discussing other hypothesis. I think this is perfectly right and I completely understand that and I think we should all respect that. I mean, I'm a manager and as a manager, you should be prepared for -- you do what shareholders want from you at the time and then you should be prepared to do something else, possibly somewhere too, which is what happened to me.

Q - Michael Huttner {BIO 1556863 <GO>}

Yes. I suspect from your answers and you've been as clear as you can, I believe, that the issue is they left you hang on the hook, which is -- I still do not understand why. But thank you.

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A - Mario Greco {BIO 1754408 <GO>}

I don't think you have to suspect much more (inaudible) much more than my words say. There isn't anything else to suspect or there is anything else hidden. It is exactly what I said.

Operator

Federico Salerno, MainFirst Bank.

Q - Federico Salerno {BIO 2565091 <GO>}

Mario, when do you expect your successor to be appointed? And of course, good luck.

A - Mario Greco {BIO 1754408 <GO>}

Federico, that's a tough question. I don't know. I mean, of course I wish he could be appointed very quickly. There is a deadline, which is 25 days before the AGM. The proposal for the AGM has to be released and published and this was one of the reason I kind of decided to speed up my decision, because I thought it was unhelpful to leave it in any uncertainty, particularly if the Company has to take a decision on my successor. I hope that it's going to come quickly and I welcome this decision as soon as it will come.

Operator

Okay, there are no further questions in the queue at this time.

A - Mario Greco {BIO 1754408 <GO>}

All right. So thank you all for being available on this call. The purpose of Alberto, myself and Spencer was to explain that this is nothing to do with the Company's results and targets. You will see that the 2015 numbers are -- is good as they would have been and they will be quite good. They will make year one of a four year plan, which the Company is completely committed to deliver on. And again, unfortunately I can't be delivering the other three years. But I am proud of having been on this team for three years back and to have delivered also 2015. It has been a privilege for me to work with the colleagues. It has been a honor. It has been a lot of fun. Unfortunately, nothing lasts forever. But I would remember that and I'm very grateful to the team and to all of you for the support you gave us. And rest of the Company will do even better in the future. Thank you very much.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.

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