

27th January 2016

Insurance

## Zurich Insurance Group

Price CHF221.80

Mario Greco to become CEO as of 1st May

Fair Value CHF295 (+33%)

NEUTRAL

Bloomberg	ZURN VX
Reuters	ZURN.VX
12-month High / Low (CHF)	332.9 / 217.8
Market Cap (CHFm)	33,360
Avg. 6m daily volume (000)	663.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.3%	-14.7%	-26.2%	-14.2%
Insurance	-10.9%	-9.1%	-11.5%	-10.8%
DJ Stoxx 600	-7.4%	-9.8%	-14.0%	-7.3%

  

	2014	2015e	2016e	2017e
P/E	8.5x	14.1x	8.6x	8.0x
Div yield (%)	7.8%	11.5%	7.8%	7.8%

### ANALYSIS

- Mario Greco is to join the company as CEO with effect from 1st May 2016. Until then, he is to remain CEO of Generali.
- We see Mario Greco as the right man in the right place, considering i/ Zurich has experienced a couple of serious issues lately (mainly P&C, but other businesses have clearly lacked momentum) and has been in need of a respected insurance industry leader, with a strong track record, ii/ he knows Zurich pretty well (remember he was Head of Life 2007-2010 and Head of P&C 2010-2012).
- However, some short term question marks remain: i/ Mario Greco is due to arrive in three months time and will then naturally need some time to assess the situation, so we should not expect concrete announcements very soon; ii/ what about the current strategic plan (2014-2016)? the probability that Zurich drops it is high; iii/ what about the shareholder returns expected to be announced on 11th February? we could assume Mario Greco discussed this matter with the BoD before accepting the position and we cannot be sure he is in the state of mind that prevailed until then (i.e. returning part of excess capital to shareholders), especially if his conviction is that Zurich's books need some cleaning up.

### VALUATION

- Based on current numbers, our SOTP is CHF295.
- We consider this appointment as a good news, yet at this stage we are making no change to our Neutral recommendation.

### NEXT CATALYSTS

- FY 2015 numbers on 11th February.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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