

19th February 2016

Insurance

Allianz

Price EUR135.75

Solid, but unspectacular

Fair Value EUR195 (+44%)

BUY-Top Picks

Bloomberg	ALV GR
Reuters	ALVG.DE
12-month High / Low (EUR)	169.7 / 126.6
Market Cap (EUR)	62,038
Avg. 6m daily volume (000)	1,703

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.3%	-15.4%	-11.0%	-17.0%
Insurance	-6.2%	-16.7%	-15.7%	-15.7%
DJ Stoxx 600	0.1%	-13.3%	-15.3%	-10.1%

	2014	2015e	2016e	2017e
P/E	9.9x	9.2x	9.3x	8.8x
Div yield (%)	5.0%	5.4%	5.4%	5.7%

ANALYSIS

- Q4 2015 net income is EUR1,418m, below consensus (EUR1.5bn). Q4 operating profit is EUR2,586m, in line with consensus (EUR2.56bn), up 15% yoy. FY 2015 operating profit is EUR10.7bn, up 3% yoy, in the higher end of the EUR10.0-10.8bn guidance (as expected).
- In P&C, Q4 operating profit is EUR1,221m (consensus EUR1.35bn), up 9% yoy. The Q4 reported combined ratio is 96.2% vs. 96.5% last year. Restated from natcats (2.1 points vs. 1.5 point) and run-offs (5.6 points vs. 4.2 points), the Q4 underlying combined ratio is 99.7% vs. 99.2% last year, which is slightly disappointing to us (we expected stabilization).
- In Life, Q4 operating profit is up 64% to EUR1,101m (consensus EUR0.8bn), mainly driven by the investment margin. FY NBV is stable at EUR392m. FY NBV margin is up 30bps to 2.8% (based on the present value of new business premiums, not APE).
- In Asset Management, Q4 operating profit is up 8% to EUR637m (consensus EUR0.63bn). Q4 net outflows are EUR8bn (the best performance since Q2 2013).
- Solvency II margin is 200% at end-2015. Dividend is EUR7.30 vs. EUR6.85 last year, slightly below consensus (EUR7.35), implying a 50% payout ratio (in line with company guidance) and a 5.4% yield.
- Operating profit outlook for 2016 is EUR10.0-11.0bn, which at this point might look a little aggressive compared to consensus (EUR10.85bn), but bear in mind that that "the Allianz way" is to come in the higher-end of consensus.

VALUATION

- Based on our current 2016 estimates, our SOTP valuation is EUR195.

NEXT CATALYSTS

- AGM on 4th May 2016. Q1 2016 numbers to follow on 11th May 2016.

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NEUTRAL ratings 28.4%

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