

Insurance

AXA

Price EUR19.50

Strong 2015 numbers

Fair Value EUR32 (+64%)

BUY-Top Picks

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 18.9
Market Cap (EURm)	47,316
Emb. Value (BG Est.)	47,157
Avg. 6m daily volume ('000)	7,280
3y EPS CAGR	4.4%

AXA has reported strong 2015 numbers, with underlying earnings up 2% yoy on a comparable basis to EUR5.57bn (consensus EUR5.56bn). The solvency II margin is 205%. The dividend was up to EUR1.10 (5.6% yield).

ANALYSIS

- FY 2015 group underlying earnings totalled EUR5,574m (consensus of EUR5.56bn), up 10% on a reported basis and 2% on a comparable basis. FY 2015 group adjusted earnings rose 2% to EUR6,008m, while net income was up 3% to EUR5,617m.
- In Life, underlying earnings stood at EUR3.5bn (consensus EUR3.37bn), up 3% at constant FX.
- In P&C, underlying earnings totalled EUR2.23bn (consensus of EUR2.30bn), down 1% at constant FX. The reported combined ratio stood at 96.2% vs. 96.9% in 2014, with lower nat cats and higher run-offs. The combined ratio excluding nat cats (0.6 points vs. 1.9 points last year) and run-offs (1.0 point vs. 0.6 point last year) was 96.6% vs. 95.6% in 2014. Premiums rose 1%, driven by prices up 2.8%.
- In Asset Management, underlying earnings rose 1% to EUR458m at constant FX (consensus EUR0.46bn).
- The solvency II margin came in at 205% (consensus 206%) vs. 201% at end-2014, mainly driven by a strong operating return contribution net of dividend, partially offset by financial market impacts.
- Cost savings were delivered according to the revised plan (EUR1.9bn over the 2011-2015 period vs. EUR1.5bn originally planned).
- Group operating free cash flows totalled EUR5.8bn vs. EUR5.5bn in 2014, mostly driven by XX. Over 2011-2015, the company generated a total of EUR25.4bn in operating free cash flows (vs. EUR24bn 2011-2015 target).
- The dividend totalled EUR1.10 (consensus EUR1.10) vs. EUR0.95 last year, offering a 47% pay-out ratio (company guidance is 45-55%) and a 5.6% yield.
- Debt gearing stood at 23% vs. 24% at end-2014, in line with company guidance (23-25%).
- Embedded value worked out to EUR21.1 vs. EUR19.3 at end-2014.

VALUATION

- Based on our current 2016 estimates, our SOTP valuation is EUR32.

NEXT CATALYSTS

- AGM on 27th April. Q1 2016 sales on 4th May. Investors' Day on 21st June.

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BUY ratings 63%

NEUTRAL ratings 28.1%

SELL ratings 8.9%

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