

13th June 2016

Insurance

Zurich Insurance Group

Price CHF226.00

Mario Greco's visible hand

Fair Value CHF270 (+19%)

NEUTRAL

Bloomberg	ZURN VX
Reuters	ZURN.VX
12-month High / Low (CHF)	305.1 / 196.0
Market Cap (CHF)	34,019
Avg. 6m daily volume (000)	752.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.0%	2.2%	-11.1%	-12.5%
Insurance	-2.7%	-4.2%	-17.4%	-17.7%
DJ Stoxx 600	-1.0%	-0.2%	-8.3%	-9.0%

	2015	2016e	2017e	2018e
P/E	17.8x	9.8x	9.3x	
Div yield (%)	7.2%	7.2%	7.2%	

ANALYSIS

- Mario Greco, CEO of the company since March 2016, has started to structure his own organisation and delivered the first round of measures to try and turn the company into a simplified, more customer-oriented structure. We highlight two key points:
 - i/ The company will adopt a regional management structure (North America, EMEA, Latam, Asia-Pacific) for the newly combined P&C / Life operations alongside a few specific business lines (Global Corporate, Farmers, Investments).
 - ii/ As of 1st July, the Executive Committee will comprise 8 people vs. 11 currently. Kristof Terryn, the current head of P&C, has been appointed to the newly created COO position to handle efficiency and business transformation, and to manage costs.
- Mario Greco's ultimate goal is to drive profitability up (profitability has been the disappointing criteria in recent years). He is expected to reveal a new strategic plan and new financial targets in November. We expect one key driver of the new plan will be cost savings, on top of the current USD1bn-plus of cost savings by end 2018.

VALUATION

- Based on our current estimates, our SOTP valuation is CHF270.
- The stock is not cheap on relative terms, as it is trading with a 20-25% premium to Allianz/AXA whereas profitability gap has been closing (10-15%).

NEXT CATALYSTS

- Q2 2016 numbers on 11th August. Strategic plan in November.

Olivier Pauchaut, opauchaut@bryangarnier.com



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BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de resolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 Geneva rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA

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