

Insurance

AXA

Price EUR20.51

At first sight the 2020 plan looks solid

Fair Value EUR29 (+41%)

BUY-Top Picks

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 18.9
Market Cap (EURm)	49,818
Emb. Value (BG Est.)	51,218
Avg. 6m daily volume ('000)	7,105
3y EPS CAGR	

The new **Ambition 2020** strategic plan due to be presented this morning seems to be solid and pretty much in line with expectations. The company aims to “focus” and “transform”, which are common goals by industry standards. The CAGR in underlying earnings per share is expected to run at between 3% and 7% (mainly depending on interest rates), of which c. 8% self-helped (i.e. the negative impact of lower interest rates is estimated at between 1 and 5%), while cash flows/dividends remain key. Detailed presentation starting at 8am Paris time.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.4%	-5.0%	-17.9%	-18.7%
Insurance	-2.1%	-6.7%	-15.6%	-16.3%
DJ Stoxx 600	-0.1%	-1.2%	-6.5%	-7.7%

(EURm)	2015	2016e	2017e	2018e
Total gross prem.	91,938	93,823	95,748	
% change		2.1%	2.1%	
Insurance op. profit	7,743	7,833	8,069	
Total operating profit	7,880	8,027	8,316	
Underlying PTP	8,314	8,307	8,596	
% change		-0.1%	3.5%	
Net attributable profit	6,011	5,978	6,181	
% Change		-0.6%	3.4%	

(EURm)	2015	2016e	2017e	2018e
Shareholders' equity	61,964	65,075	62,236	
Technical reserves :				
-Life net (excl. UL)	361,513	368,743	376,118	
-UL contracts	195,011	200,861	206,887	
-P&C net	54,221	55,305	56,412	
NAV net of intangibles	15,233	17,876	14,566	
Embedded value	51,218	53,779	56,468	

(EUR)	2015	2016e	2017e	2018e
EPS (€)	2.48	2.47	2.55	
% change		-	-0.6%	3.4%
P/E	8.3x	8.3x	8.0x	
P/NAV (%)	0.8x	0.8x	0.8x	
ROE	10.0	9.4	9.7	
Dividends	1.1	1.2	1.3	
Div yield (%)	5.4%	5.7%	6.2%	



ANALYSIS

- “Focus” and “Transform” are the two key concepts set to drive the company over the next five years:
 - “Focus” concerns actions to ensure the company delivers: growth in operations in selected areas (commercial lines, capital light savings products, Asia), leveraging strengths and best practices, improving cost efficiency and technical margins.
 - “Transform” concerns actions to ensure tomorrow’s growth and adapt the business model: accelerating business innovation to meet customers’ rapidly evolving needs in the digital world and developing further in areas such as prevention and care.
- The main financial targets of the Ambition 2020 plan are quite realistic at first sight and include an interest rate buffer:
 - A CAGR in underlying earnings per share of between 3% and 7% (mainly depending on interest rates), of which c. 8% self-helped (i.e. the negative impact of lower interest rates is estimated between 1 and 5%).
 - Cumulative group operating free cash flows of EUR28-32bn from 2016 to 2020
 - Adjusted return on equity between 12% and 14% over the period
 - Solvency II ratio target range between 170% and 230%
 - EUR2.1 billion pre-tax cost savings by 2020

VALUATION

- Based on our current estimates, our SOTP valuation is EUR29.

NEXT CATALYSTS

- Presentation of the 2020 plan today. H1 results on 3rd August.

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Analyst :

Olivier Pauchaut
33(0) 1 56 68 75 49
opauchaut@bryangarnier.com

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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