

## Insurance

## AXA

Price EUR20.77

## Ready for the next run (FOCUS released today)

Fair Value EUR29 (+40%)

BUY-Top Picks

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 18.9
Market Cap (EURm)	50,450
Emb. Value (BG Est.)	51,218
Avg. 6m daily volume ('000)	7,065
3y EPS CAGR	2.3%

We are maintaining our Buy rating on AXA following the presentation of the 2020 strategic plan by the new Buberl-led management team. As expected, earnings growth is unlikely to be spectacular in the current low rates environment, yet AXA is a more than decent investment proposal, which combines visibility, track record, diversification, high yields and an undemanding valuation.

## ANALYSIS

- A new management team and a new five-year strategic plan: this is quite an event! Even if in the end, as expected, there is no strategic breakthrough and most financial targets are pretty much in line with expectations, the overall impression is positive to us as Thomas Buberl and his team have passed the financial community's exam. And we have long been convinced by the powerful internal positive effects of such a plan (and its preparation) for a large organisation.
- Insurance players have been dealing with major constraints (mainly solvency II and low interest rates), which limit their ability to adopt materially different strategies from one another. AXA aims to "focus" (growth in operations in selected areas, leveraging strengths and best practices, improving cost efficiency and technical margins) and "transform" (accelerating business innovation to meet customers' rapidly evolving needs in the digital world and developing further in areas such as prevention and care), which are common goals by industry standards. And funny enough, AXA's 3-7% earnings growth target by 2020 (supported by 8% growth linked to management-controlled actions) is dramatically close to Allianz's 5% earnings growth target by 2018. So to put it simply: execution will be key. And AXA's track record has been pretty convincing over the last years as far as management-controlled actions are concerned.
- At this stage we see no reason to move our numbers, which are pretty consistent with company guidance, yet in the low-end of the range so far considering markets have been pretty adverse since the beginning of 2016. We also keep our EUR29 fair value. AXA still suffers from an unjustified 10-15% discount to major peers like Allianz and Zurich.

## NEXT CATALYSTS

- H1 2016 numbers on 3<sup>rd</sup> August.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.2%	-4.3%	-16.7%	-17.7%
Insurance	-0.9%	-5.3%	-14.0%	-15.3%
DJ Stoxx 600	0.6%	-0.2%	-4.8%	-7.0%

(EURm)	2015	2016e	2017e	2018e
Total gross prem.	91,938	93,823	95,748	97,713
% change		2.1%	2.1%	2.1%
Insurance op. profit	7,743	7,833	8,069	8,312
Total operating profit	7,880	8,027	8,316	8,603
Underlying PTP	8,314	8,362	8,651	8,938
% change		0.6%	3.4%	3.3%
Net attributable profit	6,011	6,033	6,236	6,442
% Change		0.4%	3.4%	3.3%

(EURm)	2015	2016e	2017e	2018e
Shareholders' equity	61,964	64,730	68,092	71,333
Technical reserves :				383,64
-Life net (excl. UL)	361,513	368,743	376,118	0
				213,09
-UL contracts	195,011	200,861	206,887	4
-P&C net	54,221	55,305	56,412	57,540
NAV net of intangibles	15,233	17,531	20,422	23,186
Embedded value	51,218	53,779	56,468	59,291

(EUR)	2015	2016e	2017e	2018e
EPS (€)	2.48	2.49	2.57	2.66
% change		0.4%	3.4%	3.3%
P/E	8.4x	8.3x	8.1x	7.8x
P/NAV (%)	0.8x	0.8x	0.8x	0.7x
ROE	10.0	9.5	9.4	9.2
Dividends	1.1	1.2	1.3	1.3
Div yield (%)	5.3%	5.8%	6.0%	6.3%



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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