

11th August 2016

Insurance

**Aegon**

Price EUR3.85

**Disappointing Q2 operating numbers but ongoing efforts on capital mgt. and dividend**

**Fair Value EUR6 (+56%)**

**NEUTRAL**

Bloomberg	AGN NA
Reuters	AEGN.AS
12-month High / Low (EUR)	6.9 / 3.0
Market Cap (EUR)	8,303
Avg. 6m daily volume (000)	10,063

	1 M	3 M	6 M	31/12/15
Absolute perf.	16.6%	-21.1%	-12.3%	-26.4%
Insurance	10.4%	-3.0%	0.9%	-18.0%
DJ Stoxx 600	5.1%	2.3%	9.1%	-6.0%

  

	2015	2016e	2017e	2018e
P/E	5.3x	5.3x	5.0x	
Div yield (%)	6.5%	7.1%	7.9%	

#### ANALYSIS

- Q2 2016 net income is –EUR385m, pretty much in line with consensus (-EUR355m), mainly driven by the expected book loss on divestment of UK annuity book and fair value items.
- Q2 operating profit is EUR435m, down 14% yoy, below consensus (EUR481m), with higher earnings from Europe (up 15%, in line with consensus) more than offset by the Americas (down 24% on adverse claims experience, low interest rates and lower variable annuity earnings).
- The Americas will experience a new set of restructuring actions to deal with this recurring disappointing operating performance, including cost discipline, portfolio review and disposal of non-core assets.
- Q2 new life sales down 11% considering the current rate environment is not favourable to grow the business. Q2 NBV is EUR100m, down 46% yoy, mainly driven by lower interest rates on both sales and margins.
- Solvency II margin at end-June is 158% (consensus 154%) vs. 155% at end-March and 160% at end-2015, as strong management actions (including the UK annuity book divestment) offset adverse market impacts.
- The interim dividend is up 8% to EUR0.13 (i.e. 6.8% annualised yield at current share price). The dilutive effect of stock dividend will be neutralize.

#### VALUATION

- Based on our current estimates, our SOTP valuation is EUR6.

#### NEXT CATALYSTS

- Q3 2016 numbers on November 10<sup>th</sup>.

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### Distribution of stock ratings

BUY ratings 55.7%

NEUTRAL ratings 33.6%

SELL ratings 10.7%

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