

5th August 2016

Insurance

Allianz

Price EUR128.20

Tricky Q2, but FY guidance still valid

Fair Value EUR180 (+40%)

BUY

Bloomberg	ALV GR
Reuters	ALVG.DE
12-month High / Low (EUR)	168.0 / 119.2
Market Cap (EURm)	58,587
Avg. 6m daily volume (000)	1,709

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.6%	-14.4%	-8.8%	-21.6%
Insurance	1.6%	-8.2%	-8.1%	-21.8%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

	2015	2016e	2017e	2018e
P/E	8.8x	9.0x	8.6x	
Div yield (%)	5.7%	5.7%	5.8%	

ANALYSIS

- Q2 2016 net income is EUR1.09bn, down 46% yoy, below consensus (EUR1.55bn), mainly driven by operating profit (down 17% yoy to EUR2.35bn vs. consensus EUR2.47bn) and the accounting impact of the sale of Korea (EUR352m loss).
- In P&C, Q2 operating profit is EUR1.1bn, down 37% yoy, driven by the underwriting performance. The reported combined ratio is 96.4% vs. 93.5% last year. Excluding natcats (4.4 pts vs. 1.1 pt) and run-offs (6.5 pts vs. 3.4 pts), the adjusted combined ratio is 98.5% vs. 95.8%. The cost ratio is up 60bps, mainly driven by higher acquisition expenses. Internal growth is +3.7%, o/w price +0.7%.
- In Life, Q2 operating profit is up 18% to EUR1.0bn, mainly driven by the deconsolidation of the Korean loss-making business (up 7% excluding it). NBV margin is up 100bps to 2.6% (based on the present value of new business premiums, not APE).
- Q2 operating profit in Asset Management is down 1% yoy to EUR498m, with cost management measures compensating for lower revenues. Net outflows are EUR19.1bn, o/w 18.0bn at PIMCO.
- Solvency II margin at end-June is 186% vs. 186% at end-March and 200% at end-2015.
- FY guidance (operating profit EUR10.0-11.0bn vs. EUR10.7bn in 2015) has been confirmed (H1: EUR5.1bn, down 10% yoy).

VALUATION

- Based on our current estimates, our SOTP valuation is EUR180.

NEXT CATALYSTS

- Q3 2016 numbers on 11th November.

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