

Sector View

Insurance

Consolidation underway in the Dutch market

	1 M	3 M	6 M	31/12/15
Insurance	-1.4%	7.0%	-3.1%	-17.7%
DJ Stoxx 600	-1.2%	4.9%	3.5%	-5.4%

*Stoxx Sector Indices

Companies covered

AEGON	NEUTRAL	EUR6
ALLIANZ	BUY	EUR180
AXA	BUY	EUR29
CNP ASSURANCES	NEUTRAL	EUR15
COFACE	NEUTRAL	U.R.
EULER HERMES	BUY	EUR89
HANNOVER RE	SELL	EUR110
MUNICH RE	SELL	EUR185
SCOR	BUY	EUR35
SWISS RE	NEUTRAL	CHF100
ZURICH INSURANCE	NEUTRAL	CHF270

NN is launching an unsolicited bid on competitor Delta Lloyd. EUR2.4bn total consideration, to be financed with cash and debt. We see some rationale to this deal as it should have a positive impact on the profitability of the Dutch market. Favourable read-across for Aegon.

ANALYSIS

- NN (ex ING Insurance) is launching an unsolicited all-cash offer on competitor Delta Lloyd.
- Offered price is EUR5.3 (total consideration EUR2.4bn, to be financed with cash and debt), i.e. a premium of 53% over the last 3-months average closing price and 29% over the last closing price. Yet it is still 36% below book value (remember Delta Lloyd has suffered from its weak capital position).
- According to NN, the company has tried to convince Delta Lloyd of the rationale of such a deal, and so far no answer from Delta Lloyd. So now they take it to their shareholders (Delta Lloyd free float is 98%).
- We see some rationale to this deal as it should have a positive impact on the profitability of the Dutch market. Watch out for anti-trust clearance anyway as it would create the leading player in financial services in the Netherlands.
- Favourable read-across for Aegon, which would benefit from better market conditions on the Dutch market (Netherlands represent 25-30% of operating profit). Aegon is currently trading at 0.3x its IFRS book value.

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Olivier Pauchaut, opauchaut@bryangarnier.com

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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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
				Regulated by the FINMA

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