

10th November 2016

Insurance

Aegon

Price EUR4.10

Lacklustre Q3 adjusted operating numbers, but higher US rates will help

Fair Value EUR6 (+46%)

NEUTRAL

Bloomberg	AGN NA
Reuters	AEGN.AS
12-month High / Low (EUR)	5.9 / 3.0
Market Cap (EUR)	8,506
Avg. 6m daily volume (000)	11,529

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.7%	8.2%	-15.1%	-21.6%
Insurance	4.1%	5.9%	2.6%	-13.8%
DJ Stoxx 600	0.0%	-1.4%	2.0%	-7.1%

	2015	2016e	2017e	2018e
P/E	5.6x	5.6x	5.3x	
Div yield (%)	6.1%	6.6%	7.4%	

ANALYSIS

- Q3 2016 net income was EUR358m, way above the consensus (EUR185m), driven by lower than expected assumption changes and model updates and favourable Fair Value adjustments.
- Q3 2016 operating profit was EUR461m, above consensus (EUR358m), as assumption changes and model updates (expected at -EUR128m) are not reported in other income/charges and no longer impact operating profit. Restated for this, Q3 operating profit was 5% below the consensus, and down 7% yoy, with expense savings and favourable equity markets more than offset by the effects of adverse US mortality experience and lower interest rates.
- Q3 2016 NBV was EUR70m, down 44% yoy due to lower interest rates and VA sales.
- Solvency II margin at end-September was 156% (consensus 155%) vs. 158% at end-June.
- Adjusted operating numbers are still lacklustre, but the prospect of higher interest rates in the US is clearly positive for the equity story.

VALUATION

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

NEXT CATALYSTS

- Investors' Day on 8th December. FY 2016 numbers on 17th February 2017.

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