

Swiss Re

Price CHF90.00

Decent Q3 numbers

Fair Value CHF100 (+11%)

NEUTRAL

Bloomberg	SREN.VX
Reuters	SREN.VX
12-month High / Low (CHF)	99.7 / 79.1
Market Cap (CHF)	32,406
Avg. 6m daily volume (000)	1,186

ANALYSIS

- Q3 2016 net income totalled USD1,175m, down 16% yoy but way above consensus (USD961m), mainly thanks to investment results and favourable PYD.
- In P&C, Q3 net income came in at USD678m (consensus USD589m). The reported combined ratio is 87.9% (vs. 77.7% in Q3 2015 and consensus 89.5%), including a low natcat burden (930bps below budget) and run-offs (5.9pts). Excluding natcats and run-offs, the adjusted combined ratio stood at 91.8% vs. 86.3% in Q3 2015, which is consistent with the softening of the market.
- In Life, Q3 net income is USD218m (consensus USD191m), driven by investment results. Net income at Corporate Solutions is USD95m (consensus USD58m), with low natcats and favourable PYD. At Life Capital, net income is USD157m (consensus USD121m), with a USD248m cash generation (consensus USD124m).
- Q3 ROI is 3.5% (annualised) vs. 3.2% last year, mainly driven by realised gains (running yield is down 20bps to 2.8%).
- -> Decent overall Q3 numbers and the start of the CHF1bn share buy-buy programme on 4th November should go down well with investors, but we remain cautious on short-term prospects for reinsurers (ongoing softening in the P&C Re market).

VALUATION

- Based on our current estimates, our SOTP valuation is CHF100.

NEXT CATALYSTS

- Investor Day on 2nd December. FY 2016 numbers on 23rd February 2017.

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.7%	10.5%	5.4%	-8.3%
Insurance	0.1%	5.7%	-5.8%	-18.1%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

	2015	2016e	2017e	2018e
P/E	7.1x	10.6x	10.3x	
Div yield (%)	5.0%	5.0%	5.0%	

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