

10th November 2016

Insurance

## Zurich Insurance Group

Price CHF259.70

Decent Q3 numbers

Fair Value CHF270 (+4%)

NEUTRAL

Bloomberg	ZURN VX
Reuters	ZURN.VX
12-month High / Low (CHF)	272.1 / 196.0
Market Cap (CHFm)	39,093
Avg. 6m daily volume (000)	579.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.3%	7.4%	23.0%	0.5%
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	20.1x	11.0x	10.5x	
Div yield (%)	6.4%	6.4%	6.4%	

### ANALYSIS

- Q3 2016 net income came to USD912m vs. USD207m last year, above consensus (USD772m). Q3 operating profit came to USD1208m vs. USD256m last year, also above consensus (USD1040m).
- In P&C, operating profit was USD618m (vs. a USD183m loss last year). The reported combined ratio was 98.5% (consensus 98%) vs. 108.9% in Q3 2015. Excluding catastrophes (1.9 point vs. 6 points) and PYD (1.8 point vs. negative 3.7 points), the underlying combined ratio was 98.4% vs. 99.2% in Q3 2015 and a very strong 94.7% in Q2 3016.
- Operating profit in Life was up 11% yoy to USD365m, mainly driven by EMEA and Latam and favourable experience relative to assumptions (EMEA and Apac). NBV margin was 17.1% vs. 23.9% in Q3 2015. Inflows were USD2.2bn vs. USD2.7bn in Q3 2015.
- Operating profit at Farmers was up 12% to USD392m, mainly driven by a better fortune at Farmers Re. Operating profit from Management Services rose 2%.
- NAV per share was CHF211 vs. CHF207 at end-June. Solvency (Z-ECM model) at end-September was 113% vs. 107% at end-June (remember the comfort range is 100-120%). Net cash remittances for the 2014-2016 period will be >USD10bn vs. target at >USD9bn, making us confident on dividend prospects (no cut).
- -> A decent set of numbers, highlighting the fact that Zurich is on the right track.

### VALUATION

- Based on our current estimates, our SOTP valuation is CHF270.

### NEXT CATALYSTS

- Investors' Day on 17th November. FY 2016 numbers on 9th February 2017.

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## Distribution of stock ratings

BUY ratings 56,7%

NEUTRAL ratings 31,8%

SELL ratings 11,5%

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