



14th May 2019

ALLIANZ

- Technology
- Financials & Fintech

BUY - TOP PICKS

Fair Value	EUR235(+12%)
Share price	EUR196.84
EPS 3Y Cagr	7.1%

Solid Q1 numbers

Solid Q1 performance

Q1 2019 net income came in at EUR2.05bn, up 1% and above consensus (EUR1.88bn), mainly driven by the operating performance. Q1 operating profit was up 7% to EUR2.96bn, also above consensus (EUR2.86bn).

In P&C, operating profit was EUR1.46bn (consensus EUR1.37bn), up 14%, mainly driven by lower natcats. Reported combined ratio stood at 93.7% vs. 94.8% in Q1 2018 (consensus 94.2%). Excluding natcats (1.1pt vs. 2.6pts) and run-offs (stable at 3.2pts), the adjusted combined ratio worked out at 95.8% vs. 95.4% last year and 97.3% in Q1 2017, mainly is a very satisfactory performance in absolute terms. Internal growth stood at 4.6%.

In Life, operating profit was up 3% to EUR1.1bn (consensus EUR1.06bn). NBV was up 25% to EUR609m and the new business margin (on PVNBP) was up 20bps to 3.5% (up 270bps to 17.4% on APE). We welcome this ongoing regular margin improvement, highlighting the ongoing clear focus on product-mix.

Operating profit in Asset Management was down 4% to EUR573m (consensus EUR631m), driven by adverse market trends at end-2018 (lower starting asset base) and a few one-offs. On a more positive note, we note inflows were back to nice positive territories at PIMCO (EUR18bn).

Solvency below consensus but at a very comfortable level

Solvency II margin was 218% vs. 229% at end-2018 (consensus 224%). The negative items at play in Q1 (share buy-backs, regulatory/model changes, market impacts) are not unknown, but obviously they were badly calibrated by the consensus.

In any case, the Q1 number is in the upper-end of company's comfort zone (180-220%).

FY guidance has been confirmed

FY guidance (operating profit EUR11-12bn) was confirmed. Considering that Q1 has represented 25% of FY profit on average over the last five years, at this stage, we could anticipate that the upper-end of guidance is achievable.

The current consensus stands at c. EUR11.8bn (BGe also at EUR11.8bn), so this leaves limited room for an upward revision at this stage of the year.

We continue to see Allianz as a must-have within the financial sector, which is consistent with the share's regular outperformance vs. peers.

Market Data

Bloomberg / Reuters	ALV GR/ALVG.DE
Market Cap.	EUR83,551m
E.V.	EUR83,551m
Free Float	97%
Avg. Daily volume (6m)	1,159
12m high / low	EUR215.1 / EUR171.8
Ytd Perf.	12.4%

eurM	2018	2019	2020	2021
Total gross prem.	122,898	124,663	126,457	128,279
% change		1%	1%	1%
Insurance op. profit	9,877	10,180	10,610	11,055
Total operating profit	11,512	11,849	12,346	12,868
Underlying PTP	10,399	10,966	11,537	12,133
% change		5%	5%	5%
Net attributable profit	7,462	7,825	8,236	8,666
% Change		5%	5%	5%
Embedded value	69,610	72,631	75,911	79,476
	2018	2019	2020	2021
EPS (€)	17.62	18.81	20.17	21.63
% change		7%	7%	7%
P/E	11.17	10.46	9.76	9.10
ROE	11.77%	12.52%	12.65%	12.75%
Dividends	9.00	9.60	10.20	11.00
Div yield (%)	4.6%	4.9%	5.2%	5.6%

Next Catalyst:

28 June: Management meetings

2 August: Q2 numbers

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ALLIANZ

RATING

Fair Value	EUR235 (+19%)
Share price	EUR196.84
Market Cap.	EUR83,551m
EPS 3Y CAGR	7.1%

Profit & Loss (EURm)	2017	2018	2019e	2020e	2021e
Total gross premiums written	118,480	122,898	124,663	126,457	128,279
o/w Life insurance	66,217	69,262	69,955	70,654	71,361
o/w P&C insurance	52,262	53,636	54,708	55,803	56,919
% change GPW	3.0%	3.7%	1.4%	1.4%	1.4%
Total net premiums earned	71,427	71,472	72,670	73,889	75,130
Operating profit, insurance	9,465	9,877	10,180	10,610	11,055
o/w Life insurance	4,412	4,152	4,260	4,353	4,442
o/w P&C insurance	5,053	5,725	5,921	6,257	6,613
Operating profit, financial services	2,447	2,530	2,564	2,631	2,708
Operating profit, other	-814	-895	-896	-896	-896
Total operating profit	11,097	11,512	11,849	12,346	12,868
% change operating profit	0.4%	3.7%	2.9%	4.2%	4.2%
Other non-operating items	-949	-1,113	-883	-808	-735
Profit before tax and minority interests	10,148	10,399	10,966	11,537	12,133
Tax	-2,941	-2,696	-2,885	-3,033	-3,188
Minority interests	-404	-241	-256	-268	-279
Net attributable profit	6,803	7,462	7,825	8,236	8,666
Net attributable profit, adjusted	6,803	7,462	7,825	8,236	8,666
% change net income	-2.3%	9.7%	4.9%	5.3%	5.2%
Balance Sheet (EURm)					
Intangible assets	13262	13767	14456	15178	15937
Shareholders' equity, group share (excl. TSS/TSDI)	65,553	61,232	63,745	66,489	69,491
o/w Gross unrealised capital gains	12,175	6,945	6,945	6,945	6,945
Total shareholders' equity	68,602	63,679	66,192	68,936	71,938
Subordinated debt and other debt	13,295	13,475	14,149	14,856	15,599
Life net technical reserves (excl. unit-linked policies)	645,501	659,591	678,396	691,964	705,804
P&C net technical reserves	84,020	84,316	97,208	99,152	101,136
Technical reserves from unit-linked policies	119,141	115,361	117,668	120,021	122,422
NAV net of intangible assets	52,291	47,465	49,290	51,311	53,554
Value of life portfolio	20,431	21,453	22,525	23,651	24,834
New business value	1,882	2,087	2,212	2,345	2,486
Embedded value	73,432	69,610	72,631	75,911	79,476
Data per share (EUR)					
Adjusted, diluted EPS	15.50	17.62	18.81	20.17	21.63
NBV per share	4.29	4.93	5.32	5.74	6.20
NAV per share	148.9	144.3	150.2	156.6	163.7
EV per share	166.8	164.0	171.1	178.8	187.2
Net dividend	8.00	9.00	9.60	10.20	11.00
Financial Ratios					
Life insurance operating margin (based on technical reserves, %)	0.69%	0.63%	0.63%	0.64%	0.64%
P&C insurance combined ratio (%)	96.2%	94.5%	94.2%	93.9%	93.7%
ROE (%)	10.2%	11.8%	12.5%	12.6%	12.7%
Life insurance RoAC (%)	8.4%	7.8%	8.2%	8.2%	8.3%
P&C insurance RoAC (%)	19.4%	22.2%	22.4%	23.4%	24.4%
Tax rate (%)	29.0%	25.9%	26.3%	26.3%	26.3%
Payout (%)	51.6%	51.1%	51.0%	50.6%	50.9%

Source: Company Data; Bryan, Garnier & Co ests.

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