



16th May 2019

CNP ASSURANCES

- Technology
- Financials & Fintech

NEUTRAL

Fair Value	EUR21(+4%)
Share price	EUR20.22
EPS 3Y Cagr	NM

Waiting for a new business plan within La Banque Postale...

Lower interest rates weighing on Q1 operating performance...

Q1 2019 premiums were virtually stable (-0.7% reported and +0.6% lfl) at EUR8.5bn, with Brazil (+15% lfl) making up for declines in France (-1.7% with a strong performance at CNP Patrimoine offset by lower new money from BPCE clients) and Europe (-4.8% driven by life insurance in Italy, while the protection business was up 9%). In France, net inflows into UL savings/pensions products stood at EUR0.6bn, whereas they represented -EUR1.0bn for traditional products, illustrating the ongoing transformation of the product mix. However, the NBV margin was significantly down (17.1% vs. 24% in Q1 2018 and 20% for FY 2018), mainly due to lower interest rates. Net revenues were up 2% (+5% lfl), mainly driven by higher premium income at CNP Santander (protection) and Brazil (+8% lfl), while lower interest rates had a negative impact on revenues from own-fund portfolios. EBIT was up 2% to EUR640m (+6% on a comparable basis), below consensus (EUR654m). Net income was up 4% to EUR326m (+6% on a comparable basis), also below consensus (EUR334m).

... and solvency

Solvency II margin (standard formula) at end-March stood at 180% vs. 187% at end-2018, below consensus (186%). This included the EUR500m Tier 2 subordinated notes issue carried out last February and benefited from the favourable stock market trend during the period, but was hammered by the decrease in the risk-free interest rate. This number remains very solid in absolute terms, but should appear a bit low by market standards (closer to 200%).

Towards a new shareholding structure and a new business plan

The enforcement of the "Loi Pacte" has paved the way for the next steps of the reshuffling of the shareholding structure and a new business plan. Prior to 30th June, the shareholding pact between the French state, CDC, BPCE and La Banque Postale will be disavowed. Then La Poste (and its 100% subsidiary La Banque Postale) will receive the 40.9% stake owned by CDC (and the 1.1% stake of the French state?) in CNP, which will give it a majority stake (c. 60%). CNP's board of directors will have some hard work on their hands as all the parties involved will have to work on a business plan for CNP and valuation. We expect some news flow in the coming weeks on these items as CNP is a listed company. Then comes the tricky part: La Poste will ask the AMF for permission not to launch a takeover bid for minorities. If the answer is 'no', then they will be short of c. EUR5.5bn and will need a plan B, which does not really exist at this stage. If the answer is 'yes', which is our scenario, then we will have a new listed CNP, subsidiary of La Banque Postale.

Among the remaining questions: what will BPCE do with its 18.1% stake in CNP? BPCE has made it clear this participation is not strategic, but it remains a major business partner for CNP and is not a bad financial investment. However, BPCE may want to reallocate this big amount of money (c. EUR2.5bn). Let's just hope La Poste and BPCE are also holding discussions on this...

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Market Data

Bloomberg / Reuters	CNP FP/CNPP.PA
Market Cap.	EUR13,883m
E.V.	EUR13,883m
Free Float	0%
Avg. Daily volume (6m)	343.4
12m high / low	EUR21.6 / EUR18
Ytd Perf.	9.2%

eurM	2018	2019e	2020e	2021e
Total gross prem.	32,365	33,021	33,747	34,545
% change		2%	2%	2%
Insurance op. profit	2,924	3,074	3,232	3,398
Total operating profit	2,924	3,074	3,232	3,398
Underlying PTP	2,699	2,839	2,998	3,165
% change		5%	6%	6%
Net attributable profit	1,367	1,440	1,524	1,613
% Change		5%	6%	6%
Embedded value	21,862	22,955	24,103	25,308

	2018	2019e	2020e	2021e
EPS (€)	1.99	2.10	2.22	2.35
% change		5%	6%	6%
P/E	10.04	9.53	9.00	8.51
ROE	8.44%	8.82%	8.88%	8.93%
Dividends	0.89	0.94	1.00	0.70
Div yield (%)	4.5%	4.7%	5.0%	3.5%
EPS (€)	1.99	2.10	2.22	2.35

Next Catalyst:

H1 numbers on 29th July

CNP ASSURANCES

NEUTRAL

Fair Value	EUR21(+4%)
Share price	EUR20.22
Market Cap.	EUR13,883m
EPS 3Y CAGR	NM

Profit & Loss (EURm)	2017	2018	2019e	2020e	2021e
Revenue	32,127	32,365	33,021	33,747	34,545
Total gross premiums written	32,127	32,365	33,021	33,747	34,545
o/w Life insurance	19,728	20,642	20,848	21,057	21,267
% change GPW	1.9%	0.7%	2.0%	2.2%	2.4%
Operating profit, insurance	2,889	2,924	3,074	3,232	3,398
Total operating profit	2,889	2,924	3,074	3,232	3,398
% change operating profit	9.6%	1.2%	5.1%	5.1%	5.1%
Other non-operating items	-239	-225	-236	-234	-233
Profit before tax and minority interests	2,650	2,699	2,839	2,998	3,165
Tax	-1,001	-901	-1,022	-1,079	-1,139
Minority interests	-337	-304	-307	-324	-343
Net attributable profit	1,285	1,367	1,440	1,524	1,613
Net attributable profit, adjusted	1,285	1,367	1,440	1,524	1,613
% change net income	7.1%	6.4%	5.3%	5.9%	5.8%
Balance Sheet (EURm)					
Intangible assets	799	732	769	807	848
o/w Goodwill	273	254	266	280	294
Shareholders' equity, group share (excl. TSS/TSDI)	16,492	15,899	16,728	17,607	18,534
Total shareholders' equity	18,258	17,640	18,556	19,526	20,549
Subordinated debt and other debt	17,846	18,814	19,661	20,550	21,483
Life net technical reserves (excl. unit-linked policies)	311,194	301,430	316,501	332,326	348,943
Technical reserves from unit-linked policies	54,010	56,169	58,977	61,926	65,022
NAV net of intangible assets	15,693	15,167	15,959	16,800	17,687
Value of life portfolio	9,329	9,262	9,725	10,211	10,722
New business value	782	659	692	727	763
Embedded value	23,241	21,862	22,955	24,103	25,308
Data per Share (EUR)					
Adjusted, diluted EPS	1.87	1.99	2.10	2.22	2.35
NBV per share	1.14	0.96	1.01	1.06	1.11
NAV per share	24.0	23.2	24.4	25.6	27.0
EV per share	33.8	31.8	33.4	35.1	36.9
Net dividend	0.84	0.89	0.94	1.00	1.05
Financial Ratios					
Life insurance operating margin (based on technical reserves, %)	0.79%	0.81%	0.84%	0.84%	0.84%
ROE (%)	8.0%	8.4%	8.8%	8.9%	8.9%
Life insurance RoAC (%)	14.6%	14.8%	15.4%	15.7%	16.0%
P&C insurance RoAC (%)	-	-	-	-	-
Tax rate (%)	38%	33%	36%	36%	36%
Payout (%)	45%	45%	45%	45%	45%

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

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