

Europe Satellite*

Recommended since

27.09.2018

14.03.2024



| | | | |
|--------------------------|---------------------------------------|-------|------------------------------|
| Country FR | Market capitalization (bn) EUR | 76.8 | Perf. since reco. (%) |
| Sector Insurance | Free float | 91.8% | AXA SA 43.4 |
| Factset CS-FR | Closing price EUR | 33.82 | Sector 28.6 |
| ISIN FR0000120628 | ESG Risk score* | 16.3 | Low risk |

Profile
 AXA is a diversified financial group offering property & casualty (P&C) insurance, life insurance, savings & pension products, health insurance, reinsurance and asset management services. The group is split operationally into the following segments: France (25% of group revenue), Europe (36%), Asia (10%), AXA XL (20%), International (9%) and Transversal & Central Holdings (1%). The company was founded in 1985 and has its head office in Paris.

Strengths/opportunities

- Broad geographical and product diversification -> risks mitigated.
- Group refocused on P&C insurance.
- Robust solvency and a healthy balance sheet.

Weaknesses/threats

- Inflation -> rising claims cost.
- Uncertainties linked to management change and integration of XL Group.
- Still perceived as more risky than it actually is.

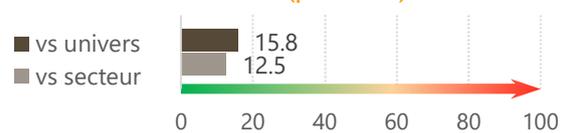
Investment case

- The acquisition of XL Group in 2018 took the market by surprise, but its operational logic is undeniable, since it is an affirmation of the group's transformation towards a more diversified model that is less sensitive to capital markets. It is quickening the pace of repositioning towards shorter-term business lines that are also less capital-intensive because they are more defensive and generate more recurring cash flows.
- But the transformation is also taking place in AXA's life insurance business. The group sold its US operations, exited the group pensions business in Switzerland and sold its variable annuity portfolio in Europe. All these changes are beginning to have a positive effect on the group's new business margin and are helping to replenish the group's liquidity.
- The balance sheet is solid with a comfortable solvency II ratio of 227% at the end of 2023. Management flexibility in capital management has improved significantly in recent years, with the introduction of a €500m share buyback programme in early 2022.
- Targets for 2023-2026 are encouraging, with EPS growth of 6-8%, underlying ROE of 14-16% and a payout ratio of 75%, of which 60% in dividends and 15% in share buybacks.

Valuation

AXA is trading at a 5% discount to the industry average on a P/E 24e basis. In terms of book value, it trades in line, despite a RoE and dividend yield 15% above the sector's.

ESG risk vs. universe & sector (percentile)*



| EUR | 12/2023 | 2024e | 2025e |
|---------------------|---------|--------|--------|
| Sales revenue (mio) | 102'736 | 65'730 | 68'557 |
| Sales growth | 11.5% | -36.0% | 4.3% |
| EBIT adjusted (mio) | 8'828 | 9'459 | 9'933 |
| % of sales | 8.6% | 14.4% | 14.5% |
| Net income (mio) | 7'189 | 7'871 | 8'300 |
| Net income growth | 10.7% | 9.5% | 5.4% |
| Combined ratio | 93.2% | 92.3% | 91.9% |
| ROE | 15.6% | 15.8% | 16.0% |
| Dividend yield | 5.9% | 6.3% | 6.7% |
| PE | 9.3x | 9.5x | 8.8x |
| P/BV | 1.6x | 1.5x | 1.4x |

Factset estimates

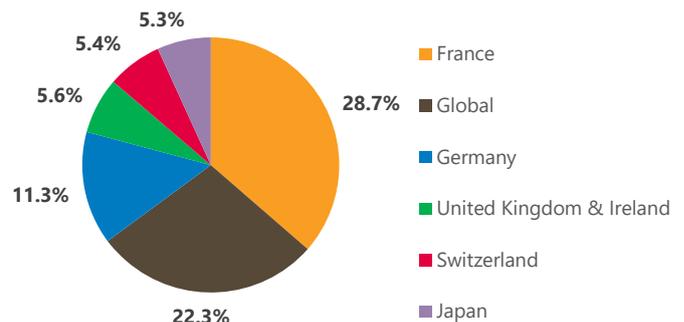
ESG - risks and key points

- AXA is exposed to a low risk of economic impact from ESG factors, thanks to management's sound handling of these issues and very good governance.
- Data privacy and security are given above-industry-average attention by management.
- The group's investments meet high ethical standards, with AXA even viewed as a benchmark in the industry.

5-year performance vs sector



Sales breakdown - 12/2022



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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