Creative Global Investments

Recommendation Updates

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Objectivity

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Allianz AG (XETRA:ALV EUR 232/sh)
BUY (TP 3 – 12 mo): EUR 250.00/sh

Q3 results slightly above expectations
Share buyback of additional EUR 2Bn announced

Allianz reported Q3 results which were slightly above forecast due to a better than expected P/C business. Operating profit declined by -15% y-o-y to EUR 2.5Bn, Net profit was down by -16% y-o-y to EUR 1.6Bn. While both L/H and Asset Management reported earnings performance broadly in line with consensus forecast, P/C was with an operating profit of EUR 1,039Mn (-26% y-o-y) better than expected (EUR 900Mn) as the C/R was with 96.9% better than estimated (98.5%) due to lower than forecasted natural catastrophes' losses.

3rd party net inflows in Asset Management were strong with EUR 32Bn and Solvency II ratio developed also strongly with an increase by 8% q-o-q to 227%. ALV slightly reduced its full-year profit guidance (from upper end of target range to upper half of target range, EUR 10.8Bn +/- EUR 0.5Bn).

Main positive surprise was however the announcement of another share buy-back program, this time however with a lower volume of EUR 2Bn (EUR 3Bn was the volume of the last buy-back). All in all better than expected Q3 results and another share buy-back program, which underlines Allianz's capital strength and the willingness to return excess capital to shareholders. **We raise our TP (3 - 12 months) from EUR 220 to EUR 250/share**

Continental AG (XETRA: CON EUR 222.60)
Buy (TP 3 – 12 mo): EUR 280.0/sh

Q3 Results in line
Strong order intake to increase sales

Continental AG reported Q3 2017 results broadly in line with expectations. While the group's margin guidance was left unchanged, we remain convinced that it will turn out to be too conservative. We have thus left our estimates for the adj. EBIT in FY 2017e broadly unchanged at EUR 4.8Bn. For the next 2 years we have however increased our adj. EBIT estimates by 3.4% and 7.2%, mainly due to higher growth expectations.

We reconfirm our Buy recommendation and raised our TP (3 – 12 months) from EUR 265 to EUR 280.

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