



BUY

Swiss Life

Valor: 1 485 278 Industry: Insurance

Swiss Life is a high-profile life insurer and manager of bond and real estate funds. Its core market is Switzerland, with complementary activities in France, Germany and internationally.

Swiss Life is much more than just an insurer

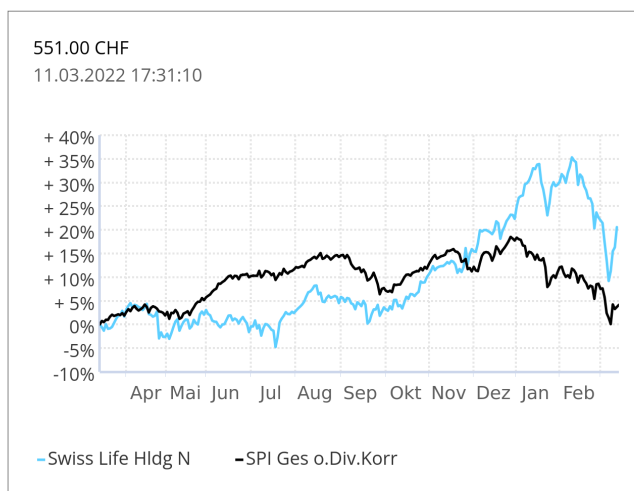


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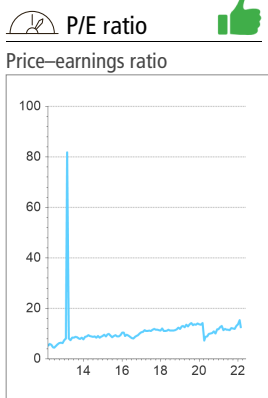
The company is expanding both in its core business of pension and life insurance as well as in specially promoted services, especially independent consulting and financial product brokerage. Added to this are asset and real estate services. Here, the investment fund business and property management for third parties bring in substantial fee streams, which have an increasing weight in the Group's results from year to year. For this reason, management expects a substantial increase in net cash flow in the period up to 2024. Of this, not only 50% is to be distributed as a dividend from 2022, but at least 60%. In addition, the company plans to buy back shares from the market for CHF 1 billion between December 2021 and May 2023 at the latest.

The operating business is solidly financed and generates a handsome margin. In new business, the company limits interest obligations by shifting product ranges. The expansion of services creates complementary potential. The shares are a recommendable investment for the longer term.



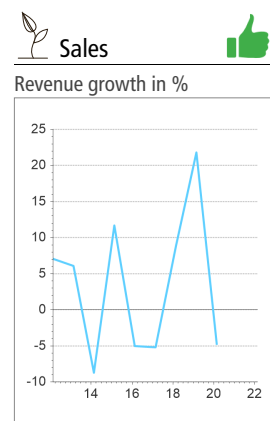
Valuation

In 2012, the amortization of goodwill briefly reduced profits, which is why the price/earnings ratio jumped at the time. Since then, the strategic addition of real estate services and investment fund offerings to the Group's activities has steadily driven up the share price in line with stronger results. In 2020, net income dwindled due to special effects. In 2021, the result strengthened. For 2022, management expects a further improvement in profits. The shares are more expensive than those of many other insurers, but they are moderately valued compared with the market.



Growth

The company is holding back on new business in traditional life insurance because depressed market interest rates are limiting the profitability of new policies. On the other hand, it is expanding in the service business, as a broker of financial products, as a real estate manager and as an investment fund provider. The offsetting movements cause revenue to fluctuate. In 2019, there was a jump in volume because corporate clients transferred pension contracts from competitor Axa to Swiss Life. Now, such effects no longer apply, which is why revenues will normalise.



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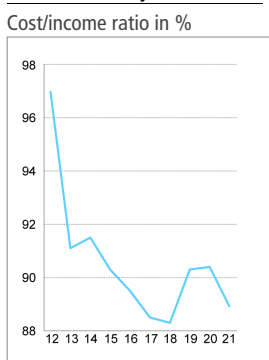
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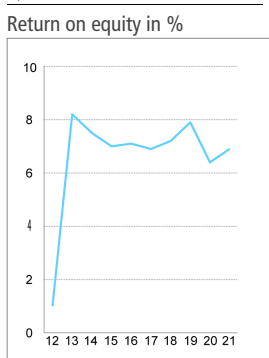
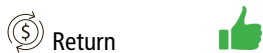
Efficiency

Pension contracts and traditional life insurance policies are linked to a capital and interest guarantee. These expenses are fixed until the contract expires. Due to low interest rates, however, the return on the invested funds that Swiss Life manages for such policies is dwindling. Since new business has been offered with only small guarantees for years, the interest margin nevertheless remains stable overall. The advantage is that the expansion of services is generating an annually increasing stream of non-interest income, thus boosting overall operating efficiency.



Profitability

Despite a significant improvement in earnings, the company was only able to moderately increase its return on equity. This is due to the fact that the amount of equity capital reported in the balance sheet increased in line with the result. The interest rate slump triggered by the central bank led to book profits on bonds, which then inflated equity. This makes it difficult for management to strengthen the reported return on equity. With an adjusted calculation method, the target range for the return on equity of 8 to 10% is achieved.



Valuation based on FuW estimates

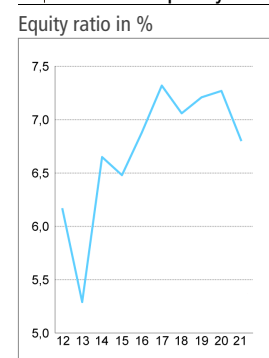
Price at 14. March 2022, 10 Uhr, in Fr.	559.20
Return in % (per 2021)	4,5%
P/E ratio 2021	14
P/E ratio 2022	13
P/B ratio	1.10
Market value (in million Fr.)	18 956

Company figures, per share in Fr.

Profit 2020	32.9
Profit 2021	40.1
Profit 2022, estimated	42.1
Dividend per 2020	21.00
Dividend per 2021	25.00
Pay-out Ratio	62%

Balance sheet quality

Swiss Life's equity ratio has improved steadily over the years. Nevertheless, it is clearly below 10% of total assets, which is below the average value for the insurance industry. The solvency ratio shows a ratio of more than 200% of the minimum requirement of the Financial Market Authority. The capital cushion is thus sufficient.



SWOT analysis

Strengths

- Leading in the pension and life insurance business
- Established provider of real estate and asset management services
- Considerable, stable income from the letting of a historically grown portfolio of income-producing properties

Opportunities

- Expansion of the investment fund sector, which is registering rapidly increasing commissions
- Expansion of financial product brokerage and brokerage services to earn additional fees
- Promotion of pure risk policies that do not burden any capital investment or interest guarantees

Weaknesses

- In the insurance sector, one-sided focus on pension and life insurance and therefore little diversified
- Traditional life insurance policies tie up a lot of equity capital for regulatory reasons
- The investment of the savings components of the policies causes considerable investment risks

Threats

- Tarnishing of reputation, if misadvice or the avoidance of correct declaration of assets becomes known
- Write-downs or book losses on equities or corporate bonds due to distortions on the financial market
- Value adjustments on investment properties in the event of a drastic deterioration in the property market

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Historical Key Figures

Profit and loss account/balance sheet

Consolidated figures according to IFRS (in million Fr.)

	2016	2017	2018	2019	2020	2021
	As of 31. December					
Total income	19'707	18'769	20'062	24'320	21'728	22'219
Gross premiums/policy charges	17'366	18'565	19'218	23'008	20'020	20'188
Change in %	-7.9	6.9	3.5	19.7	-13.0	0.8
Premiums earned	13'228	12'791	13'157	17'034	15'304	14'389
Financial profit	5'062	4'395	5'003	5'227	4'273	5'194
Income aus Capital investments	4'285	4'270	4'372	4'387	4'021	3'918
Nettoanlagerrendite in %	3.3	2.5	3.0	2.9	2.2	
Insurance benefits	14'064	13'189	13'961	17'838	15'629	14'343
Surplus participation	1'325	949.0	1'155	1'124	910.0	2'001
Operating expenditure	2'764	2'842	3'268	3'541	3'590	3'920
Staff costs	907.0	961.0	947.0	1'021	1'070	1'210
Operating result	1'393	1'476	1'534	1'651	1'472	1'783
Zinsaufwand	162.0	156.0	137.0	123.0	121.0	121.0
Incomessteuern	289.0	308.0	318.0	324.0	300.0	406.0
Profit (excl. minority interests)	922.0	1'007	1'076	1'199	1'046	1'247
Change in %	5.7	9.2	6.8	11.5	-12.8	19.2
Return on equity in %	7.1	6.9	7.2	7.9	6.4	7.7
Balance sheet total	199'731	212'800	212'982	228'094	237'538	240'424
Change in %	5.5	6.5	0.1	7.1	4.1	1.2
Liquid assets	7'333	6'611	8'410	8'247	7'865	7'208
Jederzeit verkäufliches Finanzvermögen	100'256	104'922	100'437	108'386	108'441	101'471
Zum Fair Value bewertetes Finanzvermögen	34'931	40'228	39'155	43'692	47'336	53'313
Darlehen und Forderungen	23'955	22'974	21'463	22'955	23'357	24'260
Anlageliegenschaften	23'801	27'946	31'381	34'866	38'120	41'234
Goodwill	1'238	1'318	1'457	1'461	1'452	1'575
Liabilities	185'992	197'218	197'949	211'659	220'275	223'902
Actuarial reserves	159'898	171'649	170'048	183'339	189'624	192'496
Shareholders' equity (excl. min. int.)	13'657	15'495	14'522	15'920	16'745	15'727
Equity ratio in %	6.9	7.3	7.1	7.2	7.3	6.9

Supplementary information

	2016	2017	2018	2019	2020	2021
Kontrollierte Vermögen (in Mrd. Fr.)	243.3	269.3	277.0	303.7	323.0	334.3
Total payout	350.0	460.2	547.0	636.0	654.0	772.7
Payout ratio in %	38.0	45.7	50.9	53.0	62.5	62.0
Employees (Vollzeitstellen)	7'801	7'979	8'624	9'330	9'823	10'219
Staff costs per employee (in Fr.)	116'267	120'441	116'883	109'432	108'928	118'407

Segments

2021 in %	Bruttoerlöse
Switzerland	46.7
France	36.3
Germany	6.9
International	5.7
Asset Managers	4.5

Versicherungsgeschäft

As of Ende 2020	Verwaltete Vermögen
Anleihen	57.0
Real estate	22.0
Mortgages, Darlehen	12.0
Shares und alternative Anlagen	8.0
Other, Liquidität	1.0

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Recommendation method:

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