

Standard Life Aberdeen PLC

11:00 12 Mar 2019

RBC Capital fears for Standard Life Aberdeen dividend after 'cut-price' sale of life insurance business

RBC Capital has downgraded Standard Life Aberdeen PLC (LON:SLA) amid concerns over its dividend following the sale of its life assurance business to Phoenix Group last summer.

The Canadian investment bank said because Standard Life has sold off its "highly cash generative" life insurance books, it is now relying on cash generated from its asset management activities, "whose revenues rise and fall in line with prevailing market conditions".

READ: Standard Life downgraded by Morgan Stanley
Not helping matters is the continued poor performance of its flagship GARS fund and the fact that investors keep pulling money out of it.

"We calculate that net outflows from GARS over 2018 totalled £15bn, and £2.2bn has left the strategy in 2019 [so far]. We maintain our net outflow forecasts of £7bn for 2019 and £5bn for 2020."

"In our view, given the persistent net outflows, which we do not expect to reverse until at least 2021, the dividend is not as secure as it was prior to the sale of SLA Life," concluded analysts.

Recent mortality data confirms 'knock-down price'
Speaking of the life insurance sale, they believe Standard Life should have got more money for the division. Their "best estimate" price tag was £3.7bn, but SLA only got £2.9bn.

Compounding the "knock-down price" was the recent mortality data which suggested Phoenix has got even more bang for its buck.

"As mortality improvements in England & Wales have been slowing since 2011, we expect Phoenix to benefit further from this deal.

"We have seen life expectancy decline for males aged 65 (the typical annuity policyholder) since 2011, which means that the amount that insurers need to reserve for in order to ensure they can pay all the annuity benefits promised is now lower."

RBC added: "The undervaluation by Standard Life Aberdeen (SLA) has become more evident as Phoenix realised a £168mIn mortality gain in its full-year 2018 results."

Standard Life shares were broadly flat at 245p in late-morning trading on Tuesday.

Price: 317.8

Market Cap: £74.55 m

1 Year Share Price Graph



Share Information

Code: SLA

Listing: LSE

52 week	High	Low
	338.249	231.05

Sector: Financial Services

Website: www.standardlife.com

Company Synopsis:

Standard Life Aberdeen plc is a leading global investment company. We have operations in 50 locations worldwide and employ around 9,000 people. We are dedicated to helping our clients and customers invest for their future. Our expertise and resource enables us to offer a wide range of investment solutions and services designed to meet their needs today, tomorrow and for the longer term.

action@proactiveinvestors.com

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.