

Standard Life Aberdeen PLC

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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: 320

Market Cap: £7.48 billion

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.

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