

Munich Re

Updating estimates ahead of 1Q25 results

Ahead of Munich Re's 1Q25 results on 13th May, we update our estimates making minor changes to our model. We forecast the 1Q25 net result to be €1,064m, below the run rate for the €6bn target which we expect to be back end loaded in 2025. The LA wildfires are expected to cost Munich Re €1.2bn and as a result we expect the combined P&C Re operations to have a combined ratio of 88.3% with 86% in P&C Re and 93% in the newly split out Global Specialty Insurance Unit (GSI). We assume that P&C Re will incur the majority of the €1.2bn claims from the LA wildfires with a smaller impact on GSI. Munich Re will disclose historical data for the split between GSI and P&C Re at the 1Q25 results with our current expectation that P&C Re will make up around two-thirds of revenues with the other third coming from GSI. We forecast a Solvency II ratio of 275% at 1Q25. We also incorporate some FX headwinds into our Q1 estimate in P&C Re predominantly. At this stage, the LA wildfires and FX are likely to be headwinds to earnings for 2025E but we assume that Munich Re with its strong balance sheet is likely to catch up to its pro rata run rate for the €6bn earnings target later in the year when the large loss experience YTD becomes clearer.

Table 1: Munich Re - summary of estimate changes

€ million, %

	New Q1 2025E	New 2025E	New 2026E	New 2027E	New 2028E	Old 2025E	Old 2026E	Old 2027E	Old 2028E	% change 2025E	% change 2026E	% change 2027E	% change 2028E
Insurance service result	1,688	7,094	8,629	8,977	9,339	7,946	8,629	8,977	9,339	+1%	0%	0%	0%
Total net technical result	1,818	8,514	9,484	9,537	9,859	8,466	9,484	9,537	9,859	+1%	0%	0%	0%
Net investment result	1,700	7,094	8,629	8,977	9,339	7,089	8,624	8,974	9,334	+1%	0%	0%	0%
Operating result	1,491	8,191	8,433	8,654	8,807	8,303	8,433	8,654	8,807	+1%	0%	0%	0%
Net result	1,064	5,916	6,111	6,327	6,510	6,005	6,111	6,327	6,510	-1%	0%	0%	0%
EPS	8.1	45.2	48.1	51.2	54.3	45.9	48.1	51.2	54.3	-1%	0%	0%	0%
DPS		21.2	22.5	23.8	25.2	21.2	22.5	23.8	25.2	0%	0%	0%	0%
Operating result by divisions													
L&H Re	547	2,367	2,382	2,440	2,478	2,393	2,382	2,440	2,478	-1%	0%	0%	0%
P&C Re	604	4,204	4,567	4,707	4,888	4,335	4,567	4,707	4,888	-3%	0%	0%	0%
ERGO L&H	48	457	382	383	385	425	382	383	385	+7%	0%	0%	0%
ERGO P&C	163	615	595	611	626	609	595	611	626	+1%	0%	0%	0%
ERGO int'l	129	548	507	513	519	540	507	513	519	+1%	0%	0%	0%
P&C Re COR	88.3%	83.9%	83.1%	83.1%	83.1%	84.1%	83.1%	83.1%	83.1%	-0.2%	0.0%	0.0%	0.0%
ERGO P&C COR	87.0%	88.7%	88.7%	88.7%	88.7%	88.7%	88.7%	88.7%	88.7%	0.0%	0.0%	0.0%	0.0%
Sol II ratio	275%	285%	287%	289%	296%	285%	288%	290%	296%	-1%	0%	0%	0%

Source: J.P. Morgan estimates.

Neutral

MUVGn.DE, MUV2 GR

Price (16 Apr 25): €591.20

Price Target (Aug-26): €530.00

European Insurance

Kamran M Hossain ^{Ac}

(44-20) 3493-3780

kamran.hossain@jpmorgan.com

J.P. Morgan Securities plc

Nadia Claressa

(44-20) 7134-7613

nadia.claressa@jpmorgan.com

J.P. Morgan Securities plc

Kriti Jain

(91-22) 6157-5083

kriti.jain@jpmchase.com

J.P. Morgan India Private Limited

Farooq Hanif

(44 207) 742-8091

farooq.hanif@jpmorgan.com

J.P. Morgan Securities plc

Bingdi Fan, CFA

(44-20) 7742-5336

bingdi.fan@jpmorgan.com

J.P. Morgan Securities plc

Specialist Sales contact details:

Gigi Sparling - Specialist Sales - European Financials

(44-20) 7134-0355

ghislaine.sparling@jpmorgan.com

Key Changes (FYE Dec)

	Prev	Cur
BVPS - 25E (€)	263.0	262.3
BVPS - 26E (€)	280.9	280.2
Adj. P/E - 25E	12.9	13.1
Adj. EPS - 25E (€)	45.92	45.25
ROE - 25E	18.0%	17.8%

Style Exposure

Quant Factors	Current		Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y	
Value	43	71	74	45	44	
Growth	39	51				
Momentum	16	20	10	15	29	
Quality	54	13	11		23	
Low Vol	82	33	44	34	72	
ESGQ	7	6	7	25	9	

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



Company Data

Shares O/S (mn)	134
52-week range (€)	596.00-401.00
Market cap (\$ mn)	90,138.96
Exchange rate	0.88
Free float (%)	100.0%
3M ADV (mn)	0.29
3M ADV (\$ mn)	181.8
Volatility (90 Day)	29
Index	MSCI Europe
BBG ANR (Buy Hold Sell)	7 14 3

Key Metrics (FYE Dec)

	FY24A	FY25E	FY26E	FY27E
Financial Estimates				
Operating profit - Life	586	1,005	889	897
Life Reinsurance Operating Profit	2,228	2,367	2,382	2,440
P&C Insurance Operating Profit	428	615	595	611
P&C Reinsurance Operating Profit	4,727	4,204	4,567	4,707
Other pre-tax operating profit	(207)	(256)	(256)	(256)
Pre Tax Operational Income	7,762	7,935	8,178	8,399
Adj. net income	5,671	5,916	6,111	6,327
Comprehensive Profit	7,571	5,929	6,043	6,277
Adj. EPS	42.78	45.25	48.06	51.21
Comprehensive EPS	57.11	45.34	47.53	50.81
DPS	20.00	21.20	22.47	23.82
BVPS	246.2	262.3	280.2	300.2
Comprehensive BVPS	374.05	393.77	414.87	438.46
Margins and Growth				
Adj. EPS growth	26.3%	5.8%	6.2%	6.5%
Comprehensive EPS growth	50.3%	(20.6%)	4.8%	6.9%
DPS growth	33.3%	6.0%	6.0%	6.0%
Ratios				
Primary P&C combined ratio (%)	89.2%	88.7%	88.7%	88.7%
Reinsurance P&C combined ratio (%)	82.4%	83.9%	83.1%	83.1%
Life New Business CSM	2,750	1,496	1,509	1,522
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	7.4%	7.7%	7.6%	7.6%
ROE	18.2%	17.8%	17.7%	17.7%
Comprehensive ROE	16.1%	11.8%	11.8%	11.9%
Debt leverage ratio	11.8%	11.5%	11.3%	11.0%
Valuation				
Dividend yield	3.4%	3.6%	3.8%	4.0%
P/BV	2.4	2.3	2.1	2.0
Comprehensive P/BV	1.6	1.5	1.4	1.3

Summary Investment Thesis and Valuation

Investment Thesis

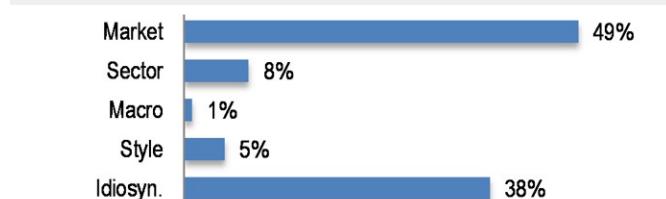
We see Munich Re as a reliable stock to own given its excellent track record. But with earnings trends now being reflected in estimates and the stock having re-rated in the last couple of years, we see limited near-term scope for further re-rating with a likely slowing in the reinsurance market in 2025. Neutral.

- **Track record of reliability.** The company produces dependable returns and has a premier track record on dividend payments in the sector.
- **Earnings estimates have increased materially since 2022.** Looking ahead, we expect to see less earnings surprises given the rapid earnings upgrades that the company has seen and high expectations built into numbers, especially as the reinsurance market slows down.
- **Growth in capital returns expected but now built into expectations.** We assume that the SBB increases to €2bn but we think that this is as far as the company would be willing to push the level to in the near term.

Valuation

We value Munich Re by estimating its sustainable across-the-cycle comprehensive ROE of 10% and derive a valuation multiple on Comprehensive Equity. We adjust for dividends and share buybacks and apply a CoE of 8% and growth rate of 0%. This results in our Aug-26 PT of €530.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.68	0.69
Sect: Financials	0.52	0.39
Ind: Insurance	0.86	0.76
Macro:		
Markit Eurozone Comp PMI	0.06	0.19
Euro	0.23	0.17
Eurozone CPI	0.34	0.14
Quant Styles:		
LowVol	0.14	0.32
Momentum	0.17	0.20
Growth	-0.26	-0.12

Investment Thesis, Valuation and Risks

Munich Re (*Neutral; Price Target: €530.00*)

Investment Thesis

We view Munich Re as a reliable stock to own given its excellent track record. But with earnings trends now being reflected in estimates and the stock having re-rated in the last couple of years, we see limited near-term scope for further re-rating with the likely slowing down in the reinsurance market in 2025 and rate the stock Neutral.

- **Track record of reliability.** This conservatism and reliability has a value with the company producing dependable returns and has also translated this into the premier track record on dividend payments in the sector with share buybacks complementing the regular dividends in recent years.
- **Earnings estimates have increased materially since 2022.** Munich Re has seen a material increase in its level of earnings which have increased more than 50% between 2022 and 2025E. Looking ahead, we expect to see less earnings surprises at Munich Re given the rapid earnings upgrades that the company has seen and high expectations built into numbers, especially as the reinsurance market slows down.
- **Growth in capital returns expected but now built into expectations.** We assume that the SBB programme increases to €2bn but we think that this is as far as the company would be willing to push the level to in the near term and is well built into consensus.

Valuation

We value Munich Re by estimating its sustainable across-the-cycle comprehensive ROE of 10% and derive a valuation multiple on Comprehensive Equity. We adjust for dividends and share buybacks and apply a CoE of 8% and growth rate of 0%. This results in our Aug-26 PT of €530.

Munich Re – IFRS17-based valuation

€ million, unless stated otherwise

Business unit	Sustainable comprehensive profit €mn	Insurance service result €mn	Sustainable life margin on liabilities (%)	Sustainable P&C combined ratio (%)	Net financial result €mn	Investment margin (%)	Other profit €mn	CSM value added €mn	Sustainable life new business margin (%)
P&C Re	3,835	4,755	-	84.5%	2,377	3.60%	-3,297		
L&H Re	2,082	953	5.00%	-	819	4.30%	72	238	
ERGO P&C	423	475	-	90.0%	303	4.30%	-355		
ERGO L&H	-116	943	0.80%	-	2,122	1.80%	-2,830	-351	
ERGO Intl	306	550	3.00%	92.0%	403	2.20%	-670	23	
Pre-tax sustainable comprehensive profit FY26E	6,531	7,676	-	-	6,026	-	-7,081	-90	-
Tax	-1,633	Assume 25%							
Minorities and other	0								
Sustainable comprehensive profit FY26E	4,898								
Comprehensive equity FY25E	50,779								
Sustainable comprehensive ROE	9.6%								
COE	8.1%								
g	0%								
Valuation price to Comp BV	1.2x								
Valuation FY25E	60,320								
Dividends / buybacks outstanding	4,734								
Valuation roll-forward	4,082								
Valuation	69,135								
NOSH mn	129								
Value per share €	536.1								
Target price €	530.0								

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Upside risks include better-than-expected improvements in P&C Re margins and a special one-off capital return. Downside risks include elevated catastrophe losses, reserve deficiency due to rising inflation and lower capital returns than we forecast.

Munich Re: Summary of Financials

INCOME STATEMENT	FY24A	FY25E	FY26E	FY27E	BALANCE SHEET	FY24A	FY25E	FY26E	FY27E
Divisional profit									
Life operating profit	586	1,005	889	897	Cash & Cash Equivalents	6,116	6,116	6,116	6,116
Life reinsurance operating profit	2,228	2,367	2,382	2,440	Investments	213,569	216,074	222,768	229,714
P&C operating profit	428	615	595	611	Investment property	10,189	10,189	10,189	10,189
P&C reinsurance operating profit	4,727	4,204	4,567	4,707	Goodwill	3,443	3,443	3,443	3,443
Other pre-tax profit	(207)	(256)	(256)	(256)	Other intangibles	892	892	892	892
					Other assets	29,459	29,656	30,181	30,727
					Total Assets	286,515	289,372	297,009	304,933
Consolidated P&L									
Insurance revenue	60,830	63,076	65,418	67,861	Insurance liabilities	222,297	224,904	231,871	239,101
Insurance service result	8,191	7,994	8,629	8,977	o/w CSM	-	-	-	-
Insurance net financial result	1,198	2,067	1,654	1,507	o/w Risk adjustment	-	-	-	-
Interest expense	(207)	(256)	(256)	(256)	o/w PVCF	-	-	-	-
Other income and expenses	(1,420)	(1,870)	(1,850)	(1,830)	Investment contract liabilities	0	0	0	0
Total pre-tax profit	7,762	7,935	8,178	8,399	Senior debt	300	300	300	300
Income taxes	(2,091)	(2,019)	(2,066)	(2,072)	Subordinated debt	6,321	6,321	6,321	6,321
Minority interest					Other liabilities	22,355	21,422	20,797	20,065
Net income	5,671	5,916	6,111	6,327	Total Liabilities	253,769	255,443	261,786	268,284
Pre Tax Operational Income	7,762	7,935	8,178	8,399	Shareholders' equity	32,641	33,824	35,119	36,545
Adjusted Net income	5,671	5,916	6,111	6,327	Preferred equity / hybrid capital	0	0	0	0
Comprehensive profit	7,571	5,929	6,043	6,277	Minority Interests	104	104	104	104
Adj. EPS	42.78	45.25	48.06	51.21	Total Liabilities and Shareholder Equity	286,515	289,372	297,009	304,933
Comprehensive EPS	57.11	45.34	47.53	50.81	Comprehensive equity	49,479	50,675	51,901	53,278
DPS	20.00	21.20	22.47	23.82	Net CSM	21,100	21,112	21,044	20,995
Ratio Analysis									
Insurance margin	-	-	-	-	Ratio Analysis				
Adj. EPS y/y Growth	26.3%	5.8%	6.2%	6.5%	BVPS	246.2	262.3	280.2	300.2
Comprehensive EPS y/y growth	50.3%	(20.6%)	4.8%	6.9%	Comprehensive BVPS	374.05	393.77	414.87	438.46
DPS y/y Growth	33.3%	6.0%	6.0%	6.0%	ROE	18.2%	17.8%	17.7%	17.7%
Adj. P/E (x)	13.8	13.1	12.3	11.5	Comprehensive ROE	16.1%	11.8%	11.8%	11.9%
Comprehensive P/E (x)	10.4	13.0	12.4	11.6	P/BV	2.4	2.3	2.1	2.0
Dividend Yield	3.4%	3.6%	3.8%	4.0%	Comprehensive P/BV	1.6	1.5	1.4	1.3
P&C combined ratio	89.2%	88.7%	88.7%	88.7%	Debt leverage ratio	11.8%	11.5%	11.3%	11.0%
Reinsurance P&C combined ratio	82.4%	83.9%	83.1%	83.1%					
Life new business CSM	2,750	1,496	1,509	1,522					
Life new business CSM margin	-	-	-	-					
CSM release ratio	7.4%	7.7%	7.6%	7.6%					

Source: Company reports and J.P. Morgan estimates.
 Note: € in millions (except per-share data). Fiscal year ends Dec

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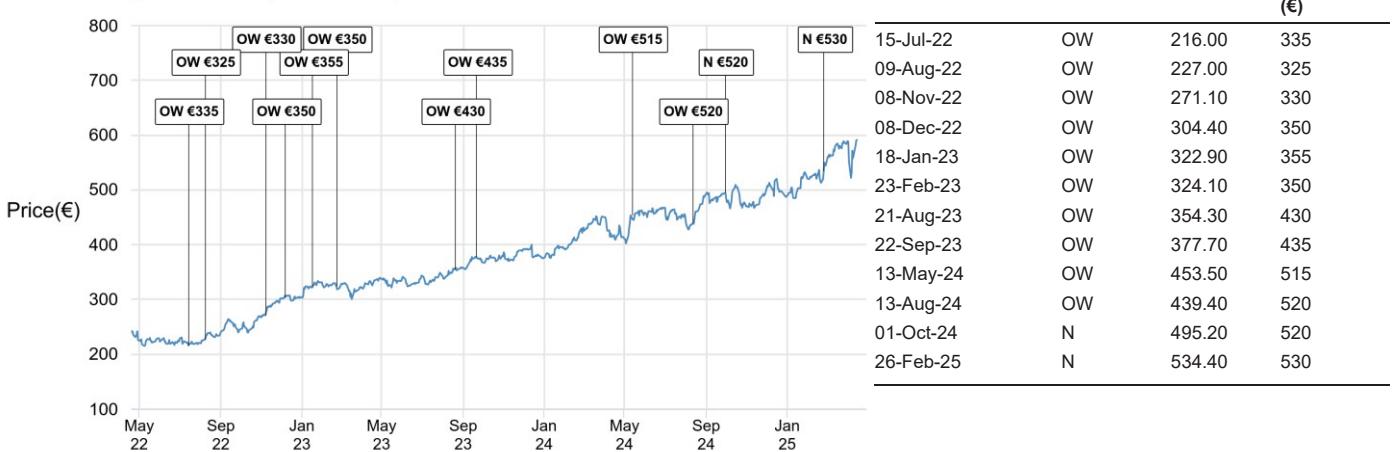
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Munich Re (MUVGn.DE, MUV2 GR) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
 Initiated coverage Apr 14, 2000. All share prices are as of market close on the previous business day.

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IB clients**	74%	69%	52%

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