Munich Re

ROE improvement likely to drive the next leg - upgrading to OW

▲Overweight
Previous: Neutral

MUVGn.DE, MUV2 GR
Price (01 Jul 25):€546.00

▲Price Target (Dec-26):€650.00
Prior (Aug-26):€530.00

Despite a softening reinsurance market, we do not see the Munich Re story being over. Management at Munich Re have sought to deliver improving earnings and ROE in the last plan and we expect that the new strategic plan is likely to show a similar story, but with a greater focus on diversification of the business. While positive earnings surprises and rapid margin improvement are likely in the rearview mirror for Munich Re, we believe that capital returns are likely to surprise positively. We upgrade Munich Re to OW (previously N) and increase our PT to €650 (previously €530).

- **Munich Re is a very different business to the last soft cycle.** Munich Re is a very different business to the one that went through the last softening reinsurance cycle. We see P&C Re underwriting earnings reducing from 53% of group operating profit in 2024 to 45% by 2028E. Going forward, we expect Life Reinsurance and GSI to be the drivers of earnings growth, along with the build out of the Next business which could add mid-triple digit millions to earnings in the medium term. Looking back to the depths of the previous soft cycle, Munich Re had only limited earnings outside of P&C Re and we now estimate that operating earnings outside of P&C Re underwriting could be ~ €5bn by 2027E.
- **A focus on ROE in the new plan should lead to a higher likelihood of capital returns.** We see ROE as being a key focus for Munich Re in the next strategic plan, which is set to be announced at its Investor Day on 11 December 2025. Munich Re had an ambition to deliver a 14-16% ROE in Ambition 2025 adjusted for IFRS17. We expect that the company will aim to deliver a 16-18% ROE in the new plan, with this including a commitment to using some of the surplus capital within the company (SII ratio 285% as of 1Q25 vs target range 175-220%). We expect this to occur mainly via increasing share buybacks. In our estimates, we assume that the company looks to increase the 2025E share buyback to €2.5bn before increasing this to €4bn by 2028E (100% total payout ratio). The alternative is more M&A which the company could pursue, particularly in primary insurance lines, but we note that outside of the acquisition of NEXT, management have been very disciplined in this regard. Based on our new forecasts, Munich Re has a total capital return yield of 7.5% in 2025E and increasing to 9.5% in 2027E, materially higher than the sector average of ~7%.
- **Despite a strong 3-year performance, entry point is still undemanding.** Munich Re has seen its shares outperform the SXIP by 75% in the last 3 years. Despite this material outperformance, the majority of the re-rating for the stock has come from earnings growth. Munich Re has seen its earnings guidance increase from €3.3bn in 2022 to €6bn for 2025, a near doubling of earnings. Despite strong performance, the stock trades at a 7% discount to the SXIP on 2-year forward P/E vs the 10 year average of 1% premium to the sector.

European Insurance

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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 25E (€)	45.25	47.03
Adj. EPS - 26E (€)	48.06	52.66

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	37	71	71	41	48
Growth	32		38		
Momentum	3	64	24	31	33
Quality	54	14	15	22	24
Low Vol	65	35	48	35	64
ESGQ	7	7	6	22	8

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

	YTD	1m	3m	12m
Abs	12.1%	-4.3%	-7.1%	16.8%
Rel	5.6%	-2.9%	-7.1%	11.8%

Company Data

Shares O/S (mn)	129
52-week range (€)	615.80-414.90
Market cap ($ mn)	82,699.52
Exchange rate	0.85
Free float (%)	100.0%
3M ADV (mn)	0.32
3M ADV ($ mn)	213.4
Volatility (90 Day)	29
Index	MSCI Europe
BBG ANR (Buy | Hold | Sell)	5|13|5

Key Metrics (FYE Dec)

€ in millions	FY24A	FY25E	FY26E	FY27E
Financial Estimates				
Operating profit - Life	674	848	1,045	1,036
Life Reinsurance Operating Profit	2,038	2,392	2,406	2,481
P&C Insurance Operating Profit	612	1,112	1,276	1,393
P&C Reinsurance Operating Profit	4,674	3,900	4,188	4,093
Other pre-tax operating profit	(207)	(183)	(180)	(180)
Pre Tax Operational Income	7,790	8,068	8,736	8,824
Adj. net income	5,704	6,150	6,625	6,743
Comprehensive Profit	5,704	6,150	6,625	6,743
Adj. EPS	42.78	47.03	52.66	56.22
Comprehensive EPS	42.78	47.03	52.66	56.22
DPS	20.00	22.00	23.76	25.42
BVPS	247.4	261.5	278.4	298.4
Comprehensive BVPS	375.22	396.15	416.47	439.31
Margins and Growth				
Adj. EPS growth	26.3%	9.9%	12.0%	6.8%
Comprehensive EPS growth	26.3%	9.9%	12.0%	6.8%
DPS growth	33.3%	10.0%	8.0%	7.0%
Ratios				
Primary P&C combined ratio (%)	93.6%	90.6%	89.9%	89.3%
Reinsurance P&C combined ratio (%)	77.3%	78.1%	80.2%	81.4%
Life New Business CSM	2,315	1,689	1,196	1,213
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	6.7%	7.4%	7.5%	7.5%
ROE	18.3%	18.5%	19.3%	18.9%
Comprehensive ROE	12.1%	12.2%	12.8%	12.8%
Debt leverage ratio	11.3%	11.0%	10.8%	10.5%
Valuation				
Dividend yield	3.7%	4.0%	4.4%	4.7%
P/ BV	2.2	2.1	2.0	1.8
Comprehensive P/BV	1.5	1.4	1.3	1.2

Summary Investment Thesis and Valuation

Investment Thesis

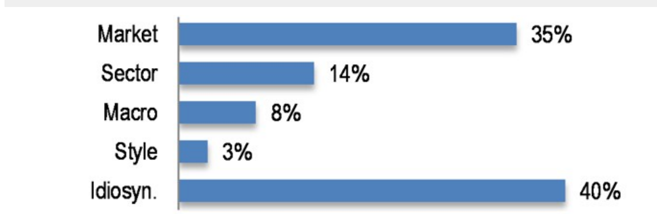
Despite a softening reinsurance market, we do not see the Munich Re story being over. We see the next leg of the story for the stock in the next 5-year strategic plan where we expect the company to deliver improved earnings and higher ROE, and for capital returns to surprise positively. The group is also more diversified and resilient than before.

- **Munich Re is a more diversified business than ever.** Compared to the last soft cycle, Munich Re derives a larger share of earnings outside of P&C Re, with L&H Re, ERGO and now GSI as well contributing to a larger share of profits.
- **Focus on ROE improvement in the next plan.** We expect the company to target an improvement from the 14-16% ROE for the 2025 plan. This should lead to a higher likelihood of increasing capital returns and perhaps more M&A to address the surplus capital.
- **Valuation remains undemanding despite strong outperformance.** The stock has outperformed the SXIP materially; however, the majority of the re-rating has been driven by earnings growth. Therefore, on a P/E basis, the stock remains at a discount to the sector and vs its average.

Valuation

We value Munich Re by estimating its sustainable across-the-cycle comprehensive ROE of 11% 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 Dec-26 PT of €650.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.54	0.62
Sect: Financials	0.65	0.45
Ind: Insurance	0.77	0.75
Macro:		
Euro	0.49	0.31
Citi Eco Surprise Eurozone	-0.15	-0.13
Markit Eurozone Comp PMI	0.06	0.10
Quant Styles:		
LowVol	0.04	0.25
Momentum	-0.02	0.21
Growth	-0.29	-0.10

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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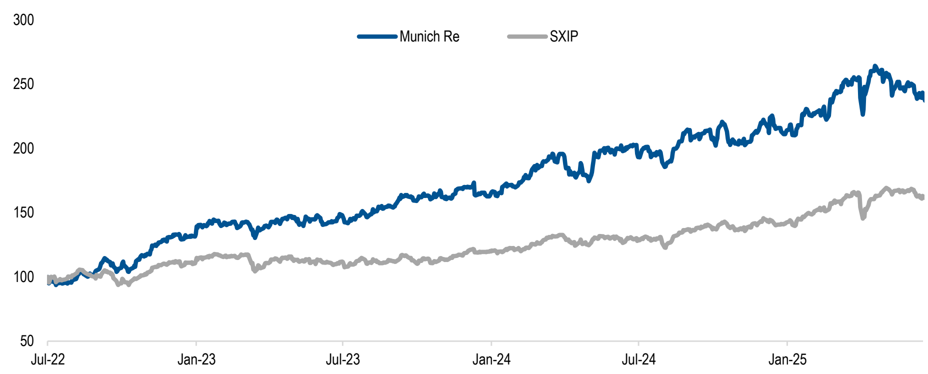
Munich Re has been an excellent performer on a 3-year basis

Munich Re has seen its shares materially outperform the SXIP on a 3-year basis with the company up ~145% versus the insurance sector up ~65%. Despite strong share price performance, and a reinsurance market that has begun to slow down, we do not see this as being the end for the Munich Re story.

The reinsurance market has been at an all-time high in many areas and this has been a clear tailwind for the company. However, options to further improve the ROE and diversify the group into other less cyclical areas should be factors that reward the company with a premium rating versus the sector, rather than the discount that the company currently trades at on a 2-year forward P/E.

Figure 1: Munich Re's share price performance vs the SXIP

Share price performance, indexed to 100



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

Reinsurance market tailwinds have helped the company deliver improving returns

The company has seen its earnings base increase dramatically, with the target combined ratio moving from 94% in 2022 on an IFRS basis to 82% in 2024, which has subsequently moved up to 83% for 2025, including both GSI and P&C reinsurance. We have seen one of the best reinsurance markets in the last 30 years, with material price increases plus significant improvements in terms and conditions which helped to reinforce margins in the business and this has helped to drive earnings up for Munich Re.

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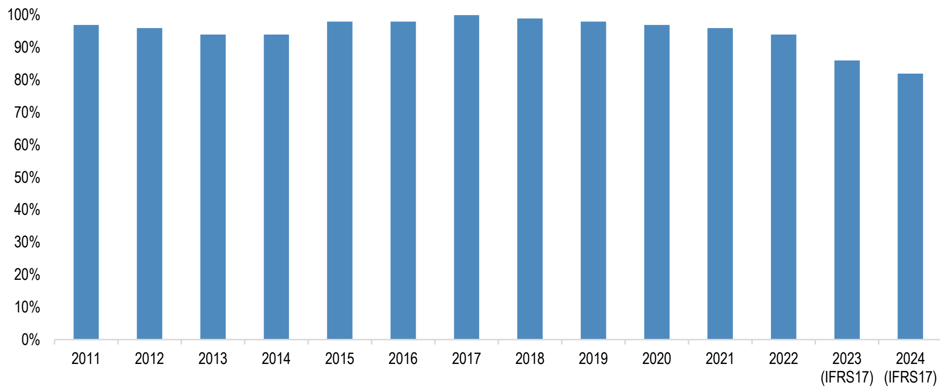
Figure 2: P&C Re target combined ratio has improved materially in the last few years

% P&C Re combined ratio guidance



Source: Company reports and J.P. Morgan estimates.

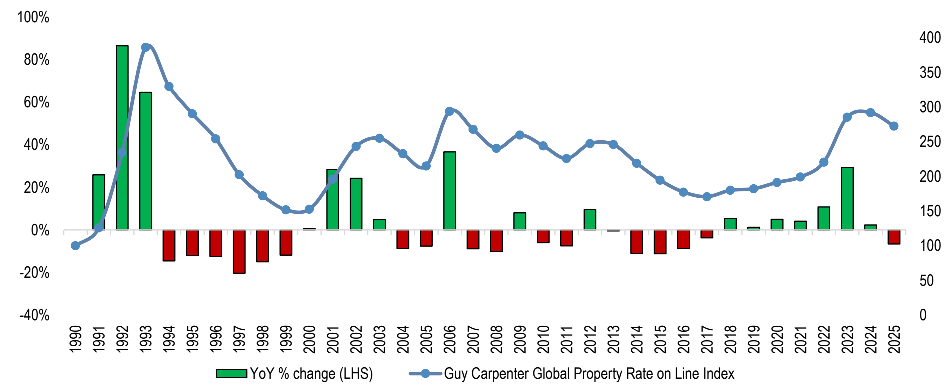
But reinsurance pricing is no longer a tailwind

In 2025, we have seen small reductions in reinsurance pricing. The highest profile property catastrophe business has seen mid to high single digit declines YTD and we see few reasons why this direction of travel will change in the near term. There have been ~ $85bn of insured catastrophe losses in the US since last autumn with two major hurricanes (Helene and Milton) and the LA wildfires that struck in January, but these events do not seem to have changed the discussion between reinsurers and primary insurers.

The impact on the global reinsurers will be more limited but it is still likely to be a headwind to margins in our view. For the global reinsurers, we would expect to see low single digit rate declines which will impact margins, but this should be manageable as further growth is achieved and other earnings streams continue to grow.

Figure 3: Global property cat reinsurance pricing index declined 7% in Jan 2025

Guy Carpenter Global Property ROL Index, % change (LHS)



Source: Guy Carpenter, J.P. Morgan estimates.

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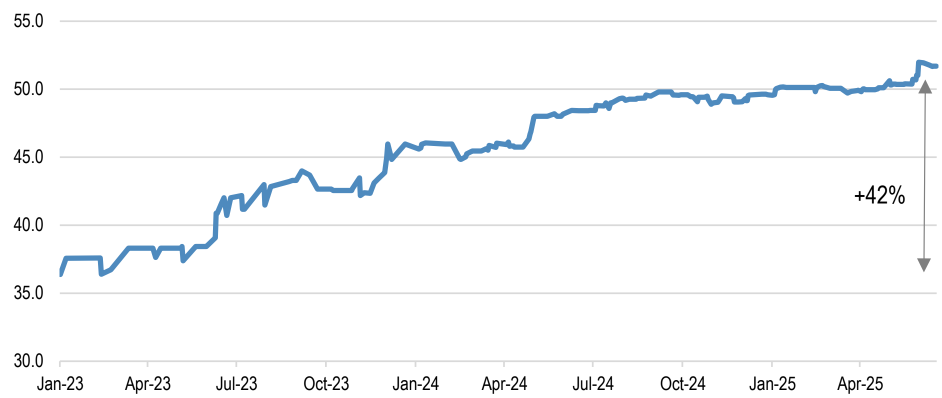
Munich Re has delivered on the earnings front

While the stock has performed well, Munich Re has seen a material move up in earnings expectations for the company. Earnings guidance has increased from €3.3bn for 2022 to €6bn for 2025. Therefore, the majority of the share price performance has been driven by increases in earnings expectations, with an uplift in multiples providing a smaller benefit to the company.

The 2026-27 earnings revisions charts below show that Munich Re has seen its earnings base materially increase, which has helped to drive up the share price of the company. We have seen material increases in consensus expectations in recent years, with 2026-27E EPS increasing approximately 40% since the beginning of 2023. The increase came from a number of areas including more positive P&C Re margins, stronger L&H earnings and ERGO also producing excellent ROEs.

Figure 4: FY26 consensus EPS has increased >40% since the start of 2023

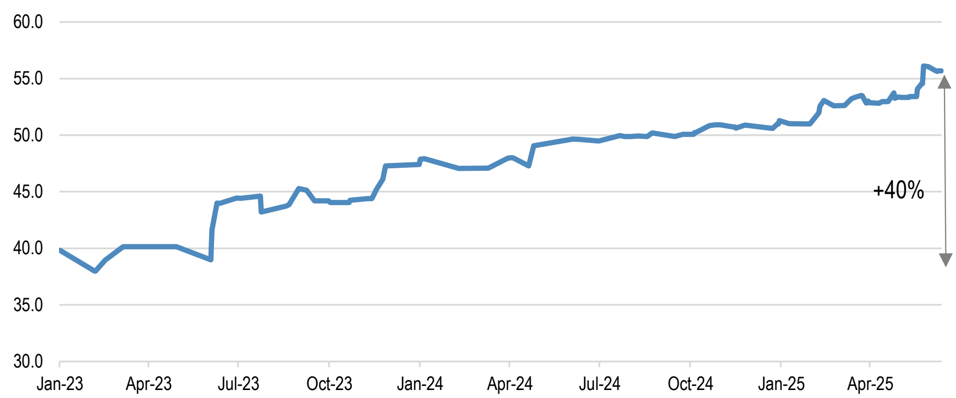
€ FY26 BBG EPS consensus



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

Figure 5: Similarly, FY27 consensus EPS has increased ~40% since the start of 2023

€ FY27 BBG EPS consensus



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

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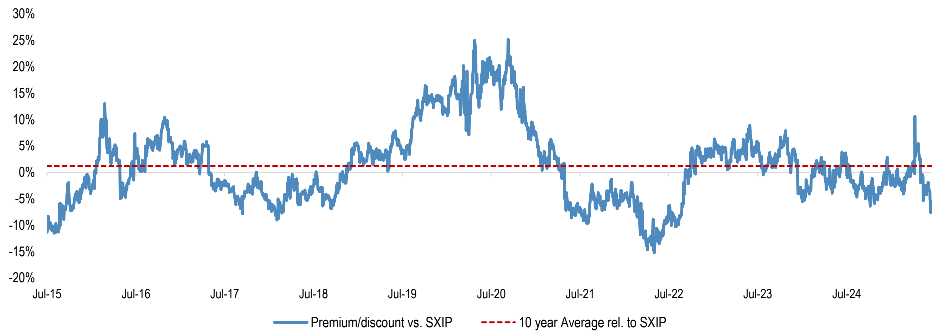
Discount to the sector similar to that seen in periods of material reinsurance market uncertainty

Relative to the insurance sector, Munich Re trades at a 7% discount to the wider sector vs a 1% premium on average in the last 10 years based on 2-year forward consensus earnings (BBG).

The company last traded at this type of discount to the insurance sector from mid 2021 to the end of 2022, as the company sought to dispel market views that it was overly exposed to catastrophe risk following Hurricane Ida and other risks associated with the outbreak of the Russia-Ukraine conflict in early 2022.

Figure 6: Munich Re is currently at a 7% discount to the SXIP vs 1% average premium

Munich Re P/E vs SXIP



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

A more diversified business than the last time the cycle softened

Munich Re has a more diversified split of business than its European peers, with five unique divisions spanning primary and reinsurance lines of business across a multitude of geographies. The company has five reporting divisions: 1) P&C reinsurance, 2) L&H reinsurance, 3) Global Specialty Insurance (GSI), 4) ERGO Germany and 5) ERGO International.

Earnings excluding P&C Re underwriting could be as much as €5bn by 2027E

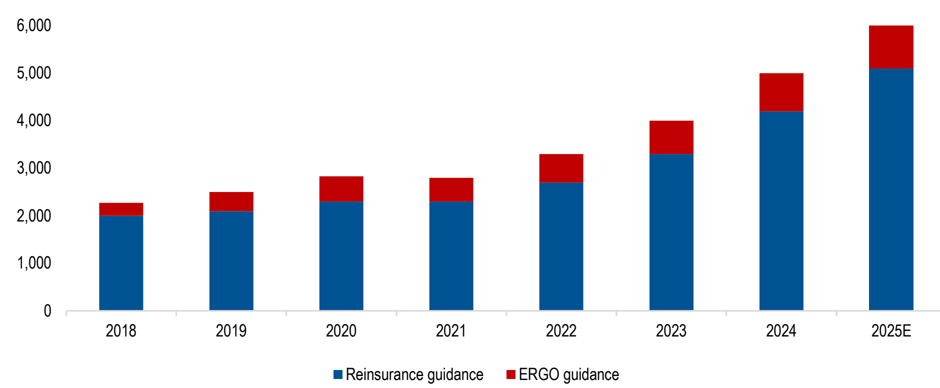
Today the business has far higher levels of earnings outside of the core P&C reinsurance business. Back in the depths of the last soft cycle, ERGO was in a restructuring phase and did not produce material levels of earnings to offset market softness elsewhere.

The picture looks very different at present: if we look at all sources of income excluding the P&C Re underwriting income, this countributes to€4bn of group operating profits for 2025E which we see increasing to ~€5bn by 2027E.

By having a less volatile and less cycle-exposed earnings base, we believe that investors should become more comfortable with the earnings supporting the dividend and a material share buyback programme, even when the cycle softens.

Figure 7: Net result guidance split by segments

€m annual guidance for Reinsurance and ERGO



Guidance for 2020 was withdrawn.
Source: Company reports and J.P. Morgan estimates.

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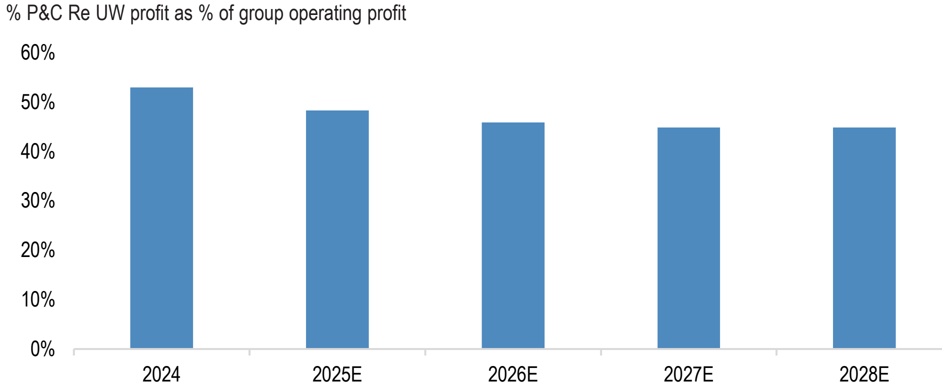
Figure 8: P&C Re underwriting earnings are expected to reduce as a share of group earnings



Source: Company reports and J.P. Morgan estimates.

Global Specialty Insurance currently under-earning

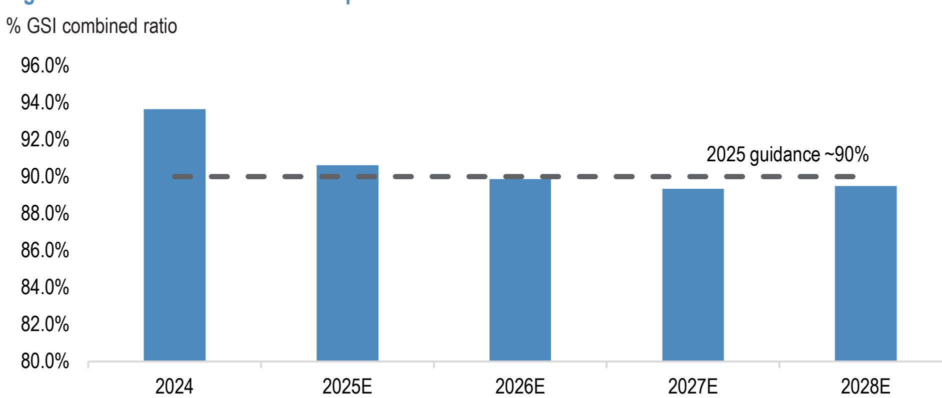
Munich Re updated its reporting structure at the Q1 25 results, breaking out its Global Specialty Insurance business from the P&C reinsurance business. The dynamics of these two businesses are quite separate, with the unique nature of some of the business in GSI setting it apart from the more cyclical P&C reinsurance business.

GSI underlying profits likely to be better than 90% COR target suggests

GSI aims to achieve a 90% combined ratio for 2025E. The unit got off to a bad start to the year with a Q1 25 combined ratio of 95.5%. At recent meetings with Munich Re's management in June 2025, the CEO of the unit suggested that there is a drag on profitability as the unit builds up prudence in its reserves.

Over time, we expect the unit to deliver roughly 1-2ppts of reserve releases once in a steady state, but for now there is a growth penalty on the business which could be as much as 2-4ppts on the combined ratio. The GSI CEO also emphasised that, due to reserving processes within the unit, reserve releases were barely recognised at Q1 25, which provided a further drag on the margins reported.

Figure 9: GSI combined ratio development



Source: Company reports and J.P. Morgan estimates.

NEXT insurance to add to earnings power as part of ERGO International

Munich Re acquired 100% control of NEXT Insurance in March 2025 for an implied valuation of $2.6bn, which closed on 1st July 2025. NEXT insurance is an emerging leader in the small business insurance segment in the US. The business was formed in 2016 and currently has around 700 employees with more than 600k customers.

The rationale for the acquisition seems sensible in our view. Munich Re can further diversify its earnings streams towards the SME market which has huge potential for growth. Within Munich Re's presentation at the time of acquisition, they believe that the target addressable market is up to $175bn, with the sweet spot being a market of $81-83bn of which NEXT has less than 1% market share at present. The business operates by focusing on small businesses, an area that larger carriers tend to avoid as they cannot efficiently service this market segment due to policy size.

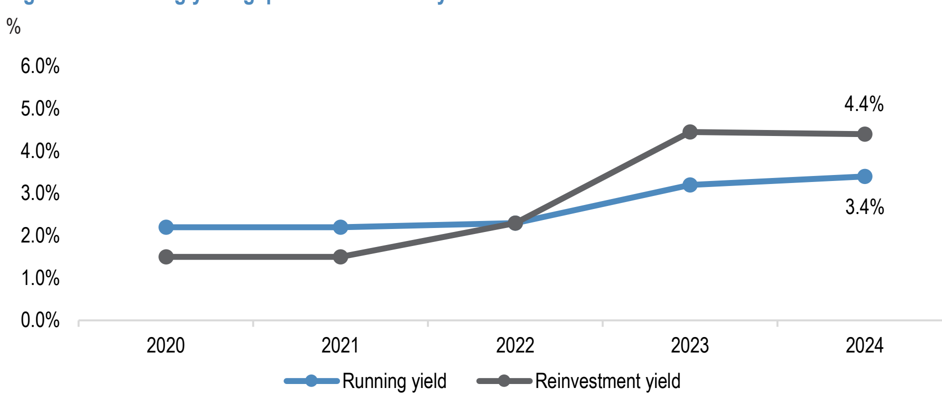
The business wrote $548m of premiums in 2024 with a loss ratio of 65%. The financials are improving for the business, which demonstrates true progress in our view. The loss ratio has improved from 78% in 2022 to 65% in 2024 and the top line grew 19% YoY in 2023 and 25% in 2024.

Munich Re is aiming for the business to break-even in the near-term before moving the business towards a mid-triple digit $m level of earnings in the medium-term. We incorporate NEXT into our ERGO International forecasts, including the premiums in the business and an assumption that margins will begin to improve from 2027-28E. We do not assume that the business will deliver mid-triple digit million earnings within our forecast period, but this should be a driver beyond 2028E in our view.

Gap between reinvestment yield and running yield to close

Munich Re additionally should see its running yield in its fixed income portfolio begin to increase. The reinvestment yield has materially increased since 2022 but there remains a ~100bps gap between the running and reinvestment yield which should close over time. In our forecasts to 2028E, we assume a 10bps improvement per year similar to the level expected in 2025E. The company has been taking disposal losses where possible in order to accelerate the shift up in the running yield.

Figure 10: Running yield gap to reinvestment yield should close over time



Source: Company reports and J.P. Morgan estimates.

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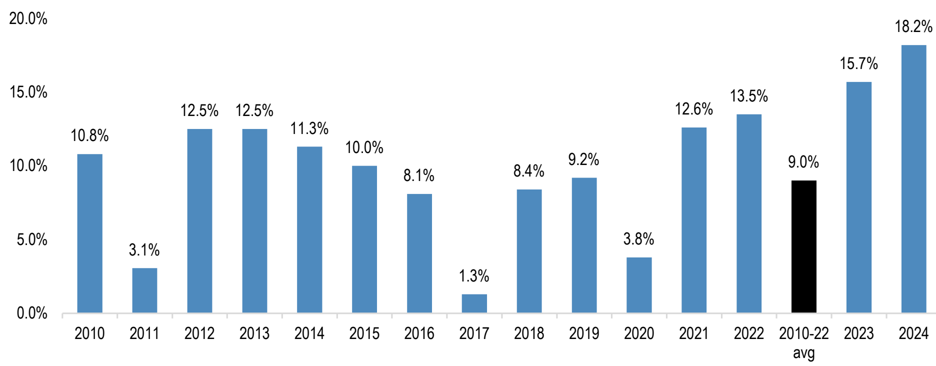
We expect the next plan to focus on ROE improvement

Munich Re last set its strategic ambitions at the end of 2020, deep in the middle of the COVID-19 period for the industry. The company set a number of targets, including producing a 12-14% ROE for the business (subsequently increased to 14-16% on transition to IFRS17, 5% EPS growth, 5% dividend growth and a Solvency II ratio of between 175-220%).

Figure 11: Munich Re's ROE has improved from ~9% average prior to 2022

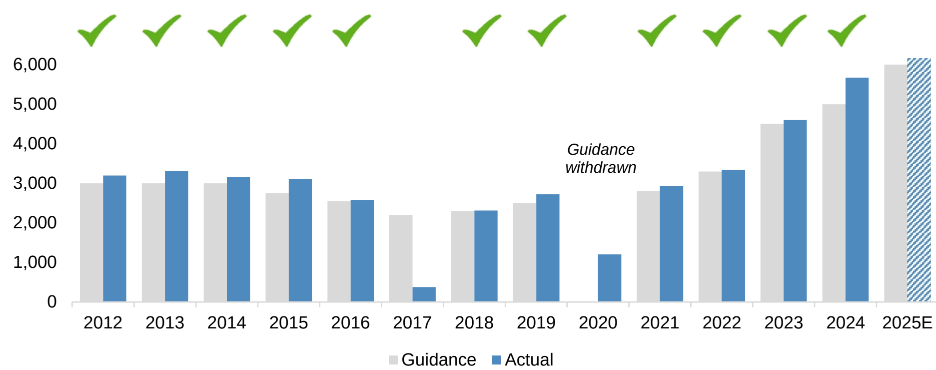
% Group ROE



Source: Company reports and J.P. Morgan estimates.

Figure 12: Munich Re has an excellent track record of delivering against guidance

€m, earnings guidance vs actual, 2012-2025E



Guidance for 2020 was withdrawn.
Source: Company reports and J.P. Morgan estimates.

Munich Re has materially outperformed its Ambition 2025 targets

The company has materially outperformed these targets with far stronger earnings growth and dividend growth along with a superior ROE to the target level. In our view, it is clear that the dual tailwinds of higher reinsurance pricing and higher interest rates have been powerful forces for Munich Re.

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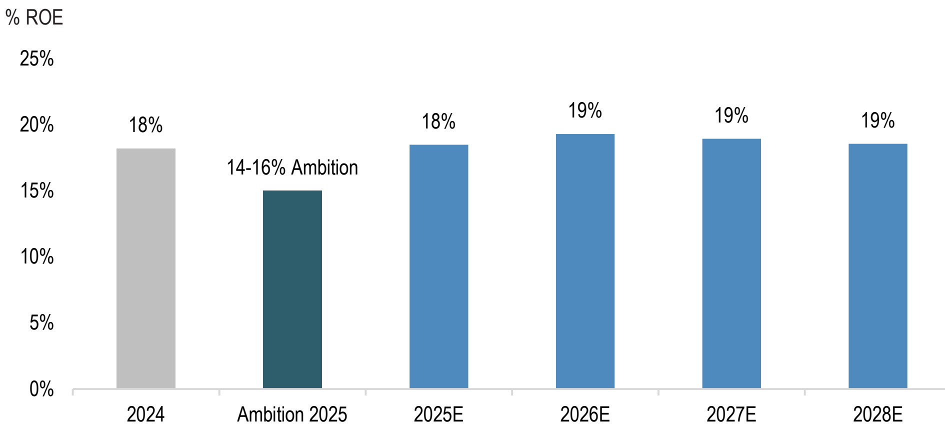
We expect ROE to remain the focus in the next plan

Looking ahead, we would expect the company to continue to target ROE as a key metric. Improving ROE is a key driver of re-rating for P&C focused names and we expect Munich Re to target a 16-18% range. However, with the reinsurance market beginning to soften and this trend likely to continue, we expect the company to focus on 1) diversified growth outside of P&C reinsurance and 2) greater utilisation of surplus capital within the business.

Figure 13: We expect Munich Re to target ROE in the 16-18% range vs 14-16% in Ambition 2025

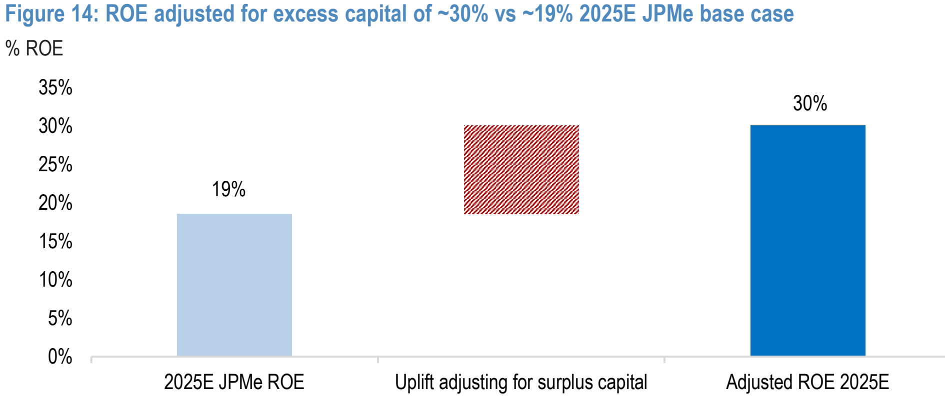


Source: Company reports and J.P. Morgan estimates.

Munich Re has a strong surplus capital position with a Solvency II ratio of 285% at 1Q 25, materially ahead of the top of the 175-220% range that the company targets. While strong balance sheets are seen as a positive for reinsurers, there is an argument to be made that sometimes you can have too much capital.

We calculate that if the company were to reduce the Solvency II ratio to 220%, the 2025E ROE would improve from 19% to 30%. We believe that in order to sustain ROEs, the company will be working to reduce capital levels by returning more capital, deploying into growth and also M&A.

Figure 14: ROE adjusted for excess capital of ~30% vs ~19% 2025E JPMe base case



Source: J.P. Morgan estimates.

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Capital returns have materially increased in the last plan - and we expect this to continue

In our view, Munich Re has done an excellent job of increasing capital returns to shareholders with the 2024 dividend of €20 per share more than double the 2020 dividend (€9.80) and the share buyback having increased to €2bn at FY24 vs the historical €1bn that the company would announce prior to 2023. Munich Re has an exceptionally strong Solvency II ratio, which stood at 285% in 1Q25, well in excess of the top of the 175-220% range that the company targets. This surplus implies a more than €12bn surplus above the top of the range.

With fewer market tailwinds in the new plan, we expect management to begin to reduce or use surplus capital in order to keep ROE at high levels. There are two choices for the company, either to deploy capital via M&A to increase the earnings base of the company or to increase the level of capital return to shareholders. Management have been very disciplined on M&A, with NEXT Insurance the only material deal in the last 15 years for the company, and we expect this discipline to continue. We do believe that if there was an attractive, strategic target at an acceptable price, Munich Re management would act. But these targets tend to be few and far between given their nature.

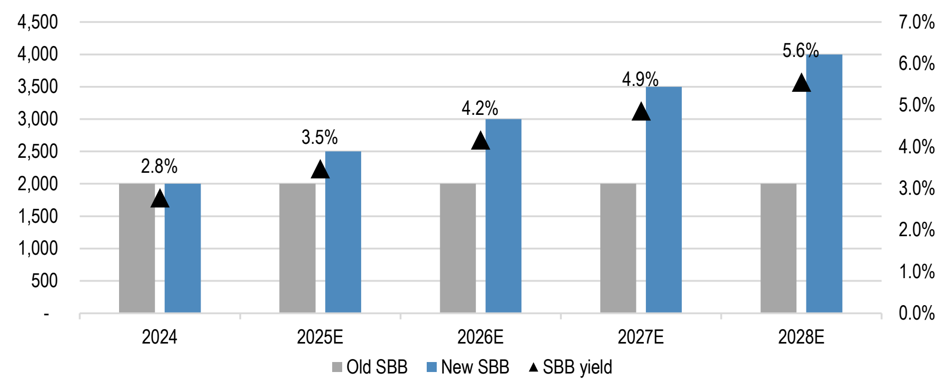
We increase our share buyback and dividend assumptions - total yield now above sector

We see a high likelihood that Munich Re will look to return increasing levels of capital back to investors in order to maintain a reasonably high ROE vs history. We had previously included €2bn in share buybacks in our forecasts out to 2028E. We now increase these, stepping up €0.5bn a year from 2025E to 2028E with our total payout reaching close to 100% in 2028E.

If the company chooses to do M&A instead of share buybacks, we would consider transactions on their merits relative to share buybacks, but in our view management have proven to be excellent custodians of capital in recent years.

Figure 15: We increase our SBB estimates for 2025-28E with an expectation to increase from €2.5bn in 2025E to €4bn in 2028E

€m SBB, % SBB yield



Source: Company reports and J.P. Morgan estimates.

We also increase our regular dividend forecasts to take into account the earnings growth of the company going forward. We note that the previous cycle aimed for dividend growth of more than 5% and we see little reason why the company should not aim for a

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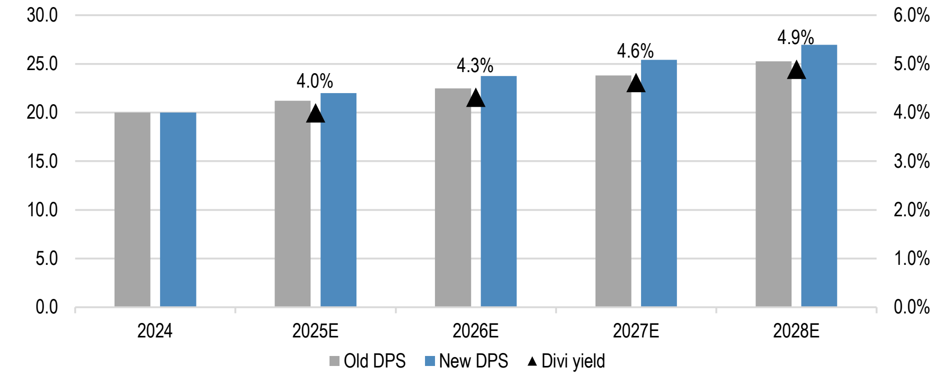
similar level going forward. Putting our updated dividend forecasts together with our increased share buyback assumptions, Munich Re now has a total return yield (dividend and buyback) ahead of the insurance sector average.

Figure 16: Updated dividend estimates imply ~4.0-4.9% dividend yield for 2025-28E

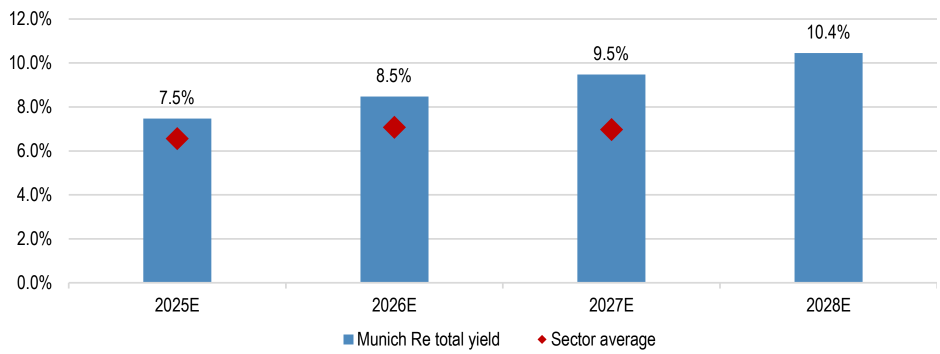
€ DPS, % dividend yield



Source: Company reports and J.P. Morgan estimates.

Figure 17: Munich Re's total capital return yield is higher than the sector average

% total capital return yield



Source: Company reports and J.P. Morgan estimates.

Estimate changes

Table 1: Munich Re - summary of estimate changes

€ m

	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	8,777	8,571	8,691	8,961	7,994	8,629	8,977	9,339	10%	-1%	-3%	-4%
Total technical result	9,385	9,211	9,351	9,621	8,514	9,169	9,537	9,899	10%	0%	-2%	-3%
Investment result	6,624	7,272	7,564	7,837	7,385	6,884	6,986	7,088	-10%	6%	8%	11%
Operating result	8,251	8,916	9,004	9,190	8,191	8,433	8,654	8,897	1%	6%	4%	3%
Net result	**6,150**	**6,625**	**6,743**	**6,889**	**5,916**	**6,111**	**6,327**	**6,510**	**4%**	**8%**	**7%**	**6%**
EPS	47.0	52.7	56.2	60.9	45.2	48.1	51.2	54.3	4%	10%	10%	12%
DPS	22.0	23.8	25.4	26.9	21.2	22.5	23.8	25.2	4%	6%	7%	7%
Operating result by divisions												
L&H Re	2,392	2,406	2,481	2,534								
P&C Re	3,900	4,188	4,093	4,128								
GSI	555	680	745	743								
ERGO Germany	848	1,045	1,036	1,019								
ERGO International	557	596	649	767								
P&C Re COR	78.1%	80.2%	81.4%	81.9%								
GSI COR	90.6%	89.9%	89.3%	89.5%								
ERGO Germany COR	88.9%	89.0%	89.0%	89.0%								
Sol II ratio	280%	273%	265%	256%	285%	287%	289%	296%				

Source: J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Munich Re *(Overweight; Price Target: €650.00)*

Investment Thesis

Despite a softening reinsurance market, we do not see the Munich Re story being over. We see the next leg of the story for the stock in the next 5-year strategic plan where we expect the company to deliver improved earnings and higher ROE, and for capital returns to surprise positively. The group is also more diversified than ever, leaving group earnings less exposed to the cycle.

- **Munich Re is a more diversified business than ever.** Compared to the last soft cycle, Munich Re derives a larger share of earnings outside of P&C Re, with L&H Re and ERGO contributing to a larger share of group profits. GSI is also expected to be a growing contributor to earnings growth. This leaves Munich's profits far more exposed to the cycle than before.
- **Focus on ROE improvement in the next plan.** We expect the company to target an improvement from the 14-16% ROE for the 2025 plan. This should lead to a higher likelihood of increasing capital returns, primarily through SBBs, given the very strong Solvency position and perhaps more M&A to address the surplus capital.
- **Valuation remains undemanding despite strong outperformance.** The stock has outperformed the SXIP materially; however, the majority of the re-rating has been driven by earnings growth. Therefore, on a P/E basis, the stock remains at a discount to the sector and vs its historical average.

Valuation

We value Munich Re by estimating its sustainable across-the-cycle comprehensive ROE of 11% 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 Dec-26 PT of €650.

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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 oustanding	4,734								
Valuation roll-forward	4,490								
Valuation	**69,543**								
NOSH mn	129								
Value per share €	539.3								
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.

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Munich Re: Summary of Financials

INCOME STATEMENT	FY24A	FY25E	FY26E	FY27E
Divisional profit				
Life operating profit	674	848	1,045	1,036
Life reinsurance operating profit	2,038	2,392	2,406	2,481
P&C operating profit	612	1,112	1,276	1,393
P&C reinsurance operating profit	4,674	3,900	4,188	4,093
Other pre-tax profit	(207)	(183)	(180)	(180)
Consolidated P&L				
Insurance revenue	60,830	63,606	66,826	69,801
Insurance service result	8,219	8,777	8,571	8,691
Insurance net financial result	1,443	1,027	1,976	1,999
Interest expense	(207)	(183)	(180)	(180)
Other income and expenses	(1,665)	(1,553)	(1,631)	(1,686)
Total pre-tax profit	**7,790**	**8,068**	**8,736**	**8,824**
Income taxes	(2,100)	(1,918)	(2,111)	(2,082)
Minority interest	14	0	0	0
Net income	**5,704**	**6,150**	**6,625**	**6,743**
Pre Tax Operational Income	**7,790**	**8,068**	**8,736**	**8,824**
Adjusted Net income	**5,704**	**6,150**	**6,625**	**6,743**
Comprehensive profit	**5,704**	**6,150**	**6,625**	**6,743**
Adj. EPS	42.78	47.03	52.66	56.22
Comprehensive EPS	42.78	47.03	52.66	56.22
DPS	20.00	22.00	23.76	25.42
Ratio Analysis				
Insurance margin	-	-	-	-
Adj. EPS y/y Growth	26.3%	9.9%	12.0%	6.8%
Comprehensive EPS y/y growth	26.3%	9.9%	12.0%	6.8%
DPS y/y Growth	33.3%	10.0%	8.0%	7.0%
Adj. P/E (x)	12.8	11.6	10.4	9.7
Comprehensive P/E (x)	12.8	11.6	10.4	9.7
Dividend Yield	3.7%	4.0%	4.4%	4.7%
P&C combined ratio	93.6%	90.6%	89.9%	89.3%
Reinsurance P&C combined ratio	77.3%	78.1%	80.2%	81.4%
Life new business CSM	2,315	1,689	1,196	1,213
Life new business CSM margin	-	-	-	-
CSM release ratio	6.7%	7.4%	7.5%	7.5%

BALANCE SHEET	FY24A	FY25E	FY26E	FY27E
Cash & Cash Equivalents	6,116	5,493	5,493	5,493
Investments	214,857	217,934	224,646	231,611
Investment property	10,189	10,060	10,060	10,060
Goodwill	3,443	3,351	3,351	3,351
Other intangibles	819	798	798	798
Other assets	29,447	29,959	30,485	31,030
Total Assets	**286,442**	**289,387**	**297,042**	**304,986**
Insurance liabilities	222,269	224,904	231,871	239,101
o/w CSM	-	-	-	-
o/w Risk adjustment	-	-	-	-
o/w PVCF	-	-	-	-
Investment contract liabilities				
Senior debt				
Subordinated debt	6,321	6,320	6,320	6,320
Other liabilities	22,454	22,195	21,707	20,994
Total Liabilities	**253,541**	**255,487**	**261,967**	**268,484**
Shareholders' equity	32,797	33,727	34,902	36,329
Preferred equity / hybrid capital				
Minority Interests	104	173	173	173
Total Liabilities and Shareholder Equity	**286,442**	**289,387**	**297,042**	**304,986**
Comprehensive equity	49,739	51,087	52,206	53,486
Net CSM	21,100	21,455	21,280	21,133
Ratio Analysis				
BVPS	247.4	261.5	278.4	298.4
Comprehensive BVPS	375.22	396.15	416.47	439.31
ROE	18.3%	18.5%	19.3%	18.9%
Comprehensive ROE	12.1%	12.2%	12.8%	12.8%
P/BV	2.2	2.1	2.0	1.8
Comprehensive P/BV	1.5	1.4	1.3	1.2
Debt leverage ratio	11.3%	11.0%	10.8%	10.5%

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

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

Date	Rating	Price (€)	Price Target (€)
15-Jul-22	OW	216.00	335
09-Aug-22	OW	227.00	325
08-Nov-22	OW	271.10	330
08-Dec-22	OW	304.40	350
18-Jan-23	OW	322.90	355
23-Feb-23	OW	324.10	350
21-Aug-23	OW	354.30	430
22-Sep-23	OW	377.70	435
13-May-24	OW	453.50	515
13-Aug-24	OW	439.40	520
01-Oct-24	N	495.20	520
26-Feb-25	N	534.40	530

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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