



Hannover Re

January Renewals First Take: High-single-digit growth with 2024 earnings confirmed at €2.3bn

Overweight

HNRGN.DE, HNR1 GR
Price (05 Feb 25): €258.40
Price Target (Jun-26): €300.00

Our Take: Hannover Re reported its January 2025 renewals alongside a preliminary view of its 2024 results. Premium growth of 7.6% for the portfolio was in line with guidance of >7% revenue growth for 2025 before factoring the potential growth from structured business which has the potential to increase the revenues even higher. On a risk adjusted basis, pricing reduced 2.1% before taking into account the impacts of retrocession and commissions on the proportional side which are likely to have offset any weakness in price in our view. Price reductions for Hannover Re take profitability back to 2023 levels which was a strong baseline in our view before growth at these attractive levels. In line with our expectations, Hannover Re reduced the level of cessions to its K programme with these moving to 33% on a proportional basis but increasing on a non proportional basis. The company confirmed earnings for 2024 of ~€2.3bn with the operating result in Q4 standalone running ahead of expectations therefore suggesting that the tax rate in 4Q24 could be slightly higher than expectations. For 2025, Hannover Re reconfirmed its earnings target of €2.4bn which we see as positive given the LA wildfires for which no estimate has been given but has been a clear drag on the sector YTD.

- **Noteworthy Areas:** 1) **FY24 preliminary net income in line:** Net income €2.3bn is in line with latest guidance and compares to company consensus ~€2.37bn. P&C EBIT looks slightly ahead €2.4bn vs cons ~€2.3bn and L&H €0.9bn vs cons ~€0.95bn. Full results on Mar 13th. 2) **January renewal premiums** grew 7.6% YoY with inflation risk-adjusted price decline of 2.1% and T&Cs broadly stable. 3) **Growth areas:** Hannover grew its non-proportional book 6.6% with risk-adjusted price change of -2.8% while proportional volumes grew 8.1% with price change -1.8%. Nat cat business saw average risk-adjusted price decline of -5.4% and Hannover saw high single digit premium growth. 4) **Retrocession:** Hannover placed total nat cat retrocession capacity of €1.2bn in 2025. 5) **2025 guidance confirmed:** No estimate provided on California wildfires which was “the first significant large loss event” of the year however 2025 guidance including ~€2.4bn net income is confirmed.
- **Outlook & Guidance:** All 2025 guidance confirmed: net income ~€2.4bn (latest company cons €2.5bn), combined ratio of <88%, P&C reinsurance revenue growth >7%, group ROI of 3.2% and a reinsurance service result in L&H of €875m.
- **Likely changes to consensus:** We do not expect changes to consensus with 2024 coming in line and 2025 guidance confirmed despite the wildfires.
- **Peer read across:** Slight risk-adjusted price decline at January renewals reported by Hannover today is what we would expect as well for peers Munich Re and Swiss Re.

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- **Valuation:** Hannover Re trades at 2.4x 25E P/B vs European reinsurance peer average of 1.6x (BBG).
- **Conference Call Details:** 9.30am UK time. Pre-register [here](#).

Investment Thesis, Valuation and Risks

Hannover Re *(Overweight; Price Target: €300.00)*

Investment Thesis

Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop. We see the potential for earnings growth to continue for 2025E and beyond, which should also support more capital returns.

- **Most reliable P&C name.** With the reinsurance market likely to stabilise, we see Hannover Re as a good way to gain exposure to the cycle. Having added to reserve buffers in 2023-24 and more reserve conservatism to flow through, we view the company as well positioned to deliver strong reliable returns against almost any market backdrop.
- **Capital return potential.** Hannover Re has the potential to increase its payouts and with the positive outcome of the S&P model changes, we believe that the company could potentially increase its payout ratios.
- **Buffers to support earnings growth into 2025 and beyond.** In addition to the reserve redundancy in P&C, Hannover's consistent conservatism in a number of areas implies there are buffers available to support future earnings. These include not recognising the higher discounting benefit into earnings and its approach to reserving large losses to budget when there is 'good luck'.

Valuation

We value Hannover Re by estimating its sustainable across-the-cycle comprehensive ROE of 13% and use this to derive a valuation multiple on Comprehensive Equity. We adjust for dividends and apply a CoE of 8% and growth rate of 0%. This results in our Jun-26 PT of €300.

Hannover Re – IFRS17-based valuation

€ million, unless stated otherwise

Business unit	Sustainable comprehensive profit €mn	Insurance service result €mn	Net financial result €mn	Other profit €mn	CSM value added €mn
P&C	2,630	1,899	834	-160	57
L&H	956	900	291	-160	-75
Consolidation	0	0	0	0	0
Other non-operating items	-127	0	0	-127	0
Pre-tax sustainable comprehensive profit FY24E	3,460	900	291	-160	-75
Tax	-865	Assume 25%			
Minorities and other	-52				
Sustainable comprehensive profit FY24E	2,543				
Comprehensive equity FY23E	20,349				
Sustainable comprehensive ROE	12.5%				
COE	7.7%				
g	0%				
Valuation price to Comp BV	1.6x				
Valuation FY23E	32,940				
Dividends / buybacks outstanding in 23E	1,146				
Valuation roll-forward	1,483				
Valuation	35,569				
NOSH mn	121				
Value per share €	294.9				
Target price €	300.0				

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include utilisation of reserve buffers, outsized catastrophe losses and lower life reinsurance results.

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Hannover Re(HNRGn.DE/€258.60/OW)

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Hannover Re (HNRGn.DE, HNR1 GR) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jul 14, 1999. All share prices are as of market close on the previous business day.

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