



Hannover Re

Minor update ahead of FY24 results

We make minor updates to our estimates ahead of FY24 results on 13th March and Hannover Re's renewals update on 6th February, where we expect preliminary FY24 headline figures as per usual company practice. Our headline 2024-28E net income estimates remain broadly unchanged and we maintain our PT of €300.

- FY24E:** We expect net income just above the ~€2.3bn guidance at €2.4bn (+1% change) and a dividend of €9.0 to be announced (of which €7.5 regular and €1.5 special), implying a ~45% payout ratio. In P&C our combined ratio is ~88%, with an assumption for large losses to be below budget for the FY totalling ~€1.6bn vs €1.8bn budget although we believe the company is likely to add most of the remainder to reserve buffers. In L&H we forecast reinsurance service result of €880m vs > €850m guidance. Our Solvency II ratio estimate is 259%, broadly flat QoQ with capital generation largely offset by expected impact from dividends.
- Our 2025E net income is unchanged at €2.56bn vs ~€2.4bn guidance, while our FY26-28E estimates also remain unchanged.

Table 1: Hannover Re - summary of estimate changes

€ million

	JPMe 2024E	JPMe 2025E	JPMe 2026E	JPMe 2027E	Old 2024E	Old 2025E	Old 2026E	Old 2027E	% change 2024E	% change 2025E	% change 2026E	% change 2027E
Reinsurance revenue	25,948	27,372	28,193	29,038	25,948	27,372	28,193	29,038	0%	0%	0%	0%
Reinsurance service result (net)	2,820	2,964	2,856	2,937	2,801	2,962	2,855	2,936	1%	0%	0%	0%
P&C	1,939	2,072	1,957	2,015	1,904	2,072	1,987	2,015	2%	0%	0%	0%
L&H	880	892	900	922	895	890	898	921	-2%	0%	0%	0%
Investment income	1,922	2,058	2,238	2,329	1,934	2,058	2,238	2,329	-1%	0%	0%	0%
Operating profit (EBIT)	3,241	3,607	3,662	3,815	3,274	3,606	3,660	3,814	-1%	0%	0%	0%
P&C	2,306	2,612	2,631	2,748	2,320	2,612	2,631	2,748	-1%	0%	0%	0%
L&H	946	995	1,031	1,067	964	993	1,029	1,065	-2%	0%	0%	0%
Net income	2,371	2,558	2,598	2,711	2,342	2,557	2,597	2,710	1%	0%	0%	0%
DPS	9.00	9.50	10.00	10.50	9.00	9.50	10.00	10.50	0%	0%	0%	0%
EPS	19.66	21.21	21.55	22.48	19.42	21.20	21.54	22.47	1%	0%	0%	0%
P/C COR	87.9%	88.2%	89.2%	89.2%	88.1%	88.2%	89.2%	89.2%	-0.2%	0.0%	0.0%	0.0%

Source: J.P. Morgan estimates.

Overweight

HNRGn.DE, HNR1 GR

Price (27 Jan 25): €262.10

Price Target (Jun-26): €300.00

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Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)				
	%Rank	6M	1Y	3Y	5Y	
Value	46	41	39	31	40	
Growth	11	68	70			
Momentum	9	35	28	28	12	
Quality	67		29	44		
Low Vol	87	26	22	14	1	
ESGQ	50	28	30	9	39	

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

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance



Company Data

Shares O/S (mn)	121
52-week range (€)	265.60-205.70
Market cap (\$ mn)	33,163.85
Exchange rate	0.95
Free float (%)	49.8%
3M ADV (mn)	0.10
3M ADV (\$ mn)	26.7
Volatility (90 Day)	19
Index	MSCI Europe
BBG ANR (Buy Hold Sell)	11 7 4

Key Metrics (FYE Dec)

in	FY23A	FY24E	FY25E	FY26E
Financial Estimates				
Operating profit - Life	-	-	-	-
Life Reinsurance Operating Profit	871	946	995	1,031
P&C Insurance Operating Profit	-	-	-	-
P&C Reinsurance Operating Profit	1,098	2,306	2,612	2,631
Other pre-tax operating profit	(116)	(120)	(126)	(126)
Pre Tax Operational Income	1,854	3,132	3,480	3,535
Adj. net income	1,825	2,371	2,558	2,598
Comprehensive Profit	2,681	4,007	2,374	2,788
Adj. EPS	15.13	19.66	21.21	21.55
Comprehensive EPS	22.23	33.23	19.69	23.12
DPS	7.20	9.00	9.50	10.00
BVPS	84.0	96.9	109.1	121.2
Comprehensive BVPS	131.21	157.71	168.40	182.02
Margins and Growth				
Adj. EPS growth	-	29.9%	7.9%	1.6%
Comprehensive EPS growth	-	49.4%	(40.7%)	17.4%
DPS growth	20.0%	25.0%	5.6%	5.3%
Ratios				
Primary P&C combined ratio (%)	-	-	-	-
Reinsurance P&C combined ratio (%)	94.0%	87.9%	88.2%	89.2%
Life New Business CSM	359	323	400	380
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	(15.6%)	(13.7%)	(12.1%)	(11.6%)
ROE	18.0%	21.7%	20.6%	18.7%
Comprehensive ROE	16.9%	23.0%	12.1%	13.2%
Debt leverage ratio	19.2%	16.5%	15.6%	14.6%
Valuation				
Dividend yield	2.7%	3.4%	3.6%	3.8%
P/BV	3.1	2.7	2.4	2.2
Comprehensive P/BV	2.0	1.7	1.6	1.4

Summary Investment Thesis and Valuation

Investment Thesis

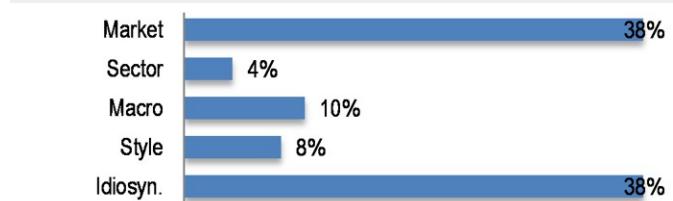
Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop.

- 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.

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.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.74	0.67
Sect: Financials	0.34	0.29
Ind: Insurance	0.64	0.57
Macro:		
Eurozone CPI	-0.15	-0.18
Eurozone Exports	0.19	0.14
Citi Eco Surprise Eurozone	-0.11	-0.10
Quant Styles:		
Momentum	0.40	0.42
LowVol	0.37	0.35
Size	0.23	0.32

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.

Hannover Re: Summary of Financials

INCOME STATEMENT	FY23A	FY24E	FY25E	FY26E	BALANCE SHEET	FY23A	FY24E	FY25E	FY26E
Divisional profit					Cash & Cash Equivalents	1,055	1,578	1,642	1,708
Life operating profit	-	-	-	-	Investments	57,592	60,950	63,425	66,000
Life reinsurance operating profit	871	946	995	1,031	Investment property	2,537	2,629	2,736	2,847
P&C operating profit	-	-	-	-	Goodwill	78	80	80	80
P&C reinsurance operating profit	1,098	2,306	2,612	2,631	Other intangibles	-	-	-	-
Other pre-tax profit	(116)	(120)	(126)	(126)	Other assets	2,052	2,106	2,192	2,281
					Total Assets	66,487	70,979	73,767	76,631
Consolidated P&L					Insurance liabilities	44,239	47,568	48,417	49,016
Insurance revenue	24,456	25,948	27,372	28,193	o/w CSM	7,699	9,504	9,696	9,897
Insurance service result	1,658	2,820	2,964	2,856	o/w Risk adjustment	3,729	4,039	4,111	4,139
Insurance net financial result	708	870	983	1,125	o/w PVCF	-	-	-	-
Interest expense	(117)	(109)	(127)	(127)	Investment contract liabilities	-	-	-	-
Other income and expenses	(395)	(449)	(340)	(320)	Senior debt	747	707	707	707
Total pre-tax profit	1,854	3,132	3,480	3,535	Subordinated debt	3,230	3,232	3,232	3,232
Income taxes	(26)	(708)	(870)	(884)	Other liabilities	3,431	3,125	3,467	4,162
Minority interest					Total Liabilities	55,468	58,373	59,572	60,870
Net income	1,825	2,371	2,558	2,598	Shareholders' equity	10,127	11,689	13,162	14,614
Pre Tax Operational Income	1,854	3,132	3,480	3,535	Preferred equity / hybrid capital	-	-	-	-
Adjusted Net income	1,825	2,371	2,558	2,598	Minority Interests	893	918	1,033	1,147
Comprehensive profit	2,681	4,007	2,374	2,788	Total Liabilities and Shareholder Equity	66,487	70,979	73,767	76,631
Adj. EPS	15.13	19.66	21.21	21.55	Comprehensive equity	15,823	19,020	20,309	21,951
Comprehensive EPS	22.23	33.23	19.69	23.12	Net CSM	5,774	7,411	7,227	7,416
DPS	7.20	9.00	9.50	10.00					
Ratio Analysis					Ratio Analysis				
Insurance margin	-	-	-	-	BVPS	84.0	96.9	109.1	121.2
Adj. EPS y/y Growth	-	29.9%	7.9%	1.6%	Comprehensive BVPS	131.21	157.71	168.40	182.02
Comprehensive EPS y/y growth	-	49.4%	(40.7%)	17.4%	ROE	18.0%	21.7%	20.6%	18.7%
DPS y/y Growth	20.0%	25.0%	5.6%	5.3%	Comprehensive ROE	16.9%	23.0%	12.1%	13.2%
Adj. P/E (x)	17.3	13.3	12.4	12.2	P/BV	3.1	2.7	2.4	2.2
Comprehensive P/E (x)	11.8	7.9	13.3	11.3	Comprehensive P/BV	2.0	1.7	1.6	1.4
Dividend Yield	2.7%	3.4%	3.6%	3.8%	Debt leverage ratio	19.2%	16.5%	15.6%	14.6%
P&C combined ratio	-	-	-	-					
Reinsurance P&C combined ratio	94.0%	87.9%	88.2%	89.2%					
Life new business CSM	359	323	400	380					
Life new business CSM margin	-	-	-	-					
CSM release ratio	(15.6%)	(13.7%)	(12.1%)	(11.6%)					

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

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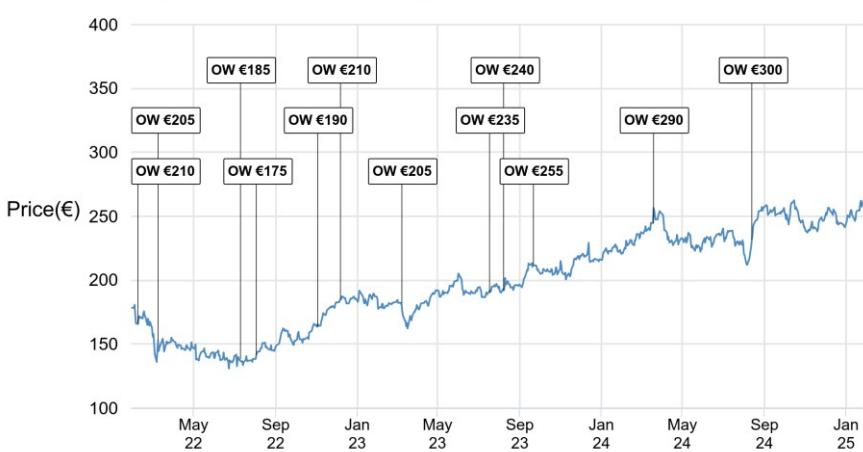
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Hannover Re (HNRGn.DE, HNR1 GR) Price Chart



Date	Rating	Price (€)	Price Target (€)
07-Feb-22	OW	166.15	210
10-Mar-22	OW	152.70	205
11-Jul-22	OW	138.30	185
04-Aug-22	OW	141.30	175
03-Nov-22	OW	163.65	190
08-Dec-22	OW	184.75	210
09-Mar-23	OW	182.20	205
18-Jul-23	OW	190.60	235
09-Aug-23	OW	192.10	240
22-Sep-23	OW	212.20	255
19-Mar-24	OW	244.60	290
14-Aug-24	OW	231.90	300

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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