

Munich Re

Updating estimates ahead of FY24 results and for 2025 guidance

We make minor changes to our FY24 estimates ahead of results on 26th February and update our FY25 estimates for the latest published outlook. Overall we forecast net income of €5,709m for FY24 (+2% change) and increase our FY25 net income to €6,047m (+6%) vs ~€6.0bn guidance. For FY24 we expect DPS of €16 and the annual share buyback program to be increased to €2bn (previously €1.7bn). We maintain our PT of €520.

FY24 estimates: Our P&C Re reported combined ratio estimate is 83.2%, in line with updated guidance and includes a ~€0.4bn impact for Hurricane Milton (previously ~€0.5bn). On a normalized basis, our forecast is ~81% for FY24 with an expectation for an increase in run-rate at 4Q24 as flagged by the company. In L&H Re our total technical result stands at ~€2.1bn vs ~€2.0bn guidance and for ERGO we forecast total net result of ~€0.8bn.

FY25 assumptions: We increase our P&C Re combined ratio to 83% (previously 82%) to reflect the expected growth in GSI, which would be a separate reporting segment from 1Q25 onwards, as well as a lower discounting assumption of ~7%. This is more than offset by a higher investment income with increased ROI assumption of ~3.0%. Elsewhere our assumptions are broadly in line with guidance which brings our net income to €6.0bn. We make no changes to our capital return forecasts.

Table 1: Munich Re - summary of estimate changes

€ million

	New 2024E	New 2025E	New 2026E	New 2027E	Old 2024E	Old 2025E	Old 2026E	Old 2027E	% change 2024E	% change 2025E	% change 2026E	% change 2027E
Insurance service result	8,194	8,341	8,719	9,063	8,133	8,752	9,069	9,402	1%	-5%	-4%	-4%
Total technical result	8,814	8,861	9,259	9,623	8,733	9,272	9,609	9,962	1%	-4%	-4%	-3%
Investment result	7,192	6,941	6,840	6,941	7,085	6,045	6,227	6,355	2%	15%	9%	9%
Operating result	7,766	8,349	8,400	8,613	7,597	7,865	8,166	8,366	2%	6%	3%	3%
Net result	5,709	6,047	6,084	6,294	5,583	5,685	5,908	6,107	2%	6%	3%	3%
EPS	42.8	46.9	49.0	52.6	41.8	43.9	47.3	50.8	2%	7%	3%	4%
DPS	16.1	17.0	18.0	19.0	16.1	17.0	18.0	19.0	0%	0%	0%	0%
Operating result by divisions												
L&H Re	2,406	2,357	2,379	2,430	2,373	2,171	2,235	2,284	1%	9%	6%	6%
P&C Re	4,238	4,539	4,558	4,699	4,115	4,373	4,530	4,683	3%	4%	1%	0%
ERGO L&H	255	349	365	366	256	356	400	377	-1%	-2%	-9%	-3%
ERGO P&C	417	593	596	611	413	525	546	561	1%	13%	9%	9%
ERGO Int	450	512	502	508	441	440	455	461	2%	16%	10%	10%
P&C Re COR	83.2%	83.0%	83.1%	83.1%	83.6%	82.0%	82.1%	82.1%	-0.4%	1.0%	1.0%	1.0%
ERGO P&C COR	88.6%	88.8%	88.8%	88.8%	88.6%	87.8%	87.8%	87.8%	0.0%	1.0%	1.0%	1.0%

Source: J.P. Morgan estimates.

Neutral

MUVGn.DE, MUV2 GR

Price (16 Jan 25): €497.90

Price Target (Jun-26): €520.00

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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 25E (€)	43.94	46.95

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	37	39	36	27	26
Growth	41	49		36	
Momentum	10				
Quality	62	16	27	23	44
Low Vol	80	39	15	35	1
ESGQ	9	3	5	20	12

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	2.2%	-4.3%	-1.8%	30.8%
Rel	-0.4%	-5.2%	-2.0%	21.0%

Company Data

Shares O/S (mn)	134
52-week range (€)	526.00-381.80
Market cap (\$ mn)	68,602.29
Exchange rate	0.97
Free float (%)	100.0%
3M ADV (mn)	0.25
3M ADV (\$ mn)	127.1
Volatility (90 Day)	22
Index	MSCI Europe
BBG ANR (Buy Hold Sell)	9 12 3

Key Metrics (FYE Dec)

€ in millions	FY23A	FY24E	FY25E	FY26E
Financial Estimates				
Operating profit - Life	566	704	861	867
Life Reinsurance Operating Profit	1,686	2,406	2,357	2,379
P&C Insurance Operating Profit	397	417	593	596
P&C Reinsurance Operating Profit	3,052	4,238	4,539	4,558
Other pre-tax operating profit	(168)	(214)	(261)	(261)
Pre Tax Operational Income	5,534	7,552	8,088	8,139
Adj. net income	4,597	5,709	6,047	6,084
Comprehensive Profit	5,158	7,561	5,878	5,933
Adj. EPS	33.88	42.79	46.95	48.98
Comprehensive EPS	38.01	56.68	45.63	47.77
DPS	15.00	16.05	17.01	18.03
BVPS	218.5	250.7	267.5	293.1
Comprehensive BVPS	330.78	370.20	397.29	426.50
Margins and Growth				
Adj. EPS growth	-	26.3%	9.7%	4.3%
Comprehensive EPS growth	-	49.1%	(19.5%)	4.7%
DPS growth	29.3%	7.0%	6.0%	6.0%
Ratios				
Primary P&C combined ratio (%)	88.9%	88.6%	88.8%	88.8%
Reinsurance P&C combined ratio (%)	85.2%	83.2%	83.0%	83.1%
Life New Business CSM	2,414	2,463	1,424	1,429
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	7.9%	7.6%	7.7%	7.7%
ROE	16.2%	18.3%	18.1%	17.5%
Comprehensive ROE	12.1%	16.1%	11.8%	11.6%
Debt leverage ratio	10.0%	11.5%	11.3%	11.0%
Valuation				
Dividend yield	3.0%	3.2%	3.4%	3.6%
P/ BV	2.3	2.0	1.9	1.7
Comprehensive P/BV	1.5	1.3	1.3	1.2

Summary Investment Thesis and Valuation

Investment Thesis

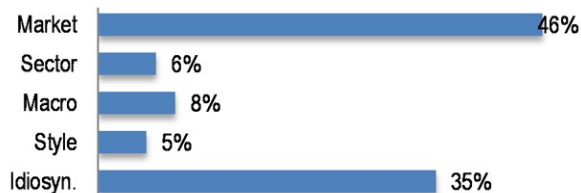
We see Munich Re as a reliable stock to own given its excellent track record. But with earnings trends now being reflected in estimates and the stock having re-rated in the last couple of years, we see limited near-term scope for further re-rating with a likely slowing in the reinsurance market in 2025. 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 Jun-26 PT of €520.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.73	0.68
Sect: Financials	0.38	0.34
Ind: Insurance	0.78	0.73
Macro:		
Eurozone CPI	-0.06	-0.25
Eurozone Exports	0.16	0.13
Markit Eurozone Comp PMI	0.32	0.04
Quant Styles:		
LowVol	0.52	0.41
Size	0.44	0.39
Momentum	0.48	0.32

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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Investment Thesis, Valuation and Risks

Munich Re *(Neutral; Price Target: €520.00)*

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 Jun-26 PT of €520.

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	3,804	4,778	-	84.5%	2,334	3.50%	-3,308		
L&H Re	1,966	955	5.00%	-	802	4.20%	71	137	
ERGO P&C	442	484	-	90.0%	314	4.30%	-357		
ERGO L&H	-116	947	0.80%	-	2,130	1.80%	-2,835	-358	
ERGO Intl	348	581	2.70%	92.0%	474	2.20%	-730	23	
Pre-tax sustainable comprehensive profit FY26E	6,443	7,745	-	-	6,054	-	-7,159	-198	-
Tax	-1,611	Assume 25%							
Minorities and other	0								
Sustainable comprehensive profit FY26E	4,832								
Comprehensive equity FY25E	50,261								
Sustainable comprehensive ROE	9.6%								
COE	8.2%								
g	0%								
Valuation price to Comp BV	1.2x								
Valuation FY25E	58,605								
Dividends / buybacks outstanding	4,152								
Valuation roll-forward	2,819								
Valuation	65,575								
NOSH mn	127								
Value per share €	518.3								
Target price €	520.0								

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	FY23A	FY24E	FY25E	FY26E	BALANCE SHEET	FY23A	FY24E	FY25E	FY26E
Divisional profit					Cash & Cash Equivalents	5,595	6,524	6,524	6,524
Life operating profit	566	704	861	867	Investments	200,715	210,289	218,258	225,079
Life reinsurance operating profit	1,686	2,406	2,357	2,379	Investment property	9,384	9,817	9,817	9,817
P&C operating profit	397	417	593	596	Goodwill	3,184	3,304	3,304	3,304
P&C reinsurance operating profit	3,052	4,238	4,539	4,558	Other intangibles	1,028	882	882	882
Other pre-tax profit	(168)	(214)	(261)	(261)	Other assets	30,616	28,252	28,858	29,377
					Total Assets	273,793	281,298	290,372	298,140
Consolidated P&L					Insurance liabilities	214,153	221,012	229,387	236,557
Insurance revenue	57,884	61,618	63,900	66,280	o/w CSM	-	-	-	-
Insurance service result	7,045	8,194	8,341	8,719	o/w Risk adjustment	-	-	-	-
Insurance net financial result	507	1,098	1,878	1,531	o/w PVCF	-	-	-	-
Interest expense	(168)	(214)	(261)	(261)	Investment contract liabilities	0	0	0	0
Other income and expenses	(1,850)	(1,527)	(1,870)	(1,850)	Senior debt	300	200	200	200
Total pre-tax profit	5,534	7,552	8,088	8,139	Subordinated debt	4,713	6,211	6,211	6,211
Income taxes	(936)	(1,843)	(2,041)	(2,055)	Other liabilities	22,178	18,487	18,211	16,924
Minority interest	9			-	Total Liabilities	244,021	248,310	256,409	262,292
Net income	4,597	5,709	6,047	6,084	Shareholders' equity	29,650	32,867	33,842	35,728
Pre Tax Operational Income	5,534	7,552	8,088	8,139	Preferred equity / hybrid capital	0	0	0	0
Adjusted Net income	4,597	5,709	6,047	6,084	Minority Interests	122	120	120	120
Comprehensive profit	5,158	7,561	5,878	5,933	Total Liabilities and Shareholder Equity	273,793	281,298	290,372	298,140
Adj. EPS	33.88	42.79	46.95	48.98	Comprehensive equity	44,766	49,335	50,141	51,875
Comprehensive EPS	38.01	56.68	45.63	47.77	Net CSM	19,200	20,576	20,407	20,256
DPS	15.00	16.05	17.01	18.03					
Ratio Analysis					Ratio Analysis				
Insurance margin	-	-	-	-	BVPS	218.5	250.7	267.5	293.1
Adj. EPS y/y Growth	-	26.3%	9.7%	4.3%	Comprehensive BVPS	330.78	370.20	397.29	426.50
Comprehensive EPS y/y growth	-	49.1%	(19.5%)	4.7%	ROE	16.2%	18.3%	18.1%	17.5%
DPS y/y Growth	29.3%	7.0%	6.0%	6.0%	Comprehensive ROE	12.1%	16.1%	11.8%	11.6%
Adj. P/E (x)	14.7	11.6	10.6	10.2	P/BV	2.3	2.0	1.9	1.7
Comprehensive P/E (x)	13.1	8.8	10.9	10.4	Comprehensive P/BV	1.5	1.3	1.3	1.2
Dividend Yield	3.0%	3.2%	3.4%	3.6%	Debt leverage ratio	10.0%	11.5%	11.3%	11.0%
P&C combined ratio	88.9%	88.6%	88.8%	88.8%					
Reinsurance P&C combined ratio	85.2%	83.2%	83.0%	83.1%					
Life new business CSM	2,414	2,463	1,424	1,429					
Life new business CSM margin	-	-	-	-					
CSM release ratio	7.9%	7.6%	7.7%	7.7%					

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



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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