

Hannover Re

Updating estimates post FY24 results - 2025 net income still broadly unchanged despite wildfires

We update our estimates for Hannover Re and our 2025E changes very slightly (1%) to €2,589m vs the company's ~€2.4bn guidance. Our 2026-28 estimates increase 3-6%% mainly driven by better P&C margin assumptions, and we increase our PT from €300 to €320 as of Sep-2026.

- **2025E net income €2,589m.** In P&C, we include the midpoint of the estimated impact from the California wildfires at €500-700m, which brings 1Q25 large losses materially above budget. However, given the strong underlying run-rate in P&C and management's message that they are willing to utilize the reserve resiliency if necessary, we maintain the FY25 combined ratio broadly in line with the <88% guidance for now (JPM€ 87.8%). Our L&H reinsurance service result stands at €898m vs <€875m guidance.
- **2026/27/28 net income estimates +6%/6%/3%.** This is mainly due to better combined ratio assumptions at P&C as during the call management suggested that they are comfortable with the <88% target for the medium term.

Table 1: Hannover Re - summary of estimate changes

€ million

	JPM€ 2025E	JPM€ 2026E	JPM€ 2027E	JPM€ 2028E	Old 2025E	Old 2026E	Old 2027E	Old 2028E	% change 2025E	% change 2026E	% change 2027E	% change 2028E
Reinsurance revenue	28,008	28,848	29,714	30,605	27,372	28,193	29,038	29,910	2%	2%	2%	2%
Reinsurance service result (net)	3,008	3,065	3,152	3,130	2,962	2,855	2,836	3,019	2%	7%	7%	4%
P&C	2,110	2,156	2,221	2,180	2,072	1,957	2,015	2,076	2%	10%	10%	5%
L&H	898	909	930	950	890	898	921	943	1%	1%	1%	1%
Investment income	2,119	2,273	2,367	2,464	2,058	2,238	2,329	2,424	3%	2%	2%	2%
Operating profit (EBIT)	3,624	3,853	4,014	4,070	3,606	3,660	3,814	3,971	1%	5%	5%	2%
P&C	2,649	2,845	2,972	2,994	2,612	2,631	2,748	2,869	1%	8%	8%	4%
L&H	974	1,007	1,041	1,075	993	1,029	1,065	1,102	-2%	-2%	-2%	-2%
Net income	2,589	2,757	2,875	2,916	2,557	2,597	2,710	2,826	1%	6%	6%	3%
DPS	9.50	10.00	10.50	11.50	9.50	10.00	10.50	11.00	0%	0%	0%	5%
EPS	21.46	22.86	23.84	24.18	21.20	21.54	22.47	23.43	1%	6%	6%	3%
PIC COR	87.8%	87.9%	87.9%	88.4%	88.2%	89.2%	89.2%	89.2%	-0.4%	-1.3%	-1.3%	-0.7%

Source: J.P. Morgan estimates.

Overweight

HNRGn.DE, HNR1 GR

Price (12 Mar 25):€272.70

▲ Price Target (Sep-26):€320.00

Prior (Jun-26):€300.00



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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 26E (€)	21.55	22.86

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	47	76	73	61	73
Growth	10	66	54	75	
Momentum	6		53	37	
Quality	65	5		18	
Low Vol	82	49	48	38	8
ESGQ	51	31	27	7	16

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	13.0%	6.4%	8.6%	13.2%
Rel	6.3%	7.8%	4.3%	6.6%

Company Data

Shares O/S (mn)	121
52-week range (€)	275.00-205.70
Market cap (\$ mn)	35,804.90
Exchange rate	0.92
Free float (%)	49.8%
3M ADV (mn)	0.10
3M ADV (\$ mn)	29.1
Volatility (90 Day)	20
Index	MSCI Europe
BBG ANR (Buy Hold Sell)	11 7 4

Key Metrics (FYE Dec)

in	FY24A	FY25E	FY26E	FY27E
Financial Estimates				
Operating profit - Life	-	-	-	-
Life Reinsurance Operating Profit	934	974	1,007	1,041
P&C Insurance Operating Profit	-	-	-	-
P&C Reinsurance Operating Profit	2,387	2,649	2,845	2,972
Other pre-tax operating profit	(108)	(102)	(102)	(102)
Pre Tax Operational Income	3,213	3,522	3,750	3,911
Adj. net income	2,329	2,589	2,757	2,875
Comprehensive Profit	2,677	3,102	3,193	2,814
Adj. EPS	19.31	21.46	22.86	23.84
Comprehensive EPS	22.20	25.72	26.48	23.33
DPS	9.00	9.50	10.00	10.50
BVPS	97.8	110.3	123.6	137.5
Comprehensive BVPS	147.91	164.63	181.61	194.94
Margins and Growth				
Adj. EPS growth	27.6%	11.2%	6.5%	4.3%
Comprehensive EPS growth	(0.2%)	15.9%	2.9%	(11.9%)
DPS growth	25.0%	5.6%	5.3%	5.0%
Ratios				
Primary P&C combined ratio (%)	-	-	-	-
Reinsurance P&C combined ratio (%)	86.6%	87.8%	87.9%	87.9%
Life New Business CSM	317	400	380	380
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	(14.8%)	(12.2%)	(11.6%)	(11.6%)
ROE	21.2%	20.6%	19.5%	18.3%
Comprehensive ROE	15.9%	16.5%	15.3%	12.4%
Debt leverage ratio	17.5%	16.0%	14.7%	13.8%
Valuation				
Dividend yield	3.3%	3.5%	3.7%	3.9%
P/ BV	2.8	2.5	2.2	2.0
Comprehensive P/BV	1.8	1.7	1.5	1.4

Summary Investment Thesis and Valuation

Investment Thesis

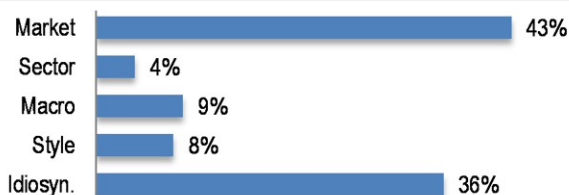
Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop.

- **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 14% 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 Sep-26 PT of €320.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.69	0.70
Sect: Financials	0.40	0.27
Ind: Insurance	0.57	0.55
Macro:		
Eurozone Exports	0.10	0.14
Eurozone CPI	0.07	-0.13
Citi Eco Surprise Eurozone	-0.11	-0.12
Quant Styles:		
Momentum	0.43	0.38
LowVol	0.27	0.35
Size	0.00	0.18

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

Hannover Re *(Overweight; Price Target: €320.00)*

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 14% 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 Sep-26 PT of €320.

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	3,063	1,960	850	-160	413
L&H	921	909	278	-180	-86
Consolidation	0	0	0	0	0
Other non-operating items	-102	0	0	-102	0
Pre-tax sustainable comprehensive profit FY24E	3,882	909	278	-180	-86
Tax	-971	Assume 25%			
Minorities and other	-58				
Sustainable comprehensive profit FY24E	2,854				
Comprehensive equity FY23E	19,854				
Sustainable comprehensive ROE	14.4%				
COE	8.1%				
g	0%				
Valuation price to Comp BV	1.8x				
Valuation FY23E	35,142				
Dividends / buybacks outstanding in 23E	1,146				
Valuation roll-forward	2,140				
Valuation	38,428				
NOSH mn	121				
Value per share €	318.6				
Target price €	320.0				

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	FY24A	FY25E	FY26E	FY27E	BALANCE SHEET	FY24A	FY25E	FY26E	FY27E
Divisional profit					Cash & Cash Equivalents	1,253	1,304	1,357	1,412
Life operating profit	-	-	-	-	Investments	63,283	65,853	68,526	71,309
Life reinsurance operating profit	934	974	1,007	1,041	Investment property	2,605	2,711	2,821	2,936
P&C operating profit	-	-	-	-	Goodwill	80	80	80	80
P&C reinsurance operating profit	2,387	2,649	2,845	2,972	Other intangibles	-	-	-	-
Other pre-tax profit	(108)	(102)	(102)	(102)	Other assets	1,357	1,412	1,469	1,529
					Total Assets	72,087	74,922	77,837	80,904
Consolidated P&L					Insurance liabilities	48,918	49,789	50,404	51,585
Insurance revenue	26,379	28,008	28,848	29,714	o/w CSM	8,163	8,935	9,412	9,406
Insurance service result	3,019	3,008	3,065	3,152	o/w Risk adjustment	4,004	4,075	4,103	4,177
Insurance net financial result	890	1,005	1,128	1,202	o/w PVCF	-	-	-	-
Interest expense	(104)	(102)	(102)	(102)	Investment contract liabilities	-	-	-	-
Other income and expenses	(591)	(390)	(340)	(340)	Senior debt	747	747	747	747
Total pre-tax profit	3,213	3,522	3,750	3,911	Subordinated debt	3,230	3,230	3,230	3,230
Income taxes	(817)	(880)	(938)	(978)	Other liabilities	2,905	3,199	3,762	3,841
Minority interest	-	-	-	-	Total Liabilities	59,439	60,616	61,799	63,070
Net income	2,329	2,589	2,757	2,875	Shareholders' equity	11,795	13,298	14,909	16,578
Pre Tax Operational Income	3,213	3,522	3,750	3,911	Preferred equity / hybrid capital	-	-	-	-
Adjusted Net income	2,329	2,589	2,757	2,875	Minority Interests	894	1,008	1,130	1,256
Comprehensive profit	2,677	3,102	3,193	2,814	Total Liabilities and Shareholder Equity	72,127	74,922	77,837	80,904
Adj. EPS	19.31	21.46	22.86	23.84	Comprehensive equity	17,837	19,854	21,901	23,509
Comprehensive EPS	22.20	25.72	26.48	23.33	Net CSM	6,122	6,636	7,073	7,012
DPS	9.00	9.50	10.00	10.50					
Ratio Analysis					Ratio Analysis				
Insurance margin	-	-	-	-	BVPS	97.8	110.3	123.6	137.5
Adj. EPS y/y Growth	27.6%	11.2%	6.5%	4.3%	Comprehensive BVPS	147.91	164.63	181.61	194.94
Comprehensive EPS y/y growth	(0.2%)	15.9%	2.9%	(11.9%)	ROE	21.2%	20.6%	19.5%	18.3%
DPS y/y Growth	25.0%	5.6%	5.3%	5.0%	Comprehensive ROE	15.9%	16.5%	15.3%	12.4%
Adj. P/E (x)	14.1	12.7	11.9	11.4	P/BV	2.8	2.5	2.2	2.0
Comprehensive P/E (x)	12.3	10.6	10.3	11.7	Comprehensive P/BV	1.8	1.7	1.5	1.4
Dividend Yield	3.3%	3.5%	3.7%	3.9%	Debt leverage ratio	17.5%	16.0%	14.7%	13.8%
P&C combined ratio	-	-	-	-					
Reinsurance P&C combined ratio	86.6%	87.8%	87.9%	87.9%					
Life new business CSM	317	400	380	380					
Life new business CSM margin	-	-	-	-					
CSM release ratio	(14.8%)	(12.2%)	(11.6%)	(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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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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