

## Munich Re

Updating estimates ahead of Q2 25

We update our model ahead of Munich Re's Q2 25 results on 8th August.

- Our 2025E net income increases 1% to €6.24bn**, mainly driven by P&C Re, where we adjust our Q2 large loss assumption to slightly lower than the budget. We assume 5.0% of catastrophe losses (vs 14% budget), given the benign period for nat cat activity, offset by a slightly higher than expected man-made loss assumption of 5%, which brings our 2Q25E combined ratio to 70.8%. We assume that there is a drag in the FX result of a similar magnitude to Q1 25, with the impact mainly seen in P&C Re and ERGO Germany. Our Solvency II ratio estimate is 289%, up from 285% at Q1, with positive operating movements offset by FX effects.
- Back on track towards its 2025E net income target of ~€6bn**. We expect Munich Re to deliver almost half of its net income guidance as of 1H25, based on our forecasts (JPMc €2.8bn). Even if there is volatility in H2, we would expect the company to deliver on its target given management's confidence in hitting the target at Q1, when Munich Re had delivered less than 20% of its 2025E target.

**Table 1: Munich Re - summary of estimate changes**

€ million

	New Q2 2025E	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	2,550	8,076	8,525	8,646	8,918	8,571	8,571	8,571	8,571	0%	0%	0%	0%
Total technical result	2,659	9,429	9,549	9,568	9,578	9,685	9,685	9,685	9,685	0%	0%	0%	0%
Investment result	1,909	6,779	7,272	7,564	7,837	6,624	7,272	7,564	7,837	2%	0%	0%	0%
Operating result	2,329	8,367	8,881	8,969	9,154	8,251	8,916	9,004	9,190	1%	0%	0%	0%
Net result	1,725	6,238	6,598	6,716	6,862	6,150	6,625	6,743	6,889	1%	0%	0%	0%
EPS	13.0	47.7	52.4	56.0	60.6	47.0	52.7	56.2	60.9	1%	0%	0%	0%
DPS		22.0	23.8	25.4	26.9	22.0	23.8	25.4	26.9	0%	0%	0%	0%
Operating result by divisions													
L&H Re	591	2,394	2,374	2,448	2,500	2,392	2,406	2,481	2,534	0%	-1%	-1%	-1%
P&C Re	1,226	3,303	4,185	4,091	4,126	3,900	4,188	4,095	4,128	1%	0%	0%	0%
GSI	178	567	680	745	743	555	680	745	757	2%	0%	0%	0%
ERGO Germany	180	804	1,046	1,036	1,019	848	1,046	1,036	1,019	7%	0%	0%	0%
ERGO International	154	571	596	649	767	557	596	649	767	3%	0%	0%	0%
P&C Re COR	70.8%	77.7%	80.2%	81.4%	81.9%	78.1%	80.2%	81.4%	81.9%	-0.3%	0.0%	0.0%	0.0%
GSI COR	89.0%	90.6%	89.9%	89.3%	89.5%	90.6%	89.9%	89.3%	89.5%	0.0%	0.0%	0.0%	0.0%

Source: J.P. Morgan estimates.

## Overweight

MUVGn.DE, MUV2 GR

Price (16 Jul 25):€572.20

Price Target (Dec-26):€650.00

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## Style Exposure

Quant Factors	%Rank	Current				Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y	6M	1Y	3Y	5Y
Value	34	72	67	50	38				
Growth	32	26	56	55					
Momentum	6	37	8	52	30				
Quality	54	11	10	22	25				
Low Vol	63	53	53	37	60				
ESGQ	9	8	4	15	10				

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



## Company Data

Shares O/S (mn)	129
52-week range (€)	615.80-414.90
Market cap (\$ mn)	85,598.40
Exchange rate	0.86
Free float (%)	100.0%
3M ADV (mn)	0.28
3M ADV (\$ mn)	187.1
Volatility (90 Day)	28
Index	MSCI Europe
BBG ANR (Buy   Hold   Sell)	6 11 5

## Key Metrics (FYE Dec)

	FY24A	FY25E	FY26E	FY27E
<b>Financial Estimates</b>				
Operating profit - Life	674	904	1,045	1,036
Life Reinsurance Operating Profit	2,038	2,394	2,374	2,448
P&C Insurance Operating Profit	612	1,139	1,276	1,393
P&C Reinsurance Operating Profit	4,674	3,931	4,185	4,091
Other pre-tax operating profit	(207)	(183)	(180)	(180)
Pre Tax Operational Income	7,790	8,184	8,701	8,789
Adj. net income	5,704	6,238	6,598	6,716
Comprehensive Profit	5,704	6,238	6,598	6,716
Adj. EPS	42.78	47.70	52.45	55.99
Comprehensive EPS	42.78	47.70	52.45	55.99
DPS	20.00	22.00	23.76	25.42
BVPS	247.4	261.5	278.4	298.4
Comprehensive BVPS	375.22	393.80	414.01	436.74
<b>Margins and Growth</b>				
Adj. EPS growth	26.3%	11.5%	9.9%	6.7%
Comprehensive EPS growth	26.3%	11.5%	9.9%	6.7%
DPS growth	33.3%	10.0%	8.0%	7.0%
<b>Ratios</b>				
Primary P&C combined ratio (%)	93.6%	90.6%	89.9%	89.3%
Reinsurance P&C combined ratio (%)	77.3%	77.7%	80.2%	81.4%
Life New Business CSM	2,315	1,674	1,165	1,181
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	6.7%	7.4%	7.5%	7.5%
ROE	18.3%	18.8%	19.2%	18.9%
Comprehensive ROE	12.1%	12.4%	12.9%	12.8%
Debt leverage ratio	11.3%	11.0%	10.8%	10.6%
<b>Valuation</b>				
Dividend yield	3.5%	3.8%	4.2%	4.4%
P/BV	2.3	2.2	2.1	1.9
Comprehensive P/BV	1.5	1.5	1.4	1.3

## Summary Investment Thesis and Valuation

### Investment Thesis

We do not see the Munich Re story being over, despite a softening reinsurance market. In our view, the next leg of the story for the stock is the next five-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 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

Market	35%
Sector	14%
Macro	8%
Style	3%
Idiosyn.	40%
<b>Factors</b>	
Market: MSCI Europe ex UK	0.54
Sect: Financials	0.65
Ind: Insurance	0.77
Macro:	
Euro	0.49
Citi Eco Surprise Eurozone	-0.15
Markit Eurozone Comp PMI	0.06
Quant Styles:	
LowVol	0.04
Momentum	-0.02
Growth	-0.29
	0.62
	0.45
	0.75
	0.31
	-0.13
	0.10
	0.25
	0.21
	-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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## Investment Thesis, Valuation and Risks

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

#### Investment Thesis

We do not see the Munich Re story being over, despite a softening reinsurance market. In our view, the next leg of the story for the stock is the next five-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 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.

**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	3,719	3,790	-	82.0%	595	1.10%	-666		
GSI	408	663	-	93.0%	77	0.50%	-332		
L&H Re	2,591	1,893	12.00%	-	663	4.20%	-170	205	
ERGO Germany	640	1,440	-	0.0%	300	0.25%	-800	-300	
ERGO International	0	0	0.00%	0.0%	0	0.00%	0	0	
<b>Pre-tax sustainable comprehensive profit FY26E</b>	<b>7,358</b>	<b>7,787</b>	-	-	<b>1,635</b>	-	<b>-1,969</b>	<b>-95</b>	-
Tax	-1,840	Assume 25%							
Minorities and other	0								
<b>Sustainable comprehensive profit FY26E</b>	<b>5,519</b>								
Comprehensive equity FY25E	50,783								
Sustainable comprehensive ROE	10.9%								
COE	7.7%								
g	0%								
<b>Valuation price to Comp BV</b>	<b>1.4x</b>								
<b>Valuation FY25E</b>	<b>72,141</b>								
Dividends / buybacks outstanding	5,327								
Valuation roll-forward	5,979								
<b>Valuation</b>	<b>83,447</b>								
NOSH mn	129								
Value per share €	649.4								
<b>Target price €</b>	<b>650.0</b>								

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	FY24A	FY25E	FY26E	FY27E	BALANCE SHEET	FY24A	FY25E	FY26E	FY27E
<b>Divisional profit</b>					Cash & Cash Equivalents	6,116	5,493	5,493	5,493
Life operating profit	674	904	1,045	1,036	Investments	214,857	217,934	224,646	231,611
Life reinsurance operating profit	2,038	2,394	2,374	2,448	Investment property	10,189	10,060	10,060	10,060
P&C operating profit	612	1,139	1,276	1,393	Goodwill	3,443	3,351	3,351	3,351
P&C reinsurance operating profit	4,674	3,931	4,185	4,091	Other intangibles	819	798	798	798
Other pre-tax profit	(207)	(183)	(180)	(180)	Other assets	29,447	29,959	30,485	31,030
					<b>Total Assets</b>	<b>286,442</b>	<b>289,387</b>	<b>297,042</b>	<b>304,986</b>
<b>Consolidated P&amp;L</b>					Insurance liabilities	222,269	224,904	231,871	239,101
Insurance revenue	60,830	63,557	66,775	69,748	o/w CSM	-	-	-	-
Insurance service result	8,219	8,818	8,529	8,648	o/w Risk adjustment	-	-	-	-
Insurance net financial result	1,443	1,086	1,980	2,004	o/w PVCF	-	-	-	-
Interest expense	(207)	(183)	(180)	(180)	Investment contract liabilities				
Other income and expenses	(1,665)	(1,536)	(1,629)	(1,684)	Senior debt				
<b>Total pre-tax profit</b>	<b>7,790</b>	<b>8,184</b>	<b>8,701</b>	<b>8,789</b>	Subordinated debt	6,321	6,320	6,320	6,320
Income taxes	(2,100)	(1,947)	(2,103)	(2,073)	Other liabilities	22,454	22,195	21,707	20,994
Minority interest	14	0	0	0	<b>Total Liabilities</b>	<b>253,541</b>	<b>255,487</b>	<b>261,967</b>	<b>268,484</b>
<b>Net income</b>	<b>5,704</b>	<b>6,238</b>	<b>6,598</b>	<b>6,716</b>	Shareholders' equity	32,797	33,727	34,902	36,329
<b>Pre Tax Operational Income</b>	<b>7,790</b>	<b>8,184</b>	<b>8,701</b>	<b>8,789</b>	Preferred equity / hybrid capital				
<b>Adjusted Net income</b>	<b>5,704</b>	<b>6,238</b>	<b>6,598</b>	<b>6,716</b>	Minority Interests	104	173	173	173
<b>Comprehensive profit</b>	<b>5,704</b>	<b>6,238</b>	<b>6,598</b>	<b>6,716</b>	<b>Total Liabilities and Shareholder Equity</b>	<b>286,442</b>	<b>289,387</b>	<b>297,042</b>	<b>304,986</b>
Adj. EPS	42.78	47.70	52.45	55.99	Comprehensive equity	49,739	50,783	51,898	53,173
Comprehensive EPS	42.78	47.70	52.45	55.99	Net CSM	21,100	21,151	20,972	20,821
DPS	20.00	22.00	23.76	25.42					
<b>Ratio Analysis</b>					<b>Ratio Analysis</b>				
Insurance margin	-	-	-	-	BVPS	247.4	261.5	278.4	298.4
Adj. EPS y/y Growth	26.3%	11.5%	9.9%	6.7%	Comprehensive BVPS	375.22	393.80	414.01	436.74
Comprehensive EPS y/y growth	26.3%	11.5%	9.9%	6.7%	ROE	18.3%	18.8%	19.2%	18.9%
DPS y/y Growth	33.3%	10.0%	8.0%	7.0%	Comprehensive ROE	12.1%	12.4%	12.9%	12.8%
Adj. P/E (x)	13.4	12.0	10.9	10.2	P/BV	2.3	2.2	2.1	1.9
Comprehensive P/E (x)	13.4	12.0	10.9	10.2	Comprehensive P/BV	1.5	1.5	1.4	1.3
Dividend Yield	3.5%	3.8%	4.2%	4.4%	Debt leverage ratio	11.3%	11.0%	10.8%	10.6%
P&C combined ratio	93.6%	90.6%	89.9%	89.3%					
Reinsurance P&C combined ratio	77.3%	77.7%	80.2%	81.4%					
Life new business CSM	2,315	1,674	1,165	1,181					
Life new business CSM margin	-	-	-	-					
CSM release ratio	6.7%	7.4%	7.5%	7.5%					

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

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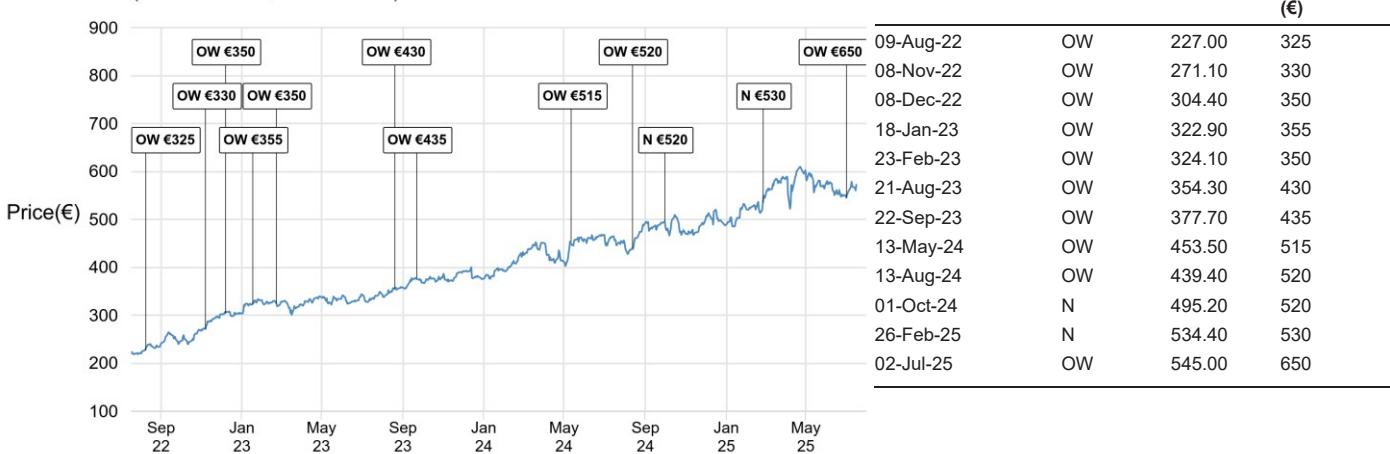
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Munich Re (MUVGn.DE, MUV2 GR) Price Chart



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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