

## Munich Re

**FY24 First Take - Capital returns increasing again, Wildfires to cost €1.2bn**

**Our Take:** Munich Re posted results for FY24 in line with expectations at the net income level. The big news yesterday was that the company increased its ordinary dividend to €20 per share up from the €15 that it paid at FY23 and increased the share buyback to €2bn. The dividend increase was well above sell-side expectations of ~€16.5 and also above dividend swap implied levels of ~€18 we believe. The increase is clearly attractive versus expectations but remains a 3.8% dividend yield based on last night's closing share price. The company does appear to have some flexibility going forward on capital returns with its HGB retained earnings of €9.1bn at FY24 prior to the €4.6bn capital return from the dividend and share buyback.

Munich Re expects the California wildfires to cost €1.2bn which given estimates elsewhere in the sector feels reasonable but clearly Q1 major losses will be above the budget for the company in our view. The normalised combined ratio for 2024 in P&C Re equated to the 82% guidance given at the beginning of the year, and the company is still guiding to a 79% combined ratio in P&C reinsurance and ~90% at GSI which will become its own reporting segment during 2025. The GSI combined ratio for 2024 was 93.6%, the second time in the last 3 years that this has been worse than the guidance of ~90% given for 2025. The January reinsurance renewals saw price declines of 0.6% and Munich Re reduced volumes 2.4%.

Overall it has been a strong end to the year for Munich Re with good capital returns relative to market expectations. However, despite this strong end to the year, we see limited scope for consensus earnings estimates to increase given: 1) the normalised combined ratio was in line with company expectations, 2) the California Wildfire claims based on the €1.2bn will exceed Munich Re's Q1 major loss budget and will need to be offset elsewhere, 3) ~€6bn net income guidance for 2025 has been reiterated.

- Noteworthy Areas:** **1) Capital returns announced last night:** dividend €20/share which is materially ahead of expectations (cons €16.5/JPMe €16) and SBB program raised to €2bn which is in line. **2) California wildfire losses** is estimated to be ~€1.2bn coming from P&C Re and GSI, which we see as reasonable given estimates elsewhere in the sector. **3) FY24 net income €5,671m** was 1% below cons. Total technical result was 1% better and investment result 2% below cons. **4) FY24 P&C combined ratio 82.4%** was 50bps better than cons, of which large losses were lower 14.3% vs cons 15.2%. Reserve releases as expected at -5%. Normalized COR was 82.0%, in line with guidance and vs cons 81.6%. In Q4, normalized COR was 86.6% which includes ~€0.5bn of additional reserve prudence. **5) L&H technical result** €2.1bn was 3% better and slightly ahead of guidance. **6) ERGO** net result totaled €791m in line with ~€0.8bn guidance. ERGO L&H result in particular was impacted by lower CSM release and a one-off. ERGO P&C COR 89.2% vs cons 88.8%. **7) Solvency ratio** was 287%, in line with JPMe and 3%pt

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

## Neutral

**MUVGn.DE, MUV2 GR**  
Price (25 Feb 25):€534.40  
Price Target (Jun-26):€520.00

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### Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	39	63	71	46	48
Growth	39	72	34	52	
Momentum	18		51	28	
Quality	61	11		26	
Low Vol	78	41	26	35	2
ESGQ	9	4	5	18	11

**See page 7 for analyst certification and important disclosures, including non-US analyst disclosures.**

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## Price Performance



## Company Data

Shares O/S (mn)	134
52-week range (€)	539.20-401.00
Market cap (\$ mn)	75,156.49
Exchange rate	0.95
Free float (%)	100.0%
3M ADV (mn)	0.26
3M ADV (\$ mn)	137.9
Volatility (90 Day)	22
Index	MSCI Europe
BVG ANR (Buy   Hold   Sell)	9 12 3

## Key Metrics (FYE Dec)

€ in millions	FY23A	FY24E	FY25E	FY26E
<b>Financial Estimates</b>				
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
<b>Margins and Growth</b>				
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%
<b>Ratios</b>				
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%
<b>Valuation</b>				
Dividend yield	2.8%	3.0%	3.2%	3.4%
P/BV	2.4	2.1	2.0	1.8
Comprehensive P/BV	1.6	1.4	1.3	1.3

## Summary Investment Thesis and Valuation

### Investment Thesis

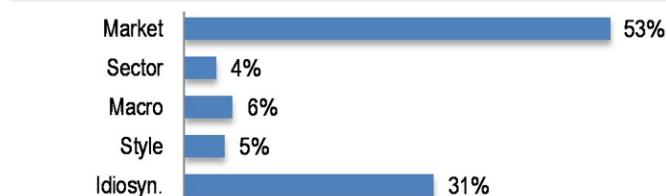
We see Munich Re as a reliable stock to own given its excellent track record. But with earnings trends now being reflected in estimates and the stock having re-rated in the last couple of years, we see limited near-term scope for further re-rating with a likely slowing in the reinsurance market in 2025. 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
<b>Market:</b> MSCI Europe ex UK	0.78	0.73
<b>Sect:</b> Financials	0.57	0.32
<b>Ind:</b> Insurance	0.74	0.72
<b>Macro:</b>		
Eurozone CPI	0.20	-0.25
Eurozone Exports	0.05	0.16
Germany Govt 10Y Yield	-0.18	-0.11
<b>Quant Styles:</b>		
LowVol	0.19	0.39
Momentum	0.53	0.32
Size	0.09	0.22

higher than cons. Adjusting the SBB, the ratio is ~276%. **8) Jan renewals:** premiums declined 2.4% due to portfolio management with risk-adjusted price change -0.6%.

- **Outlook & Guidance:** 2025 targets unchanged as outlined in December: net income ~ €6bn (BBG cons in line); new P&C Re standalone combined ratio ~79% and GSI ~90%; L&H technical result ~€1.7bn; P&C Germany combined ratio ~89% ; ERGO International ~90%; Insurance revenue ~€64bn.
- **Likely changes to consensus:** With guidance unchanged and consensus already at ~ €6.0bn for 2025 we do not see any catalysts for consensus upgrades at this stage.
- **Peer read across:** Readacross on California wildfire impact to peers - losses do not look outsized compared to estimates we have seen so far in the sector.
- **Valuation:** Munich Re trades at 2.1x 2025E P/B vs European reinsurance peers at 1.9x average (BBG).
- **Conference Call Details:** 10am UK time. Pre-register [here](#).

#### Actual vs Expected:

**Table 1: Munich Re - FY24 results**

€ million

	Actual FY 2024A	Cons FY 2024E	JPM <sup>e</sup> FY 2024E	Actual FY 2023	vs cons	vs JPM <sup>e</sup>	vs YoY
Insurance revenue	60,830	61,200	61,618	57,884	-1%	-1%	5%
Total technical result	8,918	8,869	8,814	7,545	1%	1%	18%
Investment result	7,191	7,311	7,192	5,374	-2%	0%	34%
Operating result	7,969	7,731	7,766	5,702	3%	3%	40%
<b>Net result</b>	<b>5,671</b>	<b>5,704</b>	<b>5,709</b>	<b>4,597</b>	<b>-1%</b>	<b>-1%</b>	<b>23%</b>
DPS	20.0	16.5	16.1	15.0	21%	25%	33%
<b>Operating result by divisions</b>							
L&H Re	2,228	2,334	2,406	1,686	-5%	-7%	32%
P&C Re	4,727	4,268	4,238	3,052	11%	12%	55%
ERGO L&H	217	306	255	197	-29%	-15%	10%
ERGO P&C	428	431	417	397	-1%	3%	8%
ERGO International	369	392	450	370	-6%	-18%	0%
P&C Re COR	82.4%	82.9%	83.2%	85.2%	-0.5%	-0.8%	-2.8%
Large losses	14.3%	15.2%	15.9%	12.6%	-0.9%	-1.6%	1.7%
Reserve releases	-5.0%	-5.0%	-5.0%	-5.1%	0.0%	0.0%	0.1%
Change in loss component	0.0%	0.1%	0.5%	0.2%	-0.1%	-0.5%	-0.2%
Discounting	-8.0%	-7.9%	-8.1%	-7.7%	-0.1%	0.1%	-0.3%
ERGO P&C COR	89.2%	88.8%	88.6%	88.9%	0.4%	0.6%	0.3%
<b>Sol II ratio</b>	<b>287%</b>	<b>284%</b>	<b>287%</b>		<b>3%</b>	<b>0%</b>	

Source: Company reports, company consensus and J.P. Morgan estimates.

## 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	
<b>Pre-tax sustainable comprehensive profit FY26E</b>	<b>6,443</b>	<b>7,745</b>	-	-	<b>6,054</b>	-	<b>-7,159</b>	<b>-198</b>	-
Tax	-1,611	Assume 25%							
Minorities and other	0								
<b>Sustainable comprehensive profit FY26E</b>	<b>4,832</b>								
Comprehensive equity FY25E	50,261								
Sustainable comprehensive ROE	9.6%								
COE	8.2%								
g	0%								
<b>Valuation price to Comp BV</b>	<b>1.2x</b>								
<b>Valuation FY25E</b>	<b>58,605</b>								
Dividends / buybacks outstanding	4,152								
Valuation roll-forward	2,819								
<b>Valuation</b>	<b>65,575</b>								
NOSH mn	127								
Value per share €	518.3								
<b>Target price €</b>	<b>520.0</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	FY23A	FY24E	FY25E	FY26E	BALANCE SHEET	FY23A	FY24E	FY25E	FY26E
<b>Divisional profit</b>									
Life operating profit	566	704	861	867	Cash & Cash Equivalents	5,595	6,524	6,524	6,524
Life reinsurance operating profit	1,686	2,406	2,357	2,379	Investments	200,715	210,289	218,258	225,079
P&C operating profit	397	417	593	596	Investment property	9,384	9,817	9,817	9,817
P&C reinsurance operating profit	3,052	4,238	4,539	4,558	Goodwill	3,184	3,304	3,304	3,304
Other pre-tax profit	(168)	(214)	(261)	(261)	Other intangibles	1,028	882	882	882
					Other assets	30,616	28,252	28,858	29,377
					<b>Total Assets</b>	<b>273,793</b>	<b>281,298</b>	<b>290,372</b>	<b>298,140</b>
<b>Consolidated P&amp;L</b>									
Insurance revenue	57,884	61,618	63,900	66,280	Insurance liabilities	214,153	221,012	229,387	236,557
Insurance service result	7,045	8,194	8,341	8,719	o/w CSM	-	-	-	-
Insurance net financial result	507	1,098	1,878	1,531	o/w Risk adjustment	-	-	-	-
Interest expense	(168)	(214)	(261)	(261)	o/w PVCF	-	-	-	-
Other income and expenses	(1,850)	(1,527)	(1,870)	(1,850)	Investment contract liabilities	0	0	0	0
<b>Total pre-tax profit</b>	<b>5,534</b>	<b>7,552</b>	<b>8,088</b>	<b>8,139</b>	Senior debt	300	200	200	200
Income taxes	(936)	(1,843)	(2,041)	(2,055)	Subordinated debt	4,713	6,211	6,211	6,211
Minority interest	9	-	-	-	Other liabilities	22,178	18,487	18,211	16,924
<b>Net income</b>	<b>4,597</b>	<b>5,709</b>	<b>6,047</b>	<b>6,084</b>	<b>Total Liabilities</b>	<b>244,021</b>	<b>248,310</b>	<b>256,409</b>	<b>262,292</b>
<b>Pre Tax Operational Income</b>	<b>5,534</b>	<b>7,552</b>	<b>8,088</b>	<b>8,139</b>	Shareholders' equity	29,650	32,867	33,842	35,728
<b>Adjusted Net income</b>	<b>4,597</b>	<b>5,709</b>	<b>6,047</b>	<b>6,084</b>	Preferred equity / hybrid capital	0	0	0	0
<b>Comprehensive profit</b>	<b>5,158</b>	<b>7,561</b>	<b>5,878</b>	<b>5,933</b>	Minority Interests	122	120	120	120
Adj. EPS	33.88	42.79	46.95	48.98	<b>Total Liabilities and Shareholder Equity</b>	<b>273,793</b>	<b>281,298</b>	<b>290,372</b>	<b>298,140</b>
Comprehensive EPS	38.01	56.68	45.63	47.77	Comprehensive equity	44,766	49,335	50,141	51,875
DPS	15.00	16.05	17.01	18.03	Net CSM	19,200	20,576	20,407	20,256
<b>Ratio Analysis</b>									
Insurance margin	-	-	-	-	<b>Ratio Analysis</b>				
Adj. EPS y/y Growth	-	26.3%	9.7%	4.3%	BVPS	218.5	250.7	267.5	293.1
Comprehensive EPS y/y growth	-	49.1%	(19.5%)	4.7%	Comprehensive BVPS	330.78	370.20	397.29	426.50
DPS y/y Growth	29.3%	7.0%	6.0%	6.0%	ROE	16.2%	18.3%	18.1%	17.5%
Adj. P/E (x)	15.8	12.5	11.4	10.9	Comprehensive ROE	12.1%	16.1%	11.8%	11.6%
Comprehensive P/E (x)	14.1	9.4	11.7	11.2	P/BV	2.4	2.1	2.0	1.8
Dividend Yield	2.8%	3.0%	3.2%	3.4%	Comprehensive P/BV	1.6	1.4	1.3	1.3
P&C combined ratio	88.9%	88.6%	88.8%	88.8%	Debt leverage ratio	10.0%	11.5%	11.3%	11.0%
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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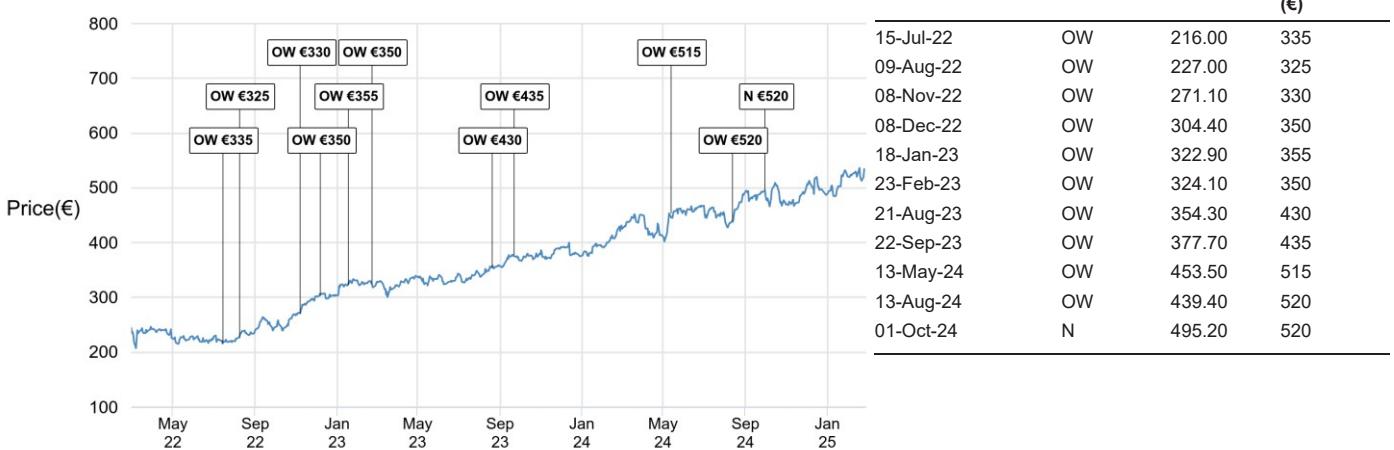
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Munich Re (MUVGn.DE, MUV2 GR) Price Chart



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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	Overweight (buy)	Neutral (hold)	Underweight (sell)
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