

Munich Re

Updating estimates post 2Q25

We update our forecasts following Munich Re's 2Q25 results, and our 2025E net income remains broadly stable at €6.2bn vs the company's ~€6.0bn guidance. Our 2025E estimates increase in P&C Re and GSI to reflect the stronger-than-expected Q2 combined ratios, although this is offset by the L&H Re and ERGO International units. For FY25E, our combined ratio assumptions are 76.8% in P&C Re, or 79.8% on a normalized basis (vs ~79% guidance) and 88.4% in GSI (vs ~90% guidance). We also lower our 2025E group insurance revenue to €61.9bn, in line with the updated ~€62bn guidance due to FX. This also impacts our 2026/27E estimates which reduce 2%/1%, respectively. We maintain our PT of €650 but move our end date to Mar-27 (Dec-26).

Table 1: Munich Re - summary of estimate changes

€ million

	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	8,932	8,313	8,431	8,694	8,818	8,529	8,648	8,918	1%	-3%	-3%	-3%
Total technical result	9,467	8,953	9,091	9,354	9,426	9,160	9,308	9,578	0%	-2%	-2%	-2%
Investment result	6,867	7,173	7,462	7,731	6,779	7,272	7,564	7,837	1%	-1%	-1%	-1%
Operating result	8,466	8,775	8,910	9,140	8,367	8,881	8,969	9,154	1%	-1%	-1%	0%
Net result	6,224	6,493	6,668	6,850	6,238	6,598	6,716	6,882	0%	-2%	-1%	0%
EPS	47.6	51.6	55.6	60.5	47.7	52.4	56.0	60.6	0%	-2%	-1%	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	2,224	2,379	2,454	2,506	2,394	2,374	2,448	2,500	-7%	0%	0%	0%
P&C Re	4,181	4,146	3,984	4,022	3,931	4,185	4,091	4,126	6%	-1%	-3%	-3%
GSI	673	667	745	744	567	680	745	743	19%	-2%	0%	0%
ERGO Germany	912	1,093	1,105	1,090	904	1,045	1,036	1,019	1%	5%	7%	7%
ERGO International	477	490	622	778	571	596	649	767	-17%	-18%	-4%	2%
P&C Re COR	76.8%	80.2%	81.4%	81.9%	77.7%	80.2%	81.4%	81.9%	-0.9%	0.0%	0.0%	0.0%
GSI COR	88.4%	89.9%	89.3%	89.5%	90.6%	89.9%	89.3%	89.5%	-2.2%	0.0%	0.0%	0.0%
ERGO Germany COR	89.0%	89.0%	89.0%	89.0%	88.9%	89.0%	89.0%	89.0%	0.0%	0.0%	0.0%	0.0%

Source: J.P. Morgan estimates.

Overweight

MUVGn.DE, MUV2 GR

Price (08 Sep 25): €532.00

Price Target (Mar-27): €650.00

European Insurance

Kamran M Hossain ^{AC}

(44-20) 3493-3780

kamran.hossain@jpmorgan.com

Nadia Claressa

(44-20) 7134-7613

nadia.claressa@jpmorgan.com

Farooq Hanif

(44 207) 742-8091

farooq.hanif@jpmorgan.com

Bingdi Fan, CFA

(44-20) 7742-5336

bingdi.fan@jpmorgan.com

J.P. Morgan Securities plc

Specialist Sales contact details:

Gigi Sparling - Specialist Sales - European Financials

(44-20) 7134-0355

ghislaine.sparling@jpmorgan.com

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	37	72	67	50	38
Growth	32	26	56	55	
Momentum	3	37	8	52	30
Quality	54	11	10	22	25
Low Vol	65	53	53	37	60
ESGQ	7	8	4	15	10

Sources for: Style Exposure – J.P. Morgan Global Markets 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 (€)	615.80-457.00
Market cap (\$ mn)	80,417.88
Exchange rate	0.85
Free float (%)	100.0%
3M ADV (mn)	0.22
3M ADV (\$ mn)	146.9
Volatility (90 Day)	23
Index	MSCI Europe
BBG ANR (Buy Hold Sell)	7 10 5

Key Metrics (FYE Dec)

€ in millions	FY24A	FY25E	FY26E	FY27E
Financial Estimates				
Operating profit - Life	674	912	1,093	1,105
Life Reinsurance Operating Profit	2,038	2,224	2,379	2,454
P&C Insurance Operating Profit	612	1,150	1,157	1,368
P&C Reinsurance Operating Profit	4,674	4,181	4,146	3,984
Other pre-tax operating profit	(207)	(184)	(180)	(180)
Pre Tax Operational Income	7,790	8,283	8,595	8,730
Adj. net income	5,704	6,225	6,493	6,668
Comprehensive Profit	5,704	6,225	6,493	6,668
Adj. EPS	42.78	47.60	51.53	55.30
Comprehensive EPS	42.78	47.60	51.53	55.30
DPS	20.00	22.00	23.76	25.42
BVPS	247.4	250.6	267.2	286.8
Comprehensive BVPS	375.22	385.99	406.02	428.55
Margins and Growth				
Adj. EPS growth	26.3%	11.3%	8.3%	7.3%
Comprehensive EPS growth	26.3%	11.3%	8.3%	7.3%
DPS growth	33.3%	10.0%	8.0%	7.0%
Ratios				
Primary P&C combined ratio (%)	93.6%	88.4%	89.9%	89.3%
Reinsurance P&C combined ratio (%)	77.3%	76.8%	80.2%	81.4%
Life New Business CSM	2,315	2,143	1,190	1,207
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	6.7%	7.3%	7.5%	7.5%
ROE	18.3%	19.1%	19.7%	19.5%
Comprehensive ROE	12.1%	12.5%	12.9%	12.9%
Debt leverage ratio	11.3%	10.9%	10.7%	10.4%
Valuation				
Dividend yield	3.8%	4.1%	4.5%	4.8%
P/ BV	2.2	2.1	2.0	1.9
Comprehensive P/BV	1.4	1.4	1.3	1.2

Summary Investment Thesis and Valuation

Investment Thesis

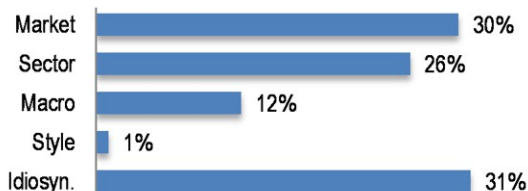
We do not see the Munich Re story being over, despite a softening reinsurance market. In our view, the next leg of the story for the stock is the next five-year strategic plan, where we expect the company to deliver improved earnings and higher ROE, and for capital returns to surprise positively. The 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 Mar-27 PT of €650.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.45	0.59
Sect: Financials	0.68	0.59
Ind: Insurance	0.78	0.78
Macro:		
Euro	0.41	0.32
Citi Eco Surprise Eurozone	-0.13	-0.15
Markit Eurozone Comp PMI	0.20	0.09
Quant Styles:		
Momentum	0.14	0.23
Quality	-0.35	-0.22
Growth	-0.28	-0.18

Source: J.P. Morgan Global Markets 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 Mar-27 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	3,512	3,533	-	82.0%	587	1.15%	-608		
GSI	460	715	-	92.0%	63	0.50%	-319		
L&H Re	2,217	1,578	10.00%	-	600	3.80%	-170	209	
ERGO Germany	640	1,440	-	-	300	0.25%	-800	-300	
ERGO International	590	716	-	-	270	0.00%	-360	-36	
Pre-tax sustainable comprehensive profit FY26E	7,419	7,982	-	-	1,820	-	-2,256	-127	-
Tax	-1,855	Assume 25%							
Minorities and other	0								
Sustainable comprehensive profit FY26E	5,564								
Comprehensive equity FY25E	49,776								
Sustainable comprehensive ROE	11.2%								
COE	7.8%								
g	0%								
Valuation price to Comp BV	1.4x								
Valuation FY25E	71,336								
Dividends / buybacks outstanding	5,327								
Valuation roll-forward	6,955								
Valuation	83,618								
NOSH mn	129								
Value per share €	650.7								
Target price €	650.0								

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	FY24A	FY25E	FY26E	FY27E	BALANCE SHEET	FY24A	FY25E	FY26E	FY27E
Divisional profit					Cash & Cash Equivalents	6,116	5,323	5,323	5,323
Life operating profit	674	912	1,093	1,105	Investments	214,857	216,265	222,927	229,840
Life reinsurance operating profit	2,038	2,224	2,379	2,454	Investment property	10,189	9,760	9,760	9,760
P&C operating profit	612	1,150	1,157	1,368	Goodwill	3,443	3,181	3,181	3,181
P&C reinsurance operating profit	4,674	4,181	4,146	3,984	Other intangibles	819	770	770	770
Other pre-tax profit	(207)	(184)	(180)	(180)	Other assets	29,447	28,855	29,358	29,879
					Total Assets	286,442	285,689	293,276	301,148
Consolidated P&L					Insurance liabilities	222,269	224,904	231,871	239,101
Insurance revenue	60,830	61,898	64,653	67,517	o/w CSM	-	-	-	-
Insurance service result	8,219	8,932	8,313	8,431	o/w Risk adjustment	-	-	-	-
Insurance net financial result	1,443	1,067	2,079	2,103	o/w PVCF	-	-	-	-
Interest expense	(207)	(184)	(180)	(180)	Investment contract liabilities				
Other income and expenses	(1,665)	(1,533)	(1,616)	(1,625)	Senior debt				
Total pre-tax profit	7,790	8,283	8,595	8,730	Subordinated debt	6,321	6,109	6,109	6,109
Income taxes	(2,100)	(2,059)	(2,102)	(2,062)	Other liabilities	22,454	20,475	19,922	19,138
Minority interest	14	1	0	0	Total Liabilities	253,541	253,188	259,603	266,049
Net income	5,704	6,225	6,493	6,668	Shareholders' equity	32,797	32,322	33,494	34,921
Pre Tax Operational Income	7,790	8,283	8,595	8,730	Preferred equity / hybrid capital				
Adjusted Net income	5,704	6,225	6,493	6,668	Minority Interests	104	179	179	179
Comprehensive profit	5,704	6,225	6,493	6,668	Total Liabilities and Shareholder Equity	286,442	285,689	293,276	301,148
Adj. EPS	42.78	47.60	51.53	55.30	Comprehensive equity	49,739	49,776	50,896	52,176
Comprehensive EPS	42.78	47.60	51.53	55.30	Net CSM	21,100	21,349	21,174	21,028
DPS	20.00	22.00	23.76	25.42					
Ratio Analysis					Ratio Analysis				
Insurance margin	-	-	-	-	BVPS	247.4	250.6	267.2	286.8
Adj. EPS y/y Growth	26.3%	11.3%	8.3%	7.3%	Comprehensive BVPS	375.22	385.99	406.02	428.55
Comprehensive EPS y/y growth	26.3%	11.3%	8.3%	7.3%	ROE	18.3%	19.1%	19.7%	19.5%
DPS y/y Growth	33.3%	10.0%	8.0%	7.0%	Comprehensive ROE	12.1%	12.5%	12.9%	12.9%
Adj. P/E (x)	12.4	11.2	10.3	9.6	P/BV	2.2	2.1	2.0	1.9
Comprehensive P/E (x)	12.4	11.2	10.3	9.6	Comprehensive P/BV	1.4	1.4	1.3	1.2
Dividend Yield	3.8%	4.1%	4.5%	4.8%	Debt leverage ratio	11.3%	10.9%	10.7%	10.4%
P&C combined ratio	93.6%	88.4%	89.9%	89.3%					
Reinsurance P&C combined ratio	77.3%	76.8%	80.2%	81.4%					
Life new business CSM	2,315	2,143	1,190	1,207					
Life new business CSM margin	-	-	-	-					
CSM release ratio	6.7%	7.3%	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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Munich Re (MUVGn.DE, MUV2 GR) Price Chart



Date	Rating	Price (€)	Price Target (€)
08-Nov-22	OW	271.10	330
08-Dec-22	OW	304.40	350
18-Jan-23	OW	322.90	355
23-Feb-23	OW	324.10	350
21-Aug-23	OW	354.30	430
22-Sep-23	OW	377.70	435
13-May-24	OW	453.50	515
13-Aug-24	OW	439.40	520
01-Oct-24	N	495.20	520
26-Feb-25	N	534.40	530
02-Jul-25	OW	545.00	650

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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