

Hannover Re

4Q24 First Take - Good underlying, dividend/S2 not as strong as expected

Healthy underlying P&C trends allowed for more buffer building, and FY25 outlook has been unchanged. Dividend of €9/share came in line with 45-50% payout and Street expectations, but we've expected a stronger uplift to €9.7.

Hannover Re will host a conference call at 2 PM CET / 1 PM London time, registration line on company's website.

Full set of 4Q24 results show **dividend** increased by 25% to €9.0/share, in line with consensus at €8.94 but below our €9.70/share expectation. Group net income and divisional/group EBIT were pre-announced earlier with 1/1 renewals call. 4Q24 **net income** of €504m came 8% below original consensus but 12% above pre-announced number (due to rounding), while **EBIT** of €560m was 13% ahead of original consensus. EBIT beat was driven by **P&C** that delivered an 82.5% **combined ratio** (1.1pp lower than Barclays, 5.1pp lower than consensus) on the back of **lower large losses** (8.4% vs 9.2% Barclays estimate, 2.4pp better than budget). Management indicates they were able to add more to reserve buffer in 4Q24, including on current underwriting year. Overall reserve redundancy will be disclosed with 1Q25, but the €2,057m FY23 number should grow at least in line with overall P&C reserves that grew by 12%. **L&H EBIT** of €218m came 17% ahead of Barclays estimate but 8% below consensus, while reinsurance service result was in line with expectations and ahead of FY guidance. **Investment result** was 13% ahead, helped by stronger regular income and some writebacks of impairments on invested assets such as real estate.

Solvency 2 ratio has missed estimates, coming at 261% vs consensus at 264%, Barclays estimate of 269%, powered by a relatively strong 14% increase in capital requirement in 2024. We note a visible 12-17% increase in 1:200 PMLs, including to 15.0% from 12.8% of eligible own funds for Atlantic hurricane. The S2 ratio was only up 1pp QoQ post dividend, which at 47% payout ratio came in the middle of 45-50% company outline.

Hannover Re has reiterated **FY25 guidance** with net income at €2.4bn+ (Barclays €2,571m, Bloomberg consensus €2,477m), <88% P&C COR%. €875m+ L&H reinsurance service result at 3.2%+ ROI.

First Look

HNRGn.DE/HNR1 GR	UNDERWEIGHT
European Insurance	POSITIVE
Price Target	EUR 220.00
Price (12-Mar-25)	EUR 272.10
Potential Upside/Downside	-19.1%

Source: Bloomberg, Barclays Research

European Insurance

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FIGURE 1. Hannover Re 4Q24 results - actuals vs estimates

EUR m	Actuals								4Q24E			Beat (+) / Miss (-) vs		
	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Cons	Barc	Pre-announced	Cons	Barc	4Q23	
Group														
Reinsurance revenue (gross)	5,702	6,242	5,942	6,673	6,244	6,785	6,678	6,313	6,269	6,699	5.8%	6.5%	12.4%	
Reinsurance service result (net)	510	483	97	720	691	718	889	688	805		29.1%	10.4%	818.2%	
Reinsurance finance result	-176	260	-278	-261	-238	-284	-331	-270	-240		-22.9%	-37.9%	19.2%	
Investment income	470	415	323	498	511	436	560	496	556		12.9%	0.7%	73.5%	
EBIT	632	484	134	811	847	791	869	801	1,012	852	8.5%	-14.1%	546.5%	
Net income (after minorities)	476	439	425	585	603	663	504	547	621	449	-7.8%	-18.8%	18.6%	
Shareholders' equity	9,257	9,574	10,127	10,877	10,666	11,142	11,795	11,900	12,073		-0.9%	-2.3%	16.5%	
Solvency 2 ratio	270%	270%	269%	267%	276%	260%	261%	264%	269%		-2.8ppt	-8.0ppt	-8.5ppt	
P&C														
Reinsurance revenue (gross)	3,765	4,371	4,088	4,743	4,356	4,840	4,726	4,421	4,399		6.9%	7.4%	15.6%	
Reinsurance service result (net)	283	287	-36	509	454	498	674	469	588		43.8%	14.7%	-195.5%	
EBIT	363	279	-9	629	532	576	650	562	815	663	15.7%	-20.2%	-729.4%	
COR	90.8%	92.2%	101.1%	88.0%	87.6%	88.0%	82.5%	87.6%	83.6%		5.1ppt	1.1ppt	18.6ppt	
Life														
Reinsurance revenue (gross)	1,938	1,870	1,854	1,929	1,888	1,945	1,952	1,892	1,870		3.2%	4.4%	5.3%	
Reinsurance service result (net)	228	196	133	211	237	220	215	219	217		-2.2%	-1.1%	61.2%	
EBIT	271	206	141	181	320	215	218	236	186	184	-7.6%	17.3%	54.6%	
EPS (€)	3.94	3.64	3.53	4.85	5.00	5.50	4.18	4.54	5.15		-7.8%	-18.8%	18.6%	
DPS (€)	0.00	0.00	7.20	0.00	0.00	0.00	9.00	8.94	9.70		0.6%	-7.2%	25.0%	
BVPS (€)	76.76	79.39	83.97	90.19	88.44	92.38	97.80	98.67	100.11		-0.9%	-2.3%	16.5%	

Source: Company data, company collected consensus, Barclays Research estimates

Analyst(s) Certification(s):

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Hannover Re (HNRGn.DE, 12-Mar-2025, EUR 272.10), Underweight/Positive, CD/J/K/M/N

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Aegon Ltd (AEGN.AS)

Ageas N.V. (AGES.BR)

Allianz SE (ALVG.DE)

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AVIVA plc (AV.L)

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Beazley (BEZG.L)

Direct Line Insurance Group (DLGD.L)

Generali (GASI.MI)

Gjensidige Forsikring ASA (GJFS.OL)

Hannover Re (HNRGn.DE)

Hiscox Ltd. (HSX.L)

Just Group (JUSTJ.L)

Lancashire Holdings (LRE.L)

Legal & General (LGEN.L)	M&G plc (MNG.L)	Mapfre (MAP.MC)
Munich RE (MUVGn.DE)	NN (NN.AS)	Old Mutual Ltd (OMU.L)
Phoenix (PHNX.L)	Prudential Plc (PRU.L)	Sabre Insurance Group Plc (SBRE.L)
Sampo (SAMPO.HE)	Sanlam Ltd (SLMJ.J)	SCOR (SCOR.PA)
St. James's Place (SJP.L)	Swiss Life (SLHN.S)	Swiss Re (SRENH.S)
Tryg (TRYG.CO)	Unipol (UNPI.MI)	Zurich Insurance Group AG (ZURN.S)

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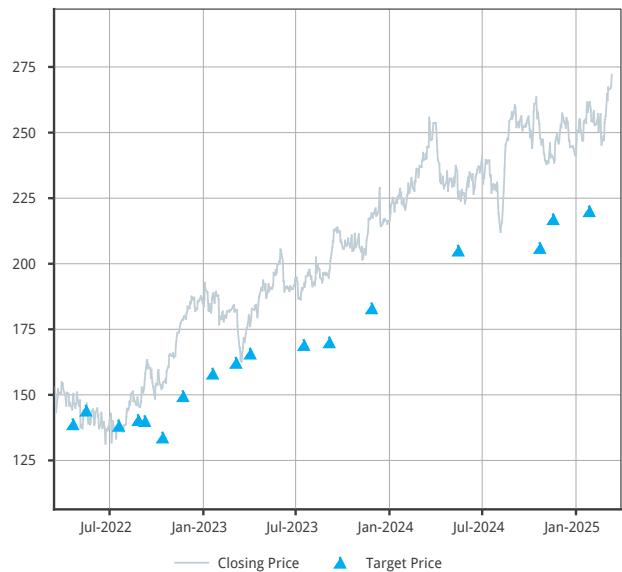
Stock Rating: **UNDERWEIGHT**

Industry View: **POSITIVE**

Closing Price: **EUR 272.10** (12-Mar-2025)

Rating and Price Target Chart - EUR (as of 12-Mar-2025)

Currency=EUR



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
27-Jan-2025	257.80		220.00
17-Nov-2024	241.10		217.00
22-Oct-2024	253.20		206.00
15-May-2024	224.80		205.00
27-Nov-2023	217.30		183.00
05-Sep-2023	196.20		170.00
17-Jul-2023	189.80		169.00
03-Apr-2023	177.75		165.70
06-Mar-2023	181.70		162.20
19-Jan-2023	183.35		158.10
22-Nov-2022	177.75		149.50
13-Oct-2022	153.80		133.70
08-Sep-2022	152.80		140.00
26-Aug-2022	146.75		140.40
19-Jul-2022	138.80		138.20
16-May-2022	144.35		144.00
20-Apr-2022	144.40		138.80

On 13-Mar-2022, prior to any intra-day change that may have been published, the rating for this security was Underweight, and the adjusted price target was 145.70.

Source: Bloomberg, Barclays Research

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Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Hannover Re, like most reinsurers, is substantially exposed to natural catastrophe and underwriting risk and to the risk of claims inflation – yet a more benign cat experience may benefit earnings, while lower-than-expected inflation can result in reserve releases. It also has interest rate risk, although loss of assets and liabilities are duration- and currency-matched. In addition, Hannover Re has implemented an interest rate hedging programme to provide some protection from a sustained low interest rate environment. These risks are offset by a very strong capital position and long management track record of conservative underwriting, which creates a reserve cushion that could be utilised to smooth earnings volatility. We believe Hannover Re should be able to generate enough earnings to sustain a high and modestly growing dividend payout ratio.

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