

Munich Re

Ambition 2030 - Aiming for >8% EPS growth to 2030 with >80% payout

Our Take: Munich Re released a short announcement with some of the key headlines ahead of its Investor Day scheduled for tomorrow. At first read the headlines look encouraging, with >8% EPS growth out to 2030 looking attractive, particularly with Munich Re trading at a discount to Allianz for 7-9% EPS growth. We would caution however that the details released on the plan tomorrow will be crucial in winning the support of the market in our view. When compared to other recent IR days in insurance, we believe that the headlines are supportive, but the devil will be in the details tomorrow.

The plan will run from 2026 to 2030, a longer time period than we had envisaged given the current softening in the P&C reinsurance market. In this timeframe, the company is aiming to increase EPS by more than 8% on average. Our current forecasts look for 8% average EPS growth from 2027-2028 and therefore we think that it is a pleasing development that the company is comfortable guiding for a reasonably long time-frame when compared to the current plans (3-year plans) of European composite peers.

Ambition 2030 targets a ROE above 18% with a payout ratio above 80% and a Solvency II ratio above 200%. In our forecasts, we assumed that Munich Re would deliver a ROE above 18% and pay out more than 90% of earnings over 2026-28E with EPS growing 8%. This implies that Munich Re expects the underlying business to perform slightly better than we had expected. The 2026 guidance of €6.3bn is less than 1% below consensus of €6.35bn and represents 5% net income growth on the 2025 target of €6bn. If we add in our current share buyback forecast for FY25 of €2.5bn, this would allow Munich Re to hit the more than 8% EPS target in the first year of the plan.

- **Noteworthy Areas:**

New Ambition 2030 targets: **1) ROE:** By end of 2030, group ROE is expected to lie above 18% (JPMe 2028E 19%, we had expected the next strategic target to be in the 16-18% range). **2) EPS** to grow annually by >8% on average (JPMe 2027-28E EPS growth 8% average). **3) Total payout ratio** is expected to be >80% per year (vs JPMe ~90-100% total payout for 2026-28E). **4) Solvency II ratio** >200% (vs 175-220% old range, last S2 ratio 293% at Q3).

2026 guidance: **1) Net income target** €6.3bn vs BBG cons €6.35bn. **2) Group insurance revenue** €64bn and ROI >3.5%. **3) Profit by segment:** Reinsurance net profit €5.4bn (vs company consensus €5.2bn) and ERGO net profit €0.9bn (vs cons €1.0bn). **4) Within reinsurance:** P&C Re combined ratio 80% (in line with JPMe) and GSI combined ratio 90% (also in line with JPMe). L&H total technical result €1.9bn (in line with JPMe). **5) At ERGO,** combined ratio guidance is 89% at both ERGO Germany and International.

- **Likely changes to consensus:** Based on the release this afternoon, we would

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

Overweight

MUVGn.DE, MUV2 GR
 Price (09 Dec 25): €540.40
Price Target (Dec-27): €655.00

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Style Exposure

Quant	Current	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Factors	%Rank	80	78	62	48
Value	32	24	68	66	
Growth	34	32	57	47	79
Momentum	22	13	13	22	24
Quality	52	38	27	16	51
Low Vol	65	3	11	3	23
ESGQ	26				

Price Performance



Company Data

Shares O/S (mn)	124
52-week range (€)	615.80-475.10
Market cap (\$ mn)	77,596.40
Exchange rate	0.86
Free float (%)	100.0%
3M ADV (mn)	0.24
3M ADV (\$ mn)	149.0
Volatility (90 Day)	21
Index	MSCI Europe
BBG ANR (Buy Hold Sell)	8 11 4

Key Metrics (FYE Dec)

€ in millions	FY24A	FY25E	FY26E	FY27E
Financial Estimates				
Operating profit - Life	674	782	1,086	1,100
Life Reinsurance Operating Profit	2,038	2,028	2,387	2,462
P&C Insurance Operating Profit	612	1,514	1,148	1,359
P&C Reinsurance Operating Profit	4,674	4,877	4,093	3,937
Other pre-tax operating profit	(207)	(189)	(180)	(180)
Pre Tax Operational Income	7,790	9,012	8,534	8,678
Adj. net income	5,704	6,522	6,447	6,629
Comprehensive Profit	5,704	6,522	6,447	6,629
Adj. EPS	42.78	49.87	51.16	54.97
Comprehensive EPS	42.78	49.87	51.16	54.97
DPS	20.00	22.00	23.76	25.42
BVPS	247.4	257.2	267.2	286.9
Comprehensive BVPS	375.22	371.06	390.80	413.02
Margins and Growth				
Adj. EPS growth	26.3%	16.6%	2.6%	7.4%
Comprehensive EPS growth	26.3%	16.6%	2.6%	7.4%
DPS growth	33.3%	10.0%	8.0%	7.0%
Ratios				
Primary P&C combined ratio (%)	93.6%	86.8%	89.9%	89.3%
Reinsurance P&C combined ratio (%)	77.3%	72.9%	80.2%	81.4%
Life New Business CSM	2,315	2,114	1,206	1,223
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	6.7%	7.1%	7.5%	7.5%
ROE	18.3%	19.8%	19.3%	19.4%
Comprehensive ROE	12.1%	13.4%	13.3%	13.4%
Debt leverage ratio	11.3%	13.4%	13.1%	12.8%
Valuation				
Dividend yield	3.7%	4.1%	4.4%	4.7%
P/BV	2.2	2.1	2.0	1.9
Comprehensive P/BV	1.4	1.5	1.4	1.3

Summary Investment Thesis and Valuation

Investment Thesis

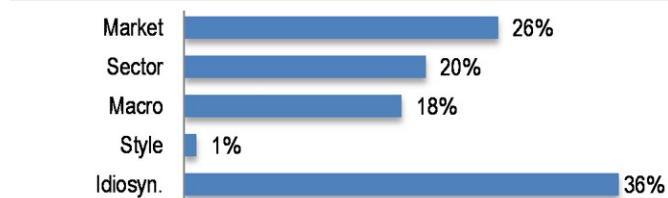
We do not see the Munich Re story being over, despite a softening reinsurance market. In our view, the next leg of the story for the stock is the next five-year strategic plan, where we expect the company to deliver improved earnings and higher ROE, and for capital returns to surprise positively. The 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.** In the past few years, the majority of the stock's 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-27 PT of €655.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.45	0.54
Sect: Financials	0.42	0.50
Ind: Insurance	0.60	0.73
Macro:		
Euro	0.34	0.32
Citi Eco Surprise Eurozone	-0.07	-0.11
Germany Govt 10Y Yield	-0.31	-0.06
Quant Styles:		
Growth	-0.01	-0.25
Quality	-0.17	-0.21
Momentum	0.14	0.12

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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not expect material changes as at the headline level consensus looks to be broadly in line.

- **Valuation:** Munich Re trades at 2.1x 2025E P/B vs European reinsurance peers at 1.8x average (BBG).
- **Conference Call Details:** CMD presentation is tomorrow (11 Dec) starting at 9 am UK Time. Webcast [link](#).

Investment Thesis, Valuation and Risks

Munich Re (Overweight; Price Target: €655.00)

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.** In the past few years, the majority of the stock's 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-27 PT of €655.

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	3,211	3,274	-	84.0%	637	1.15%	-700		
GSI	552	882	-	91.0%	70	0.50%	-400		
L&H Re	2,003	1,591	10.00%	-	604	3.80%	-170	-22	
ERGO Germany	641	1,471	-	-	320	0.25%	-800	-350	
ERGO International	776	801	-	-	303	0.00%	-300	-28	
Pre-tax sustainable comprehensive profit FY28E	7,183	8,019	-	-	1,934	-	-2,370	-400	-
Tax	-1,796	Assume 25%							
Minorities and other	0								
Sustainable comprehensive profit FY28E	5,387								
Comprehensive equity FY27E	50,286								
Sustainable comprehensive ROE	10.7%								
CoE	7.9%								
g	0%								
Valuation price to Comp BV	1.4x								
Valuation FY27E	68,363								
Dividends / buybacks outstanding	12,426								
Valuation roll-forward									
Valuation	80,789								
NOSH mn	124								
Value per share €	654.2								
Target price €	655.0								

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	5,429	5,429	5,429
Life operating profit	674	782	1,086	1,100	Investments	214,857	218,547	225,278	232,264
Life reinsurance operating profit	2,038	2,028	2,387	2,462	Investment property	10,189	9,782	9,782	9,782
P&C operating profit	612	1,514	1,148	1,359	Goodwill	3,443	4,705	4,705	4,705
P&C reinsurance operating profit	4,674	4,877	4,093	3,937	Other intangibles	819	1,134	1,134	1,134
Other pre-tax profit	(207)	(189)	(180)	(180)	Other assets	29,447	27,751	28,252	28,772
					Total Assets	286,442	288,797	296,460	304,413
Consolidated P&L					Insurance liabilities	222,269	224,904	231,871	239,101
Insurance revenue	60,830	60,759	63,499	66,309	o/w CSM	-	-	-	-
Insurance service result	8,219	9,507	8,151	8,272	o/w Risk adjustment	-	-	-	-
Insurance net financial result	1,443	1,282	2,148	2,177	o/w PVCF	-	-	-	-
Interest expense	(207)	(189)	(180)	(180)	Investment contract liabilities				
Other income and expenses	(1,665)	(1,588)	(1,584)	(1,590)	Senior debt				
Total pre-tax profit	7,790	9,012	8,534	8,678	Subordinated debt	6,321	7,404	7,404	7,404
Income taxes	(2,100)	(2,491)	(2,088)	(2,049)	Other liabilities	22,454	21,555	21,922	21,218
Minority interest	14	1	0	0	Total Liabilities	253,541	255,455	262,789	269,314
Net income	5,704	6,522	6,447	6,629	Shareholders' equity	32,797	33,169	33,499	34,926
Pre Tax Operational Income	7,790	9,012	8,534	8,678	Preferred equity / hybrid capital				
Adjusted Net income	5,704	6,522	6,447	6,629	Minority Interests	104	173	173	173
Comprehensive profit	5,704	6,522	6,447	6,629	Total Liabilities and Shareholder Equity	286,442	288,797	296,460	304,413
Adj. EPS	42.78	49.87	51.16	54.97	Comprehensive equity	49,739	47,851	48,988	50,286
Comprehensive EPS	42.78	49.87	51.16	54.97	Net CSM	21,100	21,311	21,155	21,025
DPS	20.00	22.00	23.76	25.42					
Ratio Analysis					Ratio Analysis				
Insurance margin	-	-	-	-	BVPS	247.4	257.2	267.2	286.9
Adj. EPS y/y Growth	26.3%	16.6%	2.6%	7.4%	Comprehensive BVPS	375.22	371.06	390.80	413.02
Comprehensive EPS y/y growth	26.3%	16.6%	2.6%	7.4%	ROE	18.3%	19.8%	19.3%	19.4%
DPS y/y Growth	33.3%	10.0%	8.0%	7.0%	Comprehensive ROE	12.1%	13.4%	13.3%	13.4%
Adj. P/E (x)	12.6	10.8	10.6	9.8	P/BV	2.2	2.1	2.0	1.9
Comprehensive P/E (x)	12.6	10.8	10.6	9.8	Comprehensive P/BV	1.4	1.5	1.4	1.3
Dividend Yield	3.7%	4.1%	4.4%	4.7%	Debt leverage ratio	11.3%	13.4%	13.1%	12.8%
P&C combined ratio	93.6%	86.8%	89.9%	89.3%					
Reinsurance P&C combined ratio	77.3%	72.9%	80.2%	81.4%					
Life new business CSM	2,315	2,114	1,206	1,223					
Life new business CSM margin	-	-	-	-					
CSM release ratio	6.7%	7.1%	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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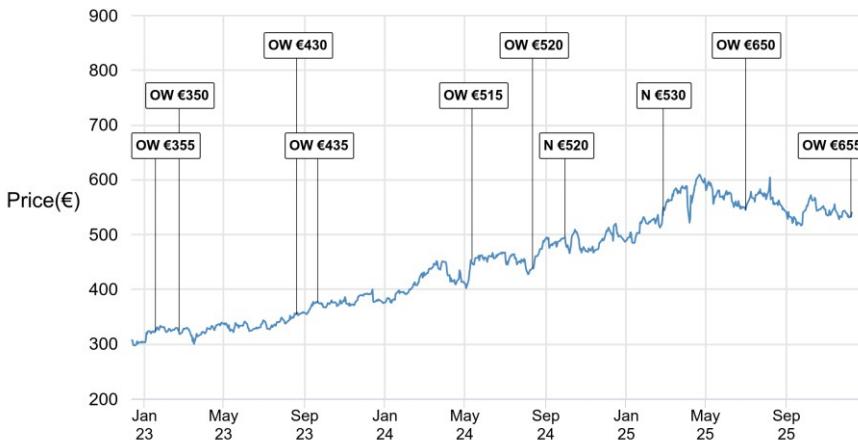
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Munich Re (MUVGn.DE, MUV2 GR) Price Chart



Date	Rating	Price (€)	Price Target (€)
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
08-Dec-25	OW	531.40	655

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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