

Munich Re

2Q25 First Take - Reducing group revenue guidance by 3% for FY25

Our Take: Munich Re pre-announced its Q2 25 result on 22nd July with a result of ~€2.1bn for the quarter, so today's full release of the results is not about the headline but the detail of the results and what will drive earnings going forward. Aside from a very good GSI combined ratio, we see little that we think will lead to a more positive perspective on the name following the full release of results. We remain positive on the story with clear catalysts to come at the December Investor Day including increasing levels of capital return and balance sheet deployment. But after a period of strength for the Munich Re shares, we would expect some profit taking today.

The revenue guidance for Munich Re will likely take the headlines today. Reinsurance revenue guidance decreased to ~€40bn from the previous target of ~€42bn for the year reflecting FX and implies a reduction of the GSI top line target to €9bn (prev €10bn). While not material in the group context, FX has clearly been a drag for the company in the quarter and a headwind to revenues. The group revenue guide decreases ~3% to €62bn but the reduction is in the higher margin parts of the business.

Munich Re saw a P&C combined ratio in reinsurance of 61% which benefited from a negative catastrophe load of 2ppts in the quarter vs the pre positive profit warning of consensus of 9.8ppts and normalised guidance of 14ppts. The normalised combined ratio in P&C Re was 79.6% for the quarter, marginally above the 79% guidance for the year with 1H25 closer at 79.2% so within the detail there was not an underlying beat to margins. GSI's combined ratio of 77.9% was far better than the 88.7% consensus for the quarter and materially stronger than the 90% guidance. At this stage, it is not clear whether GSI's combined ratio is structurally stronger than the 90% guidance or whether the upside in the quarter is simply positive benefits from what was clearly a very low catastrophe loss quarter.

The company has traditionally focused on the bottom line and despite more than ~€1bn of negative FX drag in 1H, the company has been able to deliver results in line with the halfway point of the ~€6bn net income guidance as of 1H25.

- **Noteworthy Areas:** **1) As pre-announced, 2Q25 net income €2,085m.** The 33% beat in operating profit vs initial consensus was driven mainly by P&C Re (+49% vs cons) and GSI (+104% vs cons) which saw very low large losses, and a stronger investment result (+11% vs cons). This was partly offset by a weaker L&H Re result (-17% vs cons). **2) P&C Re:** combined ratio was 11.5%pts better than consensus at 61.0% mostly supported by the large loss ratio (-2.0% negative major losses vs cons +9.8%) from a very benign quarter and net positive run-offs. Normalized combined ratio is 79.6%, in line with ~79% guidance. **2) GSI:** also reported better combined ratio 77.9% vs cons 88.7%, also supported by low major losses. GSI revenues -3% YoY. **3) L&H Re:** the technical result was impacted by negative experience variance of €133m due

Overweight

MUVGn.DE, MUV2 GR
Price (07 Aug 25):€604.40
Price Target (Dec-26):€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

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to an accumulation of individual large claims. **4) ERGO:** performed better in Germany (19% ahead of cons) while International was a touch miss vs cons. **5) Investment result:** Group ROI was 3.8% vs cons 3.3% and the net financial result saw ~€0.6bn of negative FX result. **6) Solvency II ratio** 287% vs cons 289%. **7) Renewals:** July renewals price change -2.5% (YTD -1.2%) and volumes -3.2%.

- **Outlook & Guidance:** 2025 reinsurance revenue guidance lowered from ~€42bn to ~€40bn due to FX (group insurance revenue consequently adjusted from ~€64bn to ~€62bn). Other 2025 targets mainly unchanged: net income ~€6bn, P&C Re standalone combined ratio ~79% and GSI ~90%; L&H technical result ~€1.7bn; ERGO Germany combined ratio ~89% ; ERGO International ~90%.
- **Likely changes to consensus:** We expect some low single digit reductions to 2026E consensus onwards from the impact of the lower revenue guidance.
- **Valuation:** Munich Re trades at 2.3x 2025E P/B vs European reinsurance peers at 2.0x average (BBG).
- **Conference Call Details:** 10am UK Time. Register [here](#).

Actual vs Expected:

Table 1: Munich Re - 2Q25 results

€ million

	Actual 2Q25A	Cons Q2 2025E	JPMe Q2 2025E	Actual Q2 2024	vs cons	vs JPMe	vs YoY
Insurance revenue	14,775	15,500	15,563	14,953	-5%	-5%	-1%
Total technical result	3,035	2,504	2,659	2,440	21%	14%	24%
Investment result	2,187	1,967	1,909	1,470	11%	15%	49%
Operating result	2,917	2,198	2,329	2,178	33%	25%	34%
Net result	2,085	1,624	1,725	1,601	28%	21%	30%
Operating result by divisions							
L&H Re	432	520	591	647	-17%	-27%	-33%
P&C Re	1,757	1,176	1,226	1,127	49%	43%	56%
GSI	372	182	178	72	104%	109%	414%
ERGO Germany	229	192	180	163	19%	27%	41%
ERGO International	127	128	154	169	-1%	-18%	-25%
P&C Re COR	61.0%	72.5%	70.8%	73.7%	-11.5%	-9.8%	-12.7%
Large losses	-2.0%	9.8%	10.0%	0.0%	-11.8%	-12.0%	-2.0%
Reserve releases	-6.0%	-6.0%	-6.0%	0.0%	0.0%	0.0%	-6.0%
Change in loss component	0.4%	-0.3%	-0.4%	0.0%	0.7%	0.8%	0.4%
Discounting	-9.0%	-8.4%	-9.0%	0.0%	-0.6%	0.0%	-9.0%
GSI COR	77.9%	88.7%	89.0%	93.6%	-10.8%	-11.1%	-15.7%
ERGO Germany COR	89.1%	88.9%	89.0%	91.3%	0.2%	0.1%	-2.2%
ERGO International COR	89.5%	89.6%	90.0%	91.7%	-0.1%	-0.5%	-2.2%
Sol II ratio	287%	289%	289%	287%	-2%	-2%	0%

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

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	
Pre-tax sustainable comprehensive profit FY26E	7,358	7,787	-	-	1,635	-	-1,969	-95	-
Tax	-1,840	Assume 25%							
Minorities and other	0								
Sustainable comprehensive profit FY26E	5,519								
Comprehensive equity FY25E	50,783								
Sustainable comprehensive ROE	10.9%								
COE	7.7%								
g	0%								
Valuation price to Comp BV	1.4x								
Valuation FY25E	72,141								
Dividends / buybacks outstanding	5,327								
Valuation roll-forward	5,979								
Valuation	83,447								
NOSH mn	129								
Value per share €	649.4								
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.

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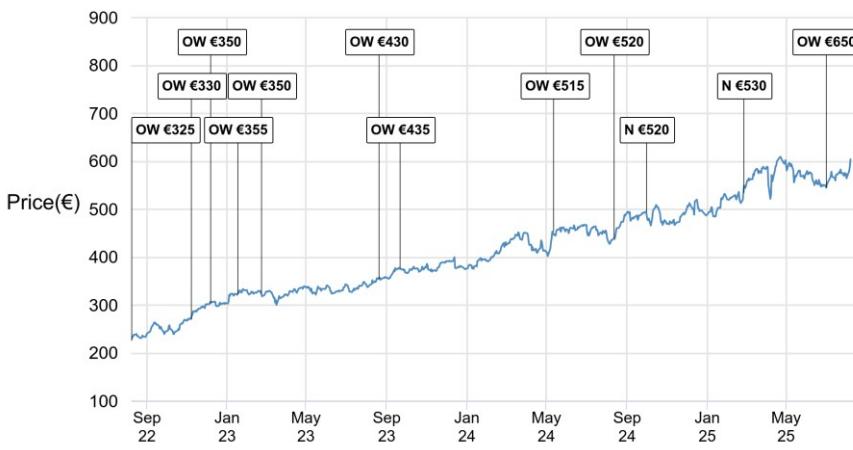
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Munich Re (MUVGn.DE, MUV2 GR) Price Chart



Date	Rating	Price (€)	Price Target (€)
09-Aug-22	OW	227.00	325
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.
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