



Hannover Re

1Q25 First Take: Numbers ahead driven by investment result

Our Take: Hannover Re saw net income 7% ahead of expectations with EBIT 5% above consensus for 1Q25. The beat was driven by both P&C and L&H with P&C EBIT coming in 7% above consensus with a weaker combined ratio offset by a stronger investment result. The combined ratio in the quarter of 93.9% was worse than expectation with large losses of €765m well above the quarterly budget of €435m and slightly worse than our estimate of €738m. The company maintained its prudence in reserving in the quarter, and adjusting for the excess large losses in the quarter, the combined ratio would have been better than the <88% guidance for 2025 which gives us comfort in the underlying profitability of Hannover Re's portfolio. The company disclosed that the reserve surplus has increased to €2.5bn, up from the €2.1bn at YE23 and materially ahead of the €1.4bn seen at YE22, this increase gives us confidence that Hannover Re is as well equipped to deliver strong returns even as the market softens. At the April renewals, Hannover Re saw prices reduce 2.4% with volumes increasing ~10% with revenue in P&C in 1Q25 coming in weaker than expectations due to accounting changes with this expected to increase in the remainder of the year towards the 7% revenue growth guidance.

Overall, not a particularly pretty set of numbers but we continue to have faith in the name to deliver due to the balance sheet strength (reserve surplus and Solvency II ratio) and conservatism built into guidance.

- **Noteworthy Areas:** **1) 1Q25 net income €480m** 7% ahead of consensus. The operating profit is 5% ahead of consensus driven by a stronger investment result **2) P&C:** combined ratio was worse at 93.9% vs cons 93% with large losses €765m **3) L&H** reinsurance service result came in at €243m, 7% ahead of consensus. **4) Solvency II ratio** was 273% vs cons 262%.
- **Outlook & Guidance:** 2025 guidance unchanged: net income ~€2.4bn, combined ratio of <88%, P&C reinsurance revenue growth >7%, group ROI of 3.2% and a reinsurance service result in L&H of €875m.
- **Likely changes to consensus:** We would expect 2025 earnings to adjust to reflect the 1Q25 net income beat leading to very low single digit EPS upgrades.
- **Valuation:** Hannover Re trades at 2.6x 2025E P/B vs European reinsurance peers at 2.1x average (BBG).
- **Conference Call Details:** 9am UK time. Register [here](#).

Actual vs Expected:

Overweight

HNRGn.DE, HNR1 GR
Price (12 May 25):€280.00
Price Target (Sep-26):€320.00

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Table 1: Hannover Re - 1Q25 results

€ million, €, %

	Actual 1Q25A	Cons 1Q25E	JPMe 1Q25E	Actual 1Q24	vs cons	vs JPMe	vs YoY
Reinsurance revenue	6,970	7,149	7,110	6,673	-3%	-2%	4%
P&C	5,087	5,160	5,123	4,743	-1%	-1%	7%
L&H	1,883	1,989	1,987	1,929	-5%	-5%	-2%
Reinsurance service result (net)	515	541	609	720	-5%	-15%	-28%
P&C	272	314	386	509	-13%	-30%	-47%
L&H	243	227	223	211	7%	9%	15%
Investment income	577	541	499	498	7%	16%	16%
Operating profit (EBIT)	696	660	705	811	5%	-1%	-14%
P&C	444	416	484	629	7%	-8%	-29%
L&H	253	245	222	181	3%	14%	40%
Net income	480	447	500	558	7%	-4%	-14%
P&C COR	93.9%	93.0%	91.5%	88.0%	0.9%	2.4%	5.9%
Sol II ratio	273%	262%	268%	267%	11%	5%	6%

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

Investment Thesis, Valuation and Risks

Hannover Re (*Overweight; Price Target: €320.00*)

Investment Thesis

Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop. We see the potential for earnings growth to continue for 2025E and beyond, which should also support more capital returns

- **Most reliable P&C name.** With the reinsurance market likely to stabilise, we see Hannover Re as a good way to gain exposure to the cycle. Having added to reserve buffers in 2023-24 and more reserve conservatism to flow through, we view the company as well positioned to deliver strong reliable returns against almost any market backdrop.
- **Capital return potential.** Hannover Re has the potential to increase its payouts and with the positive outcome of the S&P model changes, we believe that the company could potentially increase its payout ratios.
- **Buffers to support earnings growth into 2025 and beyond.** In addition to the reserve redundancy in P&C, Hannover's consistent conservatism in a number of areas implies there are buffers available to support future earnings. These include not recognising the higher discounting benefit into earnings and its approach to reserving large losses to budget when there is 'good luck'.

Valuation

We value Hannover Re by estimating its sustainable across-the-cycle comprehensive ROE of 14% and use this to derive a valuation multiple on Comprehensive Equity. We adjust for dividends and apply a CoE of 8% and growth rate of 0%. This results in our Sep-26 PT of €320.

Hannover Re – IFRS17-based valuation

€ million, unless stated otherwise

Business unit	Sustainable comprehensive profit €mn	Insurance service result €mn	Net financial result €mn	Other profit €mn	CSM value added €mn
P&C	3,063	1,960	850	-160	413
L&H	921	909	278	-180	-86
Consolidation	0	0	0	0	0
Other non-operating items	-102	0	0	-102	0
Pre-tax sustainable comprehensive profit FY24E	3,882	909	278	-180	-86
Tax	-971	Assume 25%			
Minorities and other	-58				
Sustainable comprehensive profit FY24E	2,854				
Comprehensive equity FY23E	19,797				
Sustainable comprehensive ROE	14.4%				
COE	8.1%				
g	0%				
Valuation price to Comp BV	1.8x				
Valuation FY23E	35,142				
Dividends / buybacks outstanding in 23E	1,146				
Valuation roll-forward	2,616				
Valuation	38,904				
NOSH mn	121				
Value per share €	322.6				
Target price €	320.0				

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include utilisation of reserve buffers, outsized catastrophe losses and lower life reinsurance results.

Companies Discussed in This Report (all prices in this report as of market close on 12 May 2025, unless otherwise indicated)
 Hannover Re(HNRGn.DE/€280.00/OW)

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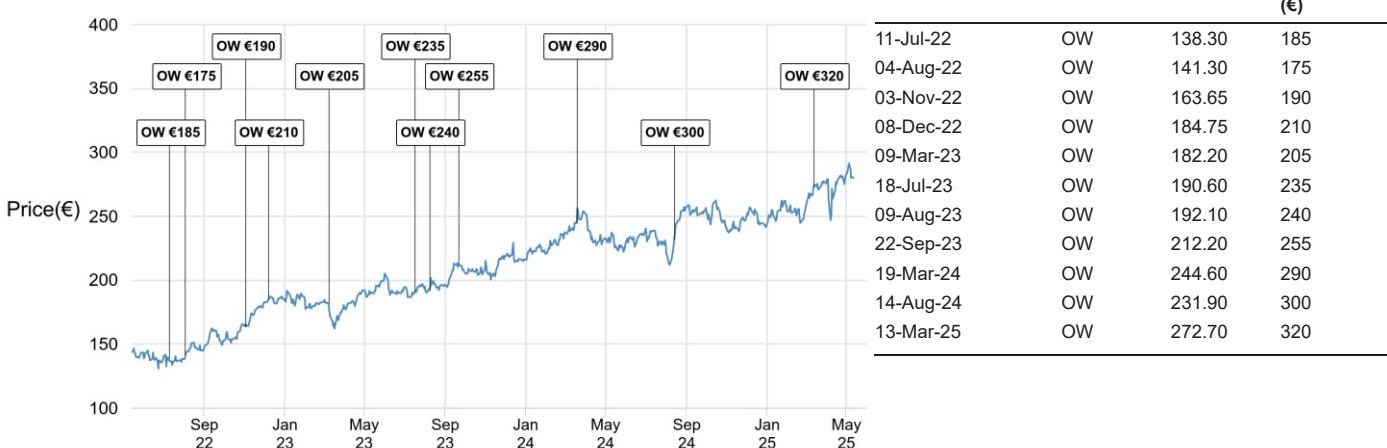
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Hannover Re (HNRGn.DE, HNR1 GR) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
 Initiated coverage Jul 14, 1999. All share prices are as of market close on the previous business day.

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