Munich RE

4Q24 First Take - The gift that keeps on giving

The €20 DPS/€2bn share buyback, stronger underlying in P&C Re and unchanged guidance despite higher wildfire losses should support the stock - Munich Re continues to strengthen balance sheet and ROI while beating on earnings target.

MUVGn.DE/MUV2 GR	OVERWEIGHT
European Insurance	POSITIVE
Price Target	EUR 554.00
Price (25-Feb-25)	EUR 526.60
Potential Upside/Downside	+5.2%

Source: Bloomberg, Barclays Research

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4Q24 results show **net profit** of €992m 2.5% below consensus and Barclays estimate, yet beating by 17% on the **operating profit** side driven by a strong €1.2bn operating result in P&C Re, while L&H Re and ERGO have missed vs estimates by 25% and 60%, respectively. The **P&C Re** beat was driven by **combined ratio** of 83.5%, 2.2pp below expectations. Munich Re flags lower major losses at 9.7% vs 13.3% consensus (Barclays 11%), partly offset by additional reserve prudence of €0.5bn (7.2pp equivalent in 4Q). **Normalised combined ratio** of 86.6% was also better than the 87.5% we anticipated. The miss in **L&H Re** was driven by disposal losses (to accelerate the trajectory of increasing running yield) while CSM release was in line/ahead of expectations. In **ERGO** the miss came across all three sub-divisions, with a €21m operating loss in L&H Germany due to lower CSM release and one-offs. Overall **investment result** of €1,467m came 7.7% below consensus as Munich Re took a €670m disposal loss in the quarter, offset by smaller €392m fair value changes. The 41% **tax rate** in 4Q drove net income lower than consensus, despite a stronger operating result. **Solvency 2** ratio has reached 287% in FY24, coming ahead of 284% consensus despite a higher dividend. Looking at the year as a whole, Munich Re has outperformed the €5bn net income guidance by €685m, while strengthening the balance sheet with €670m of disposal losses and €500m of reserve additions - these actions were offset by €175m FX gain (€453m in 4Q) and €1,052m of fair value gains. In our view, this confirms the underlying strength of the franchise.

Renewals show small volume reduction, but stronger price: January renewal outcome looks a lot better than expected on the price basis – Munich Re flags a -0.6% price change vs 2-2.5% we anticipated, although volumes were 2.4% lower. Overall top line has also came below expectations in 4Q24 as well - group gross written premiums were only up 1.8%, a 7.5% miss vs consensus and a 2.9% miss vs Barclays.

Outlook reiterated, despite California wildfires: Munich Re flagged €1.2bn anticipated impact from the California wildfires in 1Q25 - this is higher than the €1bn we anticipated on the back of US$30bn industry loss estimate, but below the potentially worse outcomes (c.€1.5bn implied by a US$40bn industry loss, on our calculations). Despite that, the €6bn net income target and all the components of the December outlook were reiterated.

Please see analyst certifications and important disclosures beginning on page 3.

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€20 dividend per share - key positive surprise: Along with earnings Munich Re has announced a significant increase in capital return - ordinary DPS was upped 33% to €20, beating company collected consensus of €16.5 (Barclays: €17.25) and dividend futures at €18. Share buyback was increased to €2bn from €1.5bn in line with expectations. The total capital return of €4.6bn offers a 6.5% total capital return yield, and represents an 81% payout - and a 92% payout over the original €5bn earnings target. Munich Re's hard commitment to a progressive dividend (and a soft commitment to a progressive buyback) create upside to FY25/26/27 DPS consensus forecasts of €17.7/19/19.5, respectfully.

Munich Re will host a conference call at 11 AM CET / 10 AM London, dial in details after registration.

FIGURE 1. **Munich Re 4Q24 actuals vs consensus**

								4Q24E		Beat (+)/Miss (-) vs		
€m	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Cons	Barc	Cons	Barc	4Q23
Gross written premium	16,799	18,067	16,717	18,981	18,055	18,753	17,019	18,400	17,520	**-7.5%**	**-2.9%**	**1.8%**
Insurance revenue group (gross)	14,175	14,460	14,977	15,061	14,953	15,496	15,320	15,700	15,794	**-2.4%**	**-3.0%**	2.3%
- Reinsurance	9,300	9,456	9,798	9,858	9,875	10,224	10,077	10,300	10,470	**-2.2%**	**-3.7%**	2.8%
- ERGO	4,875	5,004	5,179	5,204	5,078	5,271	5,242	5,400	5,324	**-2.9%**	**-1.5%**	1.2%
Operating result	1,573	1,776	585	2,928	2,211	1,194	**1,637**	1,398	1,412	**17.1%**	**16.0%**	**179.9%**
Reinsurance	1,222	1,495	554	2,592	1,847	956	1,561	1,209	1,268	29.1%	23.1%	181.6%
- P&C Reinsurance	808	999	169	1,885	1,145	491	1,207	737	812	63.8%	48.7%	613.5%
- Life Reinsurance	414	495	385	707	702	465	354	472	457	-25.0%	-22.5%	-8.1%
ERGO	350	281	31	336	364	238	77	191	143	-59.7%	-46.3%	152.4%
- Life & Health Germany	110	86	-53	45	116	77	-21	69	36	-130.4%	-157.8%	-60.3%
- P&C Germany	103	71	11	200	79	117	33	36	33	-8.3%	-0.4%	201.4%
- International	137	124	73	91	169	44	65	86	74	-24.4%	-12.0%	-10.4%
COR - Reinsurance	80.5%	82.0%	91.6%	75.3%	79.6%	90.5%	83.5%	85.7%	85.9%	**2.2ppt**	**2.4ppt**	**8.1ppt**
Technical result - Life Reinsurance	325	440	349	586	617	428	472	405	409	16.5%	15.5%	35.3%
ERGO - net result	250	173	78	252	284	164	92		103		-10.6%	17.9%
Investment result	596	760	2,405	2,163	1,470	2,091	1,467	1,589	1,496	-7.7%	-2.0%	-39.0%
RoI Group	1.11%	1.41%	4.30%	3.84%	2.59%	3.64%	2.5%	2.80%	2.45%	0.0ppt	0.0ppt	0.0ppt
Net income	1,153	1,168	1,011	2,140	1,624	930	992	1,017	1,020	**-2.5%**	**-2.8%**	-1.9%
Shareholders' equity	27,302	27,518	29,650	31,108	30,578	31,303	32,746	32,300	31,957	1.4%	2.5%	10.4%
Solvency II ratio	273%	271%	267%	273%	287%	284%	287%	284%	278%	3ppt	9ppt	20ppt
Shareholder EPS (€)	8.45	8.60	7.50	15.94	12.17	7.00	7.54	7.70	7.73	-2.1%	-2.4%	0.6%
Dividend per share	-	-	15.00	-	-	-	20.00	16.50	17.25	21.2%	15.9%	33.3%
BVPS (€)	200.1	203.6	219.4	232.5	229.7	236.6	248.4	244.5	241.9	1.6%	2.7%	13.2%

Source: Company data, company collected consensus, Barclays Research

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Primary Stocks (Ticker, Date, Price)
Munich RE (MUVGn.DE, 25-Feb-2025, EUR 526.60), Overweight/Positive, A/CD/D/E/J/K/L/M/N

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AXA (AXAF.PA)	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)
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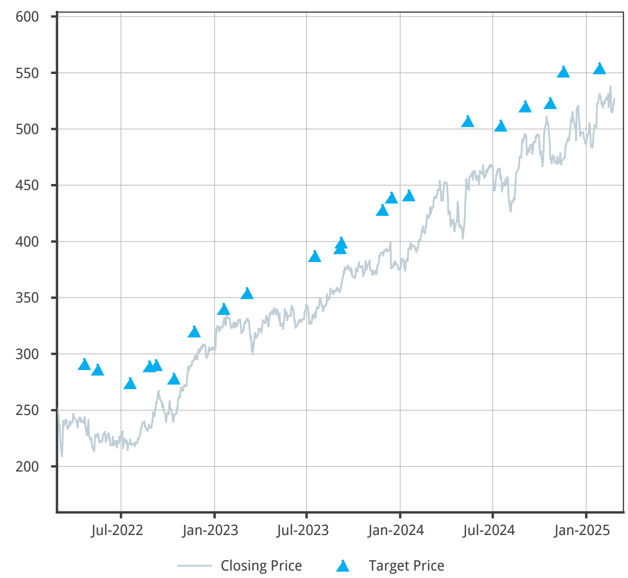
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

Closing Price: **EUR 526.60** (25-Feb-2025)

Rating and Price Target Chart - EUR (as of 25-Feb-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	522.80		554.00
17-Nov-2024	472.10		551.00
22-Oct-2024	490.30		523.00
03-Sep-2024	495.20		520.00
17-Jul-2024	458.30		503.00
13-May-2024	447.50		507.00
18-Jan-2024	392.80		441.00
15-Dec-2023	376.60		439.00
27-Nov-2023	388.30		428.00
07-Sep-2023	357.10		399.00
05-Sep-2023	357.10		394.00
17-Jul-2023	331.60		387.00
06-Mar-2023	327.70		354.00
19-Jan-2023	324.40		340.00
22-Nov-2022	293.30		320.00
13-Oct-2022	240.00		278.00
08-Sep-2022	251.50		290.00
26-Aug-2022	233.60		289.00
19-Jul-2022	220.70		274.00
16-May-2022	228.10		286.00
20-Apr-2022	238.50		291.00

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Source: Bloomberg, Barclays Research

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