



Hannover Re

FY24 First Take - Finishing the year strongly with 25% dividend increase

Our Take: Hannover Re had already announced the headline FY earnings alongside its January reinsurance renewals update in early February therefore the main focus this morning is on the detail of the result and the capital returns announced by the company. Hannover Re declared a total dividend of €9.00 made up of a regular dividend of €7.00 and a special dividend of €2.00 in up 25% in total on the dividend from FY23 and in line with consensus expectations. In our experience, Hannover Re has normally produced strong earnings numbers but has sometimes been weaker than expectations when it comes to capital returns so today's increase while in line with consensus is a pleasing development in our view. In the release, Hannover Re also highlighted that it has increased its reserve resilience at least in line with total reserve growth, we estimate that the increase is ~€250m putting the total level at ~€2.3bn which along with the €1bn risk adjustment probably implies a reserve buffer of ~7% of reserves. Therefore the reserve position in P&C is now at a similar level to the one that they held in 2015/16 when the reserves were considered to be relatively 'full' with fewer opportunities to add to this level. We view Hannover Re as the best cross cycle player in the reinsurance space with balance sheet buffers and an ability to deliver smooth earnings even in difficult years, we view these results as supportive of our thesis and remain constructive on the name.

- **Noteworthy Areas:** 1) **FY24 net income €2,329m** is in line as pre-announced in February and in line with guidance. The operating profit is 2% ahead of consensus driven by P&C (4% better) however this was partly offset by a higher tax rate leading to net income 2% below cons. 2) **FY24 total dividend €9.0** announced today is broadly in line with company consensus (+1) and implies a 25% YoY growth. This includes ordinary dividend of €7.0 and special €2.0 - both roughly in line as expected. 3) **P&C:** combined ratio was better at 86.6% vs cons 87.8% and guidance <89%. Large losses €1.6bn were below FY budget €1.8bn. P&C reserve resiliency is said to have increased "at least in line with growth in total reserves" and the risk adjustment balance has increased to ~€1bn. 4) **L&H** reinsurance result came in at €883m, -1% vs consensus and slightly better than guidance >€850m. Experience variance was positive in all reporting units. 5) **Solvency II ratio** was 261% vs cons 264%.
- **Outlook & Guidance:** All 2025 guidance confirmed: 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 do not expect changes to consensus with 2025 net income guidance confirmed to be unchanged and expectations already slightly ahead (BBG cons ~€2.5bn).
- **Valuation:** Hannover Re trades at 2.5x 2025E P/B vs European reinsurance peers at 1.7x average (BBG).

Overweight

HNRGn.DE, HNR1 GR
Price (12 Mar 25): €272.70
Price Target (Jun-26): €300.00

European Insurance

Kamran M Hossain ^{AC}
(44-20) 3493-3780
kamran.hossain@jpmorgan.com
J.P. Morgan Securities plc

Nadia Claressa
(44-20) 7134-7613
nadia.claressa@jpmorgan.com
J.P. Morgan Securities plc

Farooq Hanif
(44 207) 742-8091
farooq.hanif@jpmorgan.com
J.P. Morgan Securities plc

Bingdi Fan, CFA
(44-20) 7742-5336
bingdi.fan@jpmorgan.com
J.P. Morgan Securities plc

Kriti Jain
(91-22) 6157-5083
kriti.jain@jpmchase.com
J.P. Morgan India Private Limited

Specialist Sales contact details:

Gigi Sparling - Specialist Sales - European Financials
(44-20) 7134-0355
ghislaine.sparling@jpmorgan.com

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	47	76	73	61	73
Growth	10	66	54	75	
Momentum	6		53	37	
Quality	65	5		18	
Low Vol	82	49	48	38	8
ESGQ	51	31	27	7	16

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

See page 7 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance



Company Data

Shares O/S (mn)	121
52-week range (€)	275.00-205.70
Market cap (\$ mn)	35,804.90
Exchange rate	0.92
Free float (%)	49.8%
3M ADV (mn)	0.10
3M ADV (\$ mn)	29.1
Volatility (90 Day)	20
Index	MSCI Europe
BBG ANR (Buy Hold Sell)	11 7 4

Key Metrics (FYE Dec)

in	FY23A	FY24E	FY25E	FY26E
Financial Estimates				
Operating profit - Life	-	-	-	-
Life Reinsurance Operating Profit	871	946	995	1,031
P&C Insurance Operating Profit	-	-	-	-
P&C Reinsurance Operating Profit	1,098	2,306	2,612	2,631
Other pre-tax operating profit	(116)	(120)	(126)	(126)
Pre Tax Operational Income	1,854	3,132	3,480	3,535
Adj. net income	1,825	2,371	2,558	2,598
Comprehensive Profit	2,681	4,007	2,374	2,788
Adj. EPS	15.13	19.66	21.21	21.55
Comprehensive EPS	22.23	33.23	19.69	23.12
DPS	7.20	9.00	9.50	10.00
BVPS	84.0	96.9	109.1	121.2
Comprehensive BVPS	131.21	157.71	168.40	182.02
Margins and Growth				
Adj. EPS growth	-	29.9%	7.9%	1.6%
Comprehensive EPS growth	-	49.4%	(40.7%)	17.4%
DPS growth	20.0%	25.0%	5.6%	5.3%
Ratios				
Primary P&C combined ratio (%)	-	-	-	-
Reinsurance P&C combined ratio (%)	94.0%	87.9%	88.2%	89.2%
Life New Business CSM	359	323	400	380
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	(15.6%)	(13.7%)	(12.1%)	(11.6%)
ROE	18.0%	21.7%	20.6%	18.7%
Comprehensive ROE	16.9%	23.0%	12.1%	13.2%
Debt leverage ratio	19.2%	16.5%	15.6%	14.6%
Valuation				
Dividend yield	2.6%	3.3%	3.5%	3.7%
P/ BV	3.2	2.8	2.5	2.3
Comprehensive P/BV	2.1	1.7	1.6	1.5

Summary Investment Thesis and Valuation

Investment Thesis

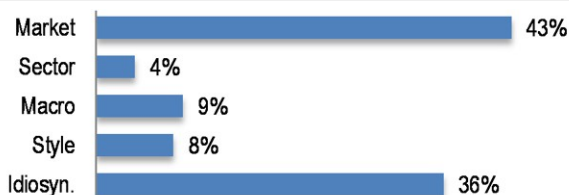
Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop.

- **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.

Valuation

We value Hannover Re by estimating its sustainable across-the-cycle comprehensive ROE of 13% 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 Jun-26 PT of €300.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.69	0.70
Sect: Financials	0.40	0.27
Ind: Insurance	0.57	0.55
Macro:		
Eurozone Exports	0.10	0.14
Eurozone CPI	0.07	-0.13
Citi Eco Surprise Eurozone	-0.11	-0.12
Quant Styles:		
Momentum	0.43	0.38
LowVol	0.27	0.35
Size	0.00	0.18

Source: J.P. Morgan Quantitative and Derivatives 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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Actual vs Expected:

Table 1: Hannover Re - FY24 results

€ million

	Actual 2024A	Cons 2024E	JPM 2024E	Actual 2023	vs cons	vs JPM	vs YoY
Reinsurance revenue	26,379	26,014	25,948	24,456	1%	2%	8%
P&C	18,665	18,360	18,313	16,824	2%	2%	11%
L&H	7,715	7,654	7,635	7,633	1%	1%	1%
Reinsurance service result (net)	3,019	2,818	2,820	1,658	7%	7%	82%
P&C	2,136	1,930	1,939	848	11%	10%	152%
L&H	883	888	880	810	-1%	0%	9%
Investment income	2,005	1,940	1,921	1,588	3%	4%	26%
Operating profit (EBIT)	3,318	3,249	3,241	1,971	2%	2%	68%
P&C	2,387	2,299	2,306	1,098	4%	4%	117%
L&H	934	952	946	871	-2%	-1%	7%
Net income	2,329	2,374	2,371	1,825	-2%	-2%	28%
P&C COR	86.6%	87.8%	87.9%	94.0%	-1.2%	-1.3%	-7.4%
Sol II ratio	261%	264%	259%		-3%	2%	
DPS	9.00	8.94	9.00	7.20	1%	0%	25%
Ordinary	7.00	7.02	7.50	6.00	0%	-7%	17%
Special	2.00	1.97	1.50	1.20	2%	33%	67%

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

Investment Thesis, Valuation and Risks

Hannover Re *(Overweight; Price Target: €300.00)*

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 13% 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 Jun-26 PT of €300.

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	2,630	1,899	834	-160	57
L&H	956	900	291	-160	-75
Consolidation	0	0	0	0	0
Other non-operating items	-127	0	0	-127	0
Pre-tax sustainable comprehensive profit FY24E	3,460	900	291	-160	-75
Tax	-865	Assume 25%			
Minorities and other	-52				
Sustainable comprehensive profit FY24E	2,543				
Comprehensive equity FY23E	20,349				
Sustainable comprehensive ROE	12.5%				
COE	7.7%				
g	0%				
Valuation price to Comp BV	1.6x				
Valuation FY23E	32,940				
Dividends / buybacks outstanding in 23E	1,146				
Valuation roll-forward	1,483				
Valuation	35,569				
NOSH mn	121				
Value per share €	294.9				
Target price €	300.0				

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.

Hannover Re: Summary of Financials

INCOME STATEMENT	FY23A	FY24E	FY25E	FY26E	BALANCE SHEET	FY23A	FY24E	FY25E	FY26E
Divisional profit					Cash & Cash Equivalents	1,055	1,578	1,642	1,708
Life operating profit	-	-	-	-	Investments	57,592	60,950	63,425	66,000
Life reinsurance operating profit	871	946	995	1,031	Investment property	2,537	2,629	2,736	2,847
P&C operating profit	-	-	-	-	Goodwill	78	80	80	80
P&C reinsurance operating profit	1,098	2,306	2,612	2,631	Other intangibles	-	-	-	-
Other pre-tax profit	(116)	(120)	(126)	(126)	Other assets	2,052	2,106	2,192	2,281
					Total Assets	66,487	70,979	73,767	76,631
Consolidated P&L					Insurance liabilities	44,239	47,568	48,417	49,016
Insurance revenue	24,456	25,948	27,372	28,193	o/w CSM	7,699	9,504	9,696	9,897
Insurance service result	1,658	2,820	2,964	2,856	o/w Risk adjustment	3,729	4,039	4,111	4,139
Insurance net financial result	708	870	983	1,125	o/w PVCF	-	-	-	-
Interest expense	(117)	(109)	(127)	(127)	Investment contract liabilities	-	-	-	-
Other income and expenses	(395)	(449)	(340)	(320)	Senior debt	747	707	707	707
Total pre-tax profit	1,854	3,132	3,480	3,535	Subordinated debt	3,230	3,232	3,232	3,232
Income taxes	(26)	(708)	(870)	(884)	Other liabilities	3,431	3,125	3,467	4,162
Minority interest	-	-	-	-	Total Liabilities	55,468	58,373	59,572	60,870
Net income	1,825	2,371	2,558	2,598	Shareholders' equity	10,127	11,689	13,162	14,614
Pre Tax Operational Income	1,854	3,132	3,480	3,535	Preferred equity / hybrid capital	-	-	-	-
Adjusted Net income	1,825	2,371	2,558	2,598	Minority Interests	893	918	1,033	1,147
Comprehensive profit	2,681	4,007	2,374	2,788	Total Liabilities and Shareholder Equity	66,487	70,979	73,767	76,631
Adj. EPS	15.13	19.66	21.21	21.55	Comprehensive equity	15,823	19,020	20,309	21,951
Comprehensive EPS	22.23	33.23	19.69	23.12	Net CSM	5,774	7,411	7,227	7,416
DPS	7.20	9.00	9.50	10.00					
Ratio Analysis					Ratio Analysis				
Insurance margin	-	-	-	-	BVPS	84.0	96.9	109.1	121.2
Adj. EPS y/y Growth	-	29.9%	7.9%	1.6%	Comprehensive BVPS	131.21	157.71	168.40	182.02
Comprehensive EPS y/y growth	-	49.4%	(40.7%)	17.4%	ROE	18.0%	21.7%	20.6%	18.7%
DPS y/y Growth	20.0%	25.0%	5.6%	5.3%	Comprehensive ROE	16.9%	23.0%	12.1%	13.2%
Adj. P/E (x)	18.0	13.9	12.9	12.7	P/BV	3.2	2.8	2.5	2.3
Comprehensive P/E (x)	12.3	8.2	13.9	11.8	Comprehensive P/BV	2.1	1.7	1.6	1.5
Dividend Yield	2.6%	3.3%	3.5%	3.7%	Debt leverage ratio	19.2%	16.5%	15.6%	14.6%
P&C combined ratio	-	-	-	-					
Reinsurance P&C combined ratio	94.0%	87.9%	88.2%	89.2%					
Life new business CSM	359	323	400	380					
Life new business CSM margin	-	-	-	-					
CSM release ratio	(15.6%)	(13.7%)	(12.1%)	(11.6%)					

Source: Company reports and J.P. Morgan estimates.

Note: € in millions (except per-share data). Fiscal year ends Dec

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



Date	Rating	Price (€)	Price Target (€)
11-Jul-22	OW	138.30	185
04-Aug-22	OW	141.30	175
03-Nov-22	OW	163.65	190
08-Dec-22	OW	184.75	210
09-Mar-23	OW	182.20	205
18-Jul-23	OW	190.60	235
09-Aug-23	OW	192.10	240
22-Sep-23	OW	212.20	255
19-Mar-24	OW	244.60	290
14-Aug-24	OW	231.90	300

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