

10th March 2016

Insurance

Hannover Re

Price EUR94.55

Typical Hannover Re: strong numbers, nice dividend..., and high multiples

Fair Value EUR107 (+13%)

SELL

Bloomberg	HNR1 GY
Reuters	HNRGn.DE
12-month High / Low (EUR)	111.5 / 84.1
Market Cap (EURm)	11,402
Avg. 6m daily volume (000)	182.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.9%	-12.6%	3.2%	-10.5%
Insurance	11.3%	-12.7%	-6.6%	-12.5%
DJ Stoxx 600	9.6%	-6.9%	-6.8%	-7.3%

	2014	2015e	2016e	2017e
P/E	11.6x	11.2x	11.8x	11.3x
Div yield (%)	4.5%	4.8%	4.5%	4.5%

ANALYSIS

- FY 2015 net income was EUR1,151m, up 17%, ahead of the consensus (EUR1.05bn), with a Q4 net income (EUR365m) up 26% yoy driven by strong underwriting performance and strong investment income. Q4 EBIT was EUR565m, up 50% yoy, way ahead of consensus (EUR398m).
- P&C Re Q4 EBIT is EUR405m, up 18% yoy, consensus (EUR329m). Q4 combined ratio was 91.3% vs. 93.1% in Q4 2014 (consensus 93.7%). The FY combined ratio was 94.4% vs. 94.7% in 2014 (consensus 95.2%) despite higher natcats (7.1 points vs. 6.1 points), yet below budget (reported EUR573m vs. budget EUR690m), i.e. 130bp improvement excluding natcats, which is a strong performance.
- Life Re Q4 EBIT was EUR159m vs. consensus EUR67m, driven by improved technical results.
- NAV at end-2015 was EUR66.9 vs. EUR62.6 at end-2014 and EUR64.1 at end-September 2015.
- The regular dividend was EUR3.25 (vs. EUR3 last year), plus a special dividend of EUR1.50 (vs. EUR1.25 last year), i.e. a global 50% pay-out ratio (vs. official 35-40% guidance), offering a 5.0% yield.
- The company confirms net income guidance for 2016 in the c. EUR950m area (vs. current consensus EUR1bn). Official company guidance as far as the pay-out ratio is concerned remains 35-40%, but management stated that "this ratio may increase in light of capital management considerations if the present comfortable level of capitalisation remains unchanged".

VALUATION

- Based on our current estimates, our SOTP valuation is EUR107.

NEXT CATALYSTS

- AGM and Q1 2016 numbers are due on 10th May 2016.

Olivier Pauchaut, opauchaut@bryangarnier.com

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NEUTRAL ratings 28.1%

SELL ratings 7.4%

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London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
Authorised and regulated by the	Financial Conduct Authority (FCA) and		Regulated by the	Fax +91 11 2621 9062
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