

10th May 2016

Insurance

Hannover Re

Price EUR101.15

Strong Q1, FY guidance confirmed

Fair Value EUR110 (+9%)

SELL

Bloomberg	HNR1 GY
Reuters	HNRGn.DE
12-month High / Low (EUR)	111.5 / 84.1
Market Cap (EURm)	12,198
Avg. 6m daily volume (000)	178.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	18.6%	-1.2%	-4.3%
Insurance	0.2%	6.8%	-15.7%	-16.0%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

	2015	2016e	2017e	2018e
P/E	10.6x	12.1x	11.5x	
Div yield (%)	4.7%	4.2%	4.2%	

ANALYSIS

- Q1 2016 net income came in at EUR271m, above consensus (EUR246m), down 3% yoy. EBIT stood at EUR407m, above consensus (EUR372m), down 5% yoy.
- In P&C, the Q1 combined ratio totalled 94.7% (consensus 95.8%) vs. 95.7% last year, including EUR55m of large losses (i.e. 2.8 points of combined ratio vs. budget c. 9.5 points). Excluding natcats, the underlying combined ratio works out to 91.9% vs. 92.4% last year, which is a strong performance. GWP was down 4%. EBIT of EUR300m was above expectations (EUR285m), up 17% yoy.
- EBIT in Life/Health totalled EUR106m vs. EUR173m last year, above expectations (EUR86m), mainly driven by lower FX positive effects and the non-recurrence of a positive one-off.
- RoI stood at 2.9% (annualised) vs. 3.5% last year.
- NAV came in at EUR69.4 vs. EUR66.9 at end-2015.
- Solvency II margin at end-2015 was 221%.
- FY guidance has been confirmed, including net income of "at least" EUR950m (current consensus EUR1.03bn).
- -> Q1 2016 is another set of good numbers. Hannover Re is a well-managed, pragmatic company, but we see limited upside potential.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR110.

NEXT CATALYSTS

- Q2 2016 numbers on 4th August.

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NEUTRAL ratings 33.6%

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