

4th August 2016

Insurance

Hannover Re

Price EUR91.14

Q2 numbers below consensus, FY guidance reiterated

Fair Value EUR110 (+21%)

SELL

Bloomberg	HNR1 GY
Reuters	HNRGn.DE
12-month High / Low (EUR)	111.5 / 84.1
Market Cap (EUR)	10,991
Avg. 6m daily volume (000)	164.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.9%	-8.3%	-0.1%	-13.7%
Insurance	-1.1%	-9.8%	-9.1%	-22.7%
DJ Stoxx 600	1.0%	0.0%	1.9%	-8.3%

	2015	2016e	2017e
P/E	9.6x	10.9x	10.3x
Div yield (%)	5.2%	4.7%	4.7%

ANALYSIS

- Q2 net income is EUR215m, down 15% yoy, below consensus (EUR245m). Q2 EBIT is EUR339m, down 6% yoy, below consensus (EUR368m).
- In P&C, the Q2 combined ratio is 96.1% (vs. 95.0% last year) vs. consensus 96.5%, but the Q2 EBIT is EUR261m (down 21% yoy) vs. consensus EUR282m, which suggest a miss in investment income.
- In Life&Health, the Q2 EBIT is EUR74m (vs. EUR27m last year) vs. consensus EUR85m.
- FY guidance (net income > EUR950m) has been confirmed and is achievable (H1 net income EUR486m), but current consensus is EUR1,035m, suggesting there is no room at this stage for upwards estimate revision. Hannover Re is a great company, but the momentum is pretty poor.

NEXT CATALYSTS

- Q3 2016 numbers on 10th November.

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