

10th November 2016

Insurance

Hannover Re

Price EUR100.45

Q3 numbers above consensus, which is already pricing a FY guidance outperformance

Fair Value EUR110 (+10%)

SELL

Bloomberg	HNR1 GY
Reuters	HNRGn.DE
12-month High / Low (EUR)	111.5 / 84.1
Market Cap (EURm)	12,114
Avg. 6m daily volume (000)	146.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.4%	6.8%	-0.7%	-4.9%
Insurance	4.1%	5.9%	2.6%	-13.8%
DJ Stoxx 600	0.0%	-1.4%	2.0%	-7.1%

	2015	2016e	2017e	2018e
P/E	10.5x	12.0x	11.4x	
Div yield (%)	4.7%	4.2%	4.2%	

ANALYSIS

- Q3 2016 net income was EUR304m, above consensus (EUR256m), up 20% yoy. EBIT stood at EUR444m, also above consensus (EUR383m), up 11% yoy.
- In P&C, the Q3 combined ratio was 94.4% (consensus 95.4%) vs. 95.8% in Q3 2015, including EUR41m (i.e. 2 points) of major losses. Excluding major losses, the adjusted combined ratio worked out to 92.4% vs. 84.3% in Q3 2015 and 80.2% in Q2 2016. EBIT was EUR332m (consensus EUR301m), down 6% yoy, mainly driven by lower investment income.
- EBIT in Life/Health is EUR111m (consensus EUR83m), rose 141% yoy, driven by improved technical results and higher investment income.
- 9M RoI totalled 3.0% (annualised) vs. 3.5% last year and 2.9% for H1.
- NAV at end-September is EUR72.8 vs. EUR69.8 at end-June.
- FY guidance (net income >EUR950m) has been confirmed, but is already factored in by the consensus (EUR1037bn), even if there might be some room for further improvement depending on Q4 natcats. Guidance for 2017 (net income >EUR950m) is also in line with current expectations (EUR1015m).

VALUATION

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

NEXT CATALYSTS

- January 2017 renewals on 2nd February 2017. FY 2016 numbers on 9th March 2017.

Olivier Pauchaut, opauchaut@bryangarnier.com



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BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
				Regulated by the FINMA

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