

9th November 2016

Insurance

Munich Re

Price EUR174.80

Q3 a little low, FY guidance to be exceeded, as expected

Fair Value EUR185 (+6%)

SELL

Bloomberg	MUV2 GR
Reuters	MUVGn.DE
12-month High / Low (EUR)	190.8 / 141.2
Market Cap (EURm)	28,152
Avg. 6m daily volume (000)	623.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.1%	14.5%	7.5%	-5.3%
Insurance	1.0%	3.8%	0.1%	-16.4%
DJ Stoxx 600	-1.4%	-1.9%	1.0%	-8.4%

	2015	2016e	2017e	2018e
P/E	9.2x	11.3x	9.9x	9.1x
Div yield (%)	4.7%	4.7%	4.7%	4.7%

ANALYSIS

- Q3 2016 net income is EUR684m, up 30% yoy, slightly below consensus (EUR753m). Operating profit is EUR1014m, up 75% yoy, below consensus (EUR1115m), mainly driven by investments (ROI up 10bps vs. Q3 2015).
- In P&C reinsurance, operating profit is EUR870m (up 105% yoy), mainly driven by investments. The reported combined ratio is 92.5% (consensus 91.9%) vs. 94.5% in Q3 2015. Excluding large losses (6.6 pts) and run-offs (5 pts), the Q3 adjusted combined ratio is 90.9% vs. 90.1% in Q3 2015.
- The company has said FY net income will exceed its EUR2.3bn guidance, which is no surprise (consensus EUR2.5bn). Note that the initial guidance (cut in May) was for EUR2.3-2.8bn.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR185.

NEXT CATALYSTS

- January 2017 renewals and preliminary FY 2016 numbers on 7th February 2017.

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