



## Munich Re: We Are Buying.

Will interest rates continue to rise? Or will they fall again by 2023 at the latest? Apparently, for this company, that doesn't matter much because Munich Re has demonstrated over the past decade that it can deliver good returns to its shareholders even in a low-interest environment. Rising interest rates would simplify business, making the stock interesting as a supplement in a quality portfolio.

**Conservative and Secure:** The term "crazy times" sounds almost trivializing in light of the past two years. A pandemic of unprecedented scale, de-globalization, noticeable tensions between superpowers, and a war in Europe that hardly anyone expected. It's noteworthy that the Munich Re stock price is at the same level as in June 2019. "There's always something" – as the saying aptly goes. That's true. Nonetheless, the company consistently and reliably pays its dividends, and that's what this investment is about: sustainable payouts to us, the shareholders.

**Secure Payouts:** From our perspective, Munich Re is one of the ultimate "dividend aristocrats." With such stocks, one hardly needs to worry after purchasing, as their payouts come with the regularity of a Swiss watch. Regardless of century-defining catastrophes, financial crises, or pandemics, the company has never lowered its payouts in the past 27 years, but has regularly increased them. Just recently, the management confirmed its intention to continue growing in the coming years. Profit and dividend per share are expected to increase by around five percent annually – a conservative estimate, perhaps.

**Growth Opportunities:** At its core, a reinsurer's business seems mundane, and one should not expect major leaps here; it's about solid and sustainable results. However, this does not mean that there are no opportunities that could positively influence the outcome. One of Munich Re's first growth drivers is likely to be higher premiums. The cycle, to put it that way, has always been the same: first comes the risk, then the premium. So, if the result is burdened by particular events, premiums in this segment are likely to be even more substantial the following year. From this perspective, it can be expected that Munich Re's result will improve significantly in the coming years. However, it should be noted fairly that theoretically, the future could also bring further unfavorable events.

**Stable Anchor:** At a certain point, rising interest rates negatively impact the performance of stocks, as growth-oriented sectors have felt in recent months. While we do not expect an immediate return to rising interest rates, especially in these uncertain times, one must not entirely rule out any scenario. For Munich Re stock, it should generally benefit from rising interest rates; however, it has also proven that even a low-interest environment does not significantly and sustainably affect dividend capability. Compared to others, the stock may seem boring because the fluctuations are relatively low. But boredom is good in a long-term oriented portfolio, at least partially. According to conservative estimates, we expect to have received about 65 percent of our investment back in the form of dividends over the next ten years. Capital gains are not yet factored into this calculation.

# Long-Term Portfolio: Munich Re

## Munich Re In Our Stock Check:

Profit Growth:	Not Dynamic, Relatively Constant	+ -
Debt:	Healthy Balance Sheet	+
P/E Ratio Evaluation:	Single-digit P/E ratio for 2022, Currently Favorable	+ -
Industry Outlook:	Still Good	+
Technical Analysis:	Not Very Informative	-
Market Leader:	Yes	+
Management Quality:	Good Performance for Many Years	+
Dividend Yield:	Good	+
Business Model:	Defensive, Even in the Face of Rising Interest Rates	+
Insider Buys/Sells:	8 Purchases by Executives in 2022	+

## Munich Re in EUR (10 years)



## Munich Re <https://www.munichre.com>

ISIN	DE0008430026
Current Price	220.20 €
Market Capitalization	30.94 billion €
Profit Growth 2020 to 2024e	+44.3%
Dividend 2022e	11.55 €
Dividend Yield 2022e	5.2 %
Earnings Per Share 2022e	22.95 €
P/E Ratio 2022e	9.6

## Buy-Order

ISIN	DE0008430026
Transaction	Buy
Exchange	Xetra
Quantity	4
Current Price	220.20 €
Buy-Limit	225€

**Our conclusion:** 8 out of 10 points is a good score. With Munich Re, we are further expanding our share of Euro dividend stocks. With this purchase, we aim to achieve positive performance precisely when some other sectors would suffer from interest rate concerns. Therefore, the stock is to be classified as a core investment.