



Chubb Ltd. (CB)

Updated May 12th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$255	5 Year CAGR Estimate:	2.1%	Market Cap:	\$103B
Fair Value Price:	\$206	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	06/14/24 ¹
% Fair Value:	124%	5 Year Valuation Multiple Estimate:	-4.2%	Dividend Payment Date:	07/05/24 ²
Dividend Yield:	1.3%	5 Year Price Target	\$263	Years Of Dividend Growth:	31
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Sell

Overview & Current Events

Chubb Ltd is a global provider of insurance and reinsurance services headquartered in Zurich, Switzerland. The company provides insurance services including property & casualty insurance, accident & health insurance, life insurance, and reinsurance. The current version of Chubb was created in 2016, when Ace Limited acquired the 'old' Chubb and adopted its name. American investors can initiate an ownership position in Chubb through shares listed on the New York Stock Exchange, where they are traded with the ticker symbol CB.

For its fiscal first quarter, Chubb Ltd reported net earned premiums of \$11.6 billion, which was 14% more than the net earned premiums that Chubb generated during the previous year's quarter. Net written premiums were up 13% year-over-year in the company's Global P&C business unit, while other business units such as Life saw solid growth as well. Chubb was able to generate net investment income of \$1.39 billion during the quarter, or \$1.48 billion after adjustments, which was up by a nice 24% compared to the previous year's period.

Chubb generated earnings-per-share of \$5.41 during the first quarter, which was above what the analyst community had forecasted. Chubb's strong profitability during the quarter can be explained by a good combined ratio, despite some natural disasters that impacted Chubb's catastrophe losses. Thanks to written premium growth and tailwinds from share repurchases, Chubb's profits could be strong in the coming quarters, unless the company feels an impact from above-average catastrophe losses, which generally aren't predictable. Chubb's book value was up during the period, thanks to net profits and mark-to-market gains, ending the quarter at \$149.09.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$9.80	\$9.77	\$10.11	\$8.02	\$9.45	\$10.11	\$7.31	\$12.56	\$15.24	\$19.80	\$21.70	\$27.70
BVPS	\$90.0	\$89.8	\$103.6	\$110.3	\$109.6	\$122.4	\$131.9	\$140.0	\$121.9	\$146.8	\$165.0	\$210.6
DPS	\$2.56	\$2.64	\$2.72	\$2.80	\$2.90	\$3.00	\$3.09	\$3.18	\$3.32	\$3.44	\$3.44	\$4.19
Shares³	329	325	466	464	463	456	453	443	419	410	405	380

Chubb does not have a very strong earnings growth track record. The company's earnings-per-share in fiscal 2019 were just ~20% higher than the equivalent figure in 2009, which equates to an earnings-per-share growth rate of just 1-2% annually. Chubb's company-wide net profits rose at a higher pace, but the company's share count rose considerably throughout the last decade, which offset most of the business growth that Chubb generated during that time.

We believe that the more important metric to pay attention to is the company's book value per share (BVPS), due to the cyclicity of the insurance industry. Chubb has compounded its book value per share at more than 7% per year since 2009. Looking ahead, we believe that a 5% growth rate in per-share book value is feasible for Chubb. In 2018, Chubb's book value per share declined due to mark-to-market losses, but that was reversed in 2019 and the metric hit a new record in both 2020 and 2021, despite the pandemic. Book value declined in 2022 but has recovered since.

¹ Estimated date

² Estimated date

³ In Millions

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	10.6	11.2	12.2	17.7	13.7	15.4	15.4	15.3	14.5	11.4	11.8	9.5
Avg. P/B	1.15	1.22	1.19	1.29	1.17	1.27	1.17	1.37	1.81	1.54	1.55	1.25
Avg. Yld.	2.5%	2.4%	2.2%	2.0%	2.3%	1.9%	2.0%	1.7%	1.5%	1.5%	1.3%	1.6%

Chubb's shares have become less expensive between 2017 and 2020 on a price-to-book basis, but the valuation expanded considerably since then. Today, Chubb trades at more than 1.5x book value, which is well above the longer-term average. We think that multiple compression will result in total return headwinds for Chubb going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	26.1%	27.0%	26.9%	34.9%	30.7%	29.7%	42.3%	25.3%	21.8%	17.4%	15.8%	15.1%

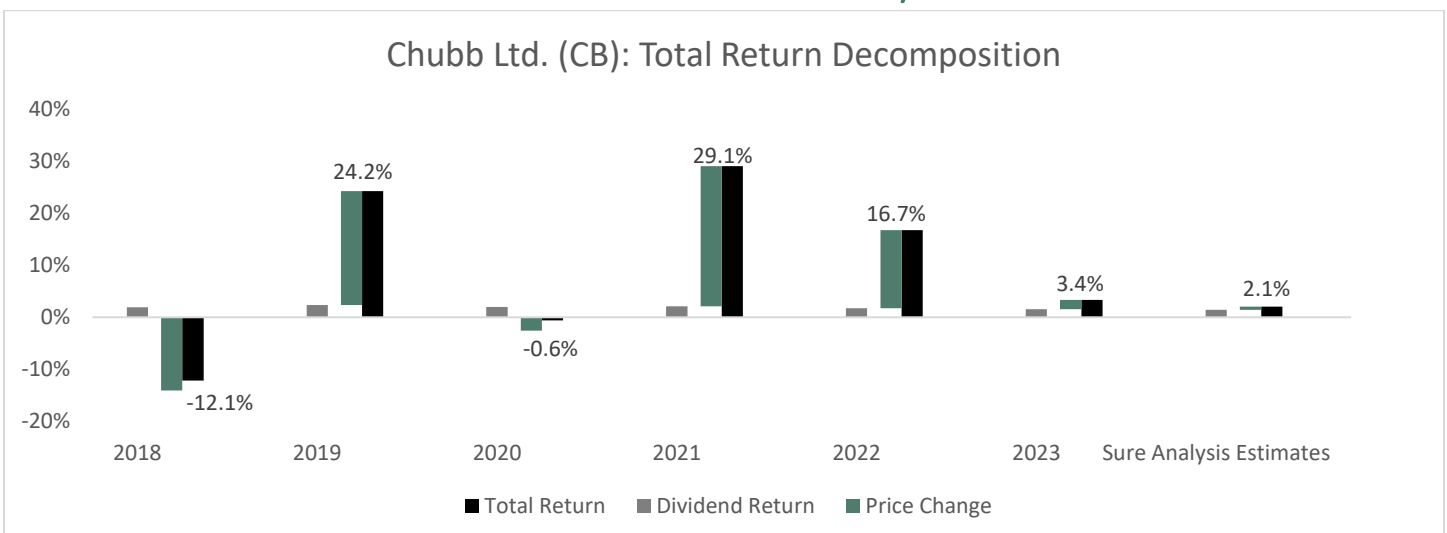
Chubb's profits can vary from year to year, depending on the catastrophe losses and the performance of Chubb's investments during that individual year. The company nevertheless was easily able to cover its dividend payments with its net profits during each year of the last decade. The dividend payout ratio, which is only about 16% based on our estimates for fiscal 2024, leaves a lot of room for future dividend increases.

Chubb remained highly profitable during the last financial crisis, unlike many other financial companies. The company also had a relatively stable, non-volatile stock price in the past. Chubb thus may appeal to risk-averse investors who want to avoid dividend cuts and minimize the price volatility of their investment portfolios. Chubb's size and scale grew considerably thanks to the combination with ACE in 2016, which provides for scale advantages over smaller competitors.

Final Thoughts & Recommendation

Chubb has not delivered a lot of consistent earnings growth in the past, but the company managed to grow its book value reliably, even during the Great Recession. Chubb is a lower-risk stock when bought at the right valuation, and the company was able to weather the coronavirus crisis without a lot of harm. While mark-to-market losses hurt book value in 2022, things improved in 2023, when book value hit a new record high. Due to a high valuation, the total return outlook is not compelling, however, which is why we rate Chubb's stock a sell at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	19,173	18,968	31,480	32,340	32,679	34,230	36,052	40,955	43,124	49,690
SG&A Exp.	2,245	2,270	3,081	2,833	2,886	3,030	2,979	3,136	3,395	4,007
D&A Exp.	-	171	1,578	260	339	305	290	287	285	
Net Profit	2,853	2,834	4,135	3,861	3,962	4,454	3,533	8,539	5,313	9,015
Net Margin	14.9%	14.9%	13.1%	11.9%	12.1%	13.0%	9.8%	20.8%	12.3%	18.1%
Free Cash Flow	4,496	3,864	5,292	4,503	5,480	6,342	9,785	11,149	11,243	
Income Tax	634	462	815	(139)	695	795	629	1,277	1,255	511

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	98	102	160	167	168	177	191	200	199	229
Cash & Equivalents	655	1,775	985	728	1,247	1,537	1,747	1,659	2,012	2,621
Acc. Receivable	17,635	16,896	22,729	24,552	26,270	25,735	26,278	28,901	31,137	33,331
Goodwill & Int.	6,190	6,078	22,450	22,380	21,709	21,665	21,474	20,904	25,324	26,461
Total Liab. (\$B)	69	73	112	116	117	122	131	140	149	165
Accounts Payable	9,821	10,475	14,254	15,413	16,909	18,398	20,760	22,247	23,382	
Long-Term Debt	4,507	9,389	13,110	12,569	12,596	14,858	14,948	16,168	14,877	-
Total Equity	29,587	29,135	48,275	51,172	50,312	55,331	59,441	59,714	50,540	59,507
LTD/E Ratio	0.15	0.32	0.27	0.25	0.25	0.27	0.25	0.27	0.29	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.0%	2.8%	3.2%	2.4%	2.4%	2.6%	1.9%	4.4%	2.7%	4.2%
Return on Equity	9.8%	9.7%	10.7%	7.8%	7.8%	8.4%	6.2%	14.3%	9.6%	16.4%
ROIC	8.3%	7.8%	8.3%	6.2%	6.3%	6.7%	4.9%	11.4%	7.5%	14.0%
Shares Out.	329	325	466	464	463	456	453	443	419	410
Revenue/Share	56.56	57.68	67.56	68.63	70.01	74.59	79.51	92.41	101.82	119.97
FCF/Share	13.26	11.75	11.36	9.56	11.74	13.82	21.58	25.16	26.55	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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