



Allstate Corporation (ALL)

Updated November 15th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$197	5 Year CAGR Estimate:	8.3%	Market Cap:	\$52 B
Fair Value Price:	\$168	5 Year Growth Estimate:	10.0%	Ex-Dividend Date¹:	11/29/2024
% Fair Value:	117%	5 Year Valuation Multiple Estimate:	-3.1%	Dividend Payment Date¹:	01/02/2025
Dividend Yield:	1.9%	5 Year Price Target	\$270	Years of Dividend Growth:	11
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Allstate Corporation is an insurance company that offers property and casualty insurance to its customers. The company also sells life, accident, and health insurance products. Its segments include Allstate Protection, Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, etc. Allstate's insurance brands include Allstate, Encompass, and Esurance. Allstate Corporation was founded in 1931, and the company is headquartered in Northbrook, IL. Allstate is currently trading with a market capitalization of \$52 billion.

On October 15th, 2024, Allstate announced its acquisition of Kingfisher, which offers mobile device protection plans.

Allstate Corporation reported third quarter 2024 results on October 30th, 2024, for the period ending September 30th, 2024. The company reported consolidated revenues of \$16.6 billion for the quarter, a 14.7% year-over-year increase, largely due to higher Property-Liability earned premium. Property-Liability insurance premiums earned totaled \$13.7 billion, up 11.6% from \$12.3 billion in the same period a year ago. Adjusted net income per share of \$3.91 was a significant improvement from \$0.81 a year ago. Catastrophe losses amounted to \$1.7 billion in the quarter, 44% higher than the same quarter last year. Year-to-date, however, catastrophe losses have declined by 18%.

Total policies in force increased 8.1% year-over-year, from 190.1 million to 205.5 million. The trailing twelve months adjusted net income return on common shareholder's equity was 26.1%, 35.8 points higher than last year's (9.7%). Book value per share rose by 47% year-over-year to \$70.35.

Allstate is pursuing the sale of its Health and Benefits business, and has reached an agreement to sell the Employer Voluntary Benefits business to StanCorp Financial for \$2 billion. There are still two businesses within this segment that are expected to be divested.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$5.42	\$5.21	\$4.89	\$6.71	\$8.86	\$10.43	\$14.29	\$13.48	(\$0.88)	\$0.95	\$15.25	\$24.56
DPS	\$1.12	\$1.18	\$1.29	\$1.45	\$1.84	\$2.00	\$2.16	\$3.24	\$3.40	\$3.52	\$3.68	\$5.41
Shares²	418.0	381.0	366.0	355.0	342.0	326.0	314.0	280.6	263.5	262.5	264.0	240.0

Allstate's profits took a large hit during the last financial crisis. Earnings once peaked in 2006 at \$7.67 and continued to drop for several years before bottoming out in 2011, more than 80% below the peak that was hit five years earlier. Since then, profits have recovered, though, and have risen to new record highs since 2018, and through to 2020. 2021 fell just short of its 2020 high, while 2022 results were gruesome due to increased claims severity and unfavorable prior year reserve reestimates, lower net investment income and policies in force, and higher costs and expenses. For 2023, catastrophe losses rose 81% compared to 2022 to \$5.6 billion, heavily impacting profit. For 2024, we see a turnaround, with Allstate on track to deliver \$15.25 per share, and forecast it can produce 10% annualized earnings-per-share growth to generate \$24.56 in 2029.

¹ Estimate based on last year's date

² in millions.

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The insurance industry is not a high-growth industry, nevertheless, Allstate has managed to grow earnings successfully over the long term, with ebbs and flows over certain time periods. The company benefits from rising interest rates, as this allows it to deploy its insurance float more profitably. Allstate has successfully reduced its share count throughout the last decade, and it is likely that share repurchases will remain a key factor in earnings-per-share growth going forward as well. In the last five years, the company has reduced its common shares outstanding by 5.0% annually. We would consider Allstate to be a shareholder-friendly company. However, due to underwriting losses that Allstate has been subject to recently, its \$5 billion share repurchase authorization was suspended in July 2023.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	11	12.6	13.8	13.1	10.3	13.5	7.5	9.2	-	126	12.9	11.0
Avg. Yld.	1.9%	1.8%	1.9%	1.6%	2.2%	1.9%	2.1%	2.2%	2.5%	2.9%	1.9%	2.0%

Allstate Corporation trades at 12.9 times this year's earnings-per-share forecast. This is above the 5-year average PE of 10.1. We believe that shares are slightly overvalued here, which implies a valuation headwind. Allstate's dividend yield is above that of the broad market at 1.9% and is in line with its average historical yield of 2.1%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

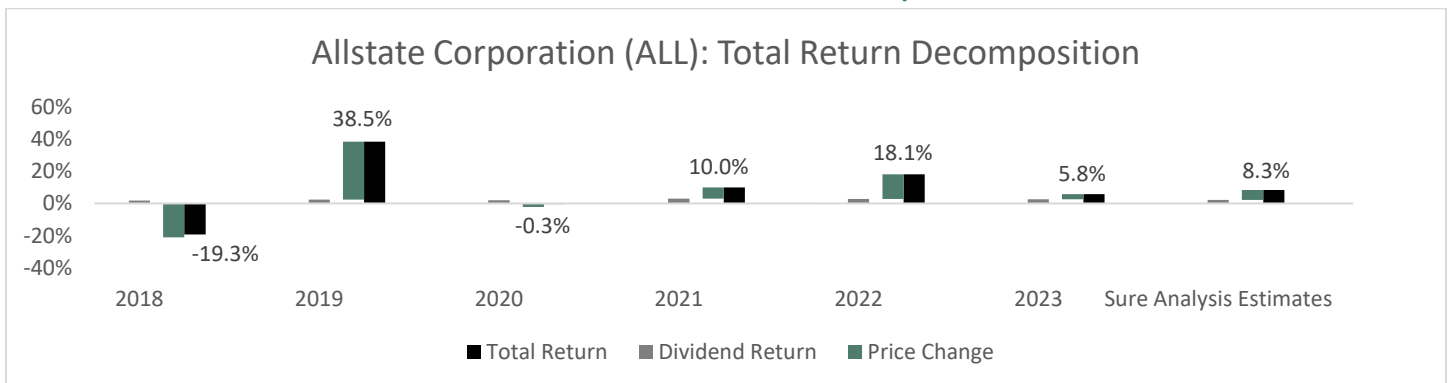
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	21%	23%	26%	22%	21%	19%	15%	24%	-	371%	24%	22%

Allstate saw its profits shrink considerably during the last financial crisis, which is why the company cut its dividend during those troubled times. The dividend was cut from 2008 to 2009 as well as from 2009 to 2010. The dividend payout ratio is quite low now, though, and results are expected to normalize from here. The risk of another dividend cut during the next couple of years is relatively low, even with the underperformance we saw in 2022 and 2023. Allstate does not have strong recession performance; its profits declined massively, and it took the company until 2018 to breach its earnings-per-share record that the company set in 2006. Allstate is thus not a resilient investment. It is highly reliant on auto insurance, which is responsible for more than 50% of revenues. Shifts towards more autonomous driving or ride sharing could thus turn into a headwind in the distant future.

Final Thoughts & Recommendation

Allstate is one of the largest American insurers and a shareholder-friendly company. Following the 16% share price runup since we rated the stock a buy in our last research report, in August, we now see the company as trading at a 17% premium to our fair value estimate. Still, the stock could offer total annualized returns of 8.3% over the next five years, thus we are downgrading ALL from buy to hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	35,239	35,653	37,399	39,407	39,815	44,675	44,791	50,588	51,412	57,090
SG&A Exp.				-217	468	114	-51	-644	116	9
D&A Exp.	366	371	382	483	511	647	686			
Net Profit	2,850	2,171	1,877	3,554	2,160	4,847	5,576	1,599	-1,311	-188
Net Margin	8.1%	6.1%	5.0%	9.0%	5.4%	10.8%	12.4%	3.2%	-2.5%	-0.3%
Free Cash Flow	2,948	3,313	3,680	4,015	4,898	4,696	5,183			
Income Tax	1,386	1,111	877	995	468	1,242	1,383	1,289	-494	-135

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	108,479	104,656	108,610	112,422	112,249	119,950	125,987	99,440	97,957	103,360
Cash & Equivalents	657	495	436	617	499	338	377	763	736	722
Acc. Receivable	13,955	14,062	14,342	14,707	15,719	15,683	15,699	18,388	18,771	18,850
Goodwill & Int.	1,219	1,219	1,219	2,737	3,243	3,026	2,997	3,502	3,502	3,502
Total Liab. (\$B)	86,175	84,631	88,037	89,871	90,937	93,952	95,770	74,313	80,607	85,730
Long-Term Debt	5,140	5,124	6,347	6,350	6,451	6,631	7,825	7,976	7,964	7,942
Total Equity	20,558	18,279	18,827	20,805	19,382	23,750	28,247	23,209	15,505	15,770
LTD/E Ratio	0.23	0.26	0.31	0.28	0.30	0.26	0.26	0.32	0.46	0.45

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.5%	2.0%	1.8%	3.2%	1.9%	4.2%	4.5%	1.4%	-1.3%	-0.2%
Return on Equity	13.8%	11.2%	10.1%	17.9%	10.7%	22.5%	21.4%	6.2%	-6.8%	-1.1%
ROIC	10.3%	8.3%	7.2%	12.7%	7.6%	16.1%	15.8%	4.5%	-4.5%	-0.7%
Shares Out.	418.0	381.0	366.0	355.0	342.0	326.0	314.0	280.6	271.2	262.5
Revenue/Share	80.42	87.64	99.12	107.14	112.73	133.96	141.97	169.13	189.57	217.50
FCF/Share	6.73	8.14	9.75	10.92	13.87	14.08	16.43			

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