



Allstate Corporation (ALL)

Updated November 5th, 2021 by Quinn Mohammed

Key Metrics

Current Price:	\$116	5 Year CAGR Estimate:	10.6%	Market Cap:	\$33.4 B
Fair Value Price:	\$143	5 Year Growth Estimate:	4.0%	Ex-Dividend Date¹:	11/27/2021
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.1%	Dividend Payment Date²:	01/04/2022
Dividend Yield:	2.8%	5 Year Price Target	\$173	Years of Dividend Growth:	9
Dividend Risk Score:	C	Retirement Suitability Score:	D	Last Dividend Increase:	50%

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 \$33.4 billion.

Allstate Corporation reported third quarter results on November 3rd. The company reported consolidated revenue of \$12.5 billion for the quarter, a 16.9% gain year-over-year. Property and casualty insurance premiums totaled \$10.6 billion, up 14% from \$9.3 billion from the same period a year ago. Adjusted net income per share of \$0.73 was a 75% drop from Q32020's \$2.87, which was due to higher non-catastrophe losses in auto and homeowners insurance and increased catastrophe losses. Catastrophe losses rose 28% from the prior year, to \$1.3 billion.

Total policies in force continue to increase YoY, from 171 million to 192 million, a 12% increase. The quarterly adjusted net income return on common shareholder's equity was 21.2%, 3.3 points higher than last year's 17.9%. The company returned almost \$1.5 billion to shareholders through dividends and share repurchases in the third quarter. Book value per share increased 3% YoY to \$84.62.

Subsequent to the third quarter ending, the divestiture of Allstate Life Insurance Company was completed, and combined with the sale of Allstate Life Insurance Company of New York, ALL now has \$1.7 billion in deployable capital and reduced interest rate risk.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$1.34	\$4.34	\$5.70	\$5.42	\$5.21	\$4.89	\$6.71	\$8.86	\$10.43	\$12.30	\$14.25	\$17.34
DPS	\$0.83	\$0.88	\$1.00	\$1.12	\$1.18	\$1.29	\$1.45	\$1.84	\$2.00	\$2.16	\$3.24	\$4.14
Shares³	501.0	479.0	449.0	418.0	381.0	366.0	355.0	342.0	326.0	314.0	300.0	260.0

Allstate's profits took a large hit during the last financial crisis. Earnings 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 2019. We are forecasting record profits in 2021 as well. From here on out we estimate ALL can produce 4% annualized earnings growth in the near term.

The insurance industry is not a high-growth industry, but Allstate has managed to grow earnings considerably in recent years, exceeding 20% in the past 5 and 10 years. Higher contract volumes bode well for the company's near-term growth. Allstate would benefit from rising interest rates, as this allows the company to deploy the insurance float more profitably, which should bolster profit growth as well. The company has very successfully reduced its share count throughout the last decade. It is likely that share repurchases will remain a key factor for earnings-per-share growth

¹ Estimate based on last year's date

² Estimate based on last year's date

³ in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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going forward as well. In the last 12 months, the company has reduced the share count by 5.1%. The company is focused on returning value directly to shareholders.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	21.6	8.2	8.7	11	12.6	13.8	13.1	10.3	13.5	7.5	8.2	10.0
Avg. Yld.	2.9%	3.1%	1.5%	1.9%	1.8%	1.9%	1.6%	2.2%	1.9%	2.1%	2.8%	2.4%

Allstate Corporation trades at 8.2 times this year's expected net earnings right now. This is 32% below the 10-year average PE of 12. We believe that shares are fairly undervalued right here, which results in a tailwind to the multiple of 4.1%. Allstate's dividend yield is slightly above that of the broad market at 2.8% and is elevated in comparison to its average historical yield.

Safety, Quality, Competitive Advantage, & Recession Resiliency

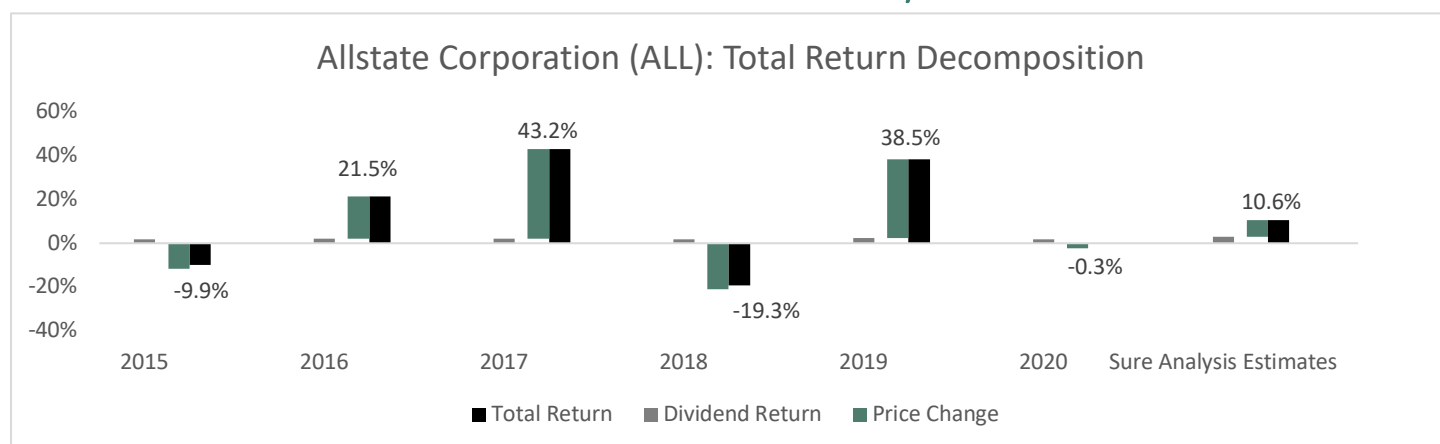
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	62%	20%	18%	21%	23%	26%	22%	21%	19%	18%	23%	24%

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, though, and there have been no cuts to earnings estimates for the company due to the coronavirus pandemic. Allstate even provided a Shelter-in-Place Payback of over \$900 million to customers since they are driving less due to social distancing, and adjusted net income is still growing significantly. The risk of another dividend cut during the next couple of years is relatively low. 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. Allstate 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 very shareholder friendly company. We are forecasting total annualized returns of 10.6% in the near-term, and the stock is trading at 82% fair value, thus it is fairly undervalued. As a result of positive forecasts, recent growth in earnings, and the overt shareholder friendliness of the corporation, we rate ALL a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	32654	33315	34507	35239	35653	37399	39407	39815	44675	44791
SG&A Exp.	3739	4118	4387	4341	4081	4939	5442	5869	5804	5681
D&A Exp.	252	388	368	366	371	382	483	511	647	
Net Profit	787	2306	2280	2850	2171	1877	3189	2252	4847	5576
Net Margin	2.4%	6.9%	6.6%	8.1%	6.1%	5.0%	8.1%	5.7%	10.8%	12.4%
Free Cash Flow	1683	2769	4035	2948	3313	3680	4015	4898	4696	
Income Tax	172	1000	1116	1386	1111	877	802	492	1242	1383

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets (\$B)	125.19	126.95	123.52	108.48	104.66	108.61	112.42	112.25	119.95	125.99
Cash & Equivalents	776	806	675	657	495	436	617	499	338	377
Acc. Receivable	12171	13818	12858	13955	14062	14342	14707	15719	15683	15699
Goodwill & Int.	1242	1240	1243	1219	1219	1219	2737	3243	3026	2544
Total Liab. (\$B)	106.87	106.37	102.04	86.18	84.63	88.04	89.87	90.94	93.95	95770
Accounts Payable	2588	4010	4664	5694	5892	6184	6471	7155	6912	
Long-Term Debt	5908	6057	6201	5140	5124	6347	6350	6451	6631	7825
Total Equity	18298	20580	20700	20558	18279	18827	20805	19382	23750	28247
D/E Ratio	0.32	0.29	0.29	0.23	0.26	0.31	0.28	0.30	0.26	0.26

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	0.6%	1.8%	1.8%	2.5%	2.0%	1.8%	2.9%	2.0%	4.2%	4.5%
Return on Equity	4.2%	11.9%	11.0%	13.8%	11.2%	10.1%	16.1%	11.2%	22.5%	21.4%
ROIC	3.2%	9.1%	8.4%	10.3%	8.3%	7.2%	11.4%	7.9%	16.1%	15.8%
Shares Out.	501	479	449	418	381	366	355	342	326	314
Revenue/Share	62.42	67.58	73.37	80.42	87.64	99.12	107.14	112.73	133.96	141.97
FCF/Share	3.22	5.62	8.58	6.73	8.14	9.75	10.92	13.87	14.08	

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