



Primerica, Inc. (PRI)

Updated August 14th, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	\$137	5 Year CAGR Estimate:	14.7%	Market Cap:	\$5.2 B
Fair Value Price:	\$153	5 Year Growth Estimate:	11.0%	Ex-Dividend Date¹:	08/22/22
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.2%	Dividend Payment Date¹:	09/14/22
Dividend Yield:	1.6%	5 Year Price Target	\$257	Years Of Dividend Growth:	12
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Primerica, Inc. provides term life insurance to middle-income households in the United States and Canada. On behalf of third parties, it also offers mutual funds, annuities, managed investments, and other financial products. Primerica insured over 5.7 million lives and had over 2.7 million client investment accounts on December 31, 2021. The company was the second-largest issuer of Term Life insurance coverage in the United States and Canada in 2021. Primerica's offerings are sold via a network of 132,100 licensed sales reps (Q2-2022) who are independent contractors. Primerica is a \$5.2 billion company and has 2,891 full time employees.

On August 9th, 2022, Primerica released its second-quarter fiscal 2022 results. For the quarter the company reported revenue of \$672 million which represents a 2.7% increase compared with a revenue of \$654 million in the same quarter of 2021. Reported earnings per diluted share for the same periods were \$2.79 and \$3.22, a decrease of 13% year-over-year. Second-quarter results reflect continued revenue growth in the Term Life segment and headwinds for the Investment and Savings Products (ISP) segment. Term Life operating revenues increased 2% year-over-year with claims continuing to normalize to pre-COVID levels. The life insurance sales force is growing for the second time in a row on a sequential quarter basis, recovering from the dip in 2021 and above pre-COVID levels again. ISP operating revenues decline by 11% year-over-year due to market volatility. The Senior Health segment, which has seasonally low sales levels in the second quarter, continued to face headwinds as the industry adjusts to higher churn rates and the need to lower contract acquisition costs. The company continues to work to make the essential operational adjustments in this business segment to tackle the related segment challenges.

Primerica's management expects earnings to grow further and indicated that there is a significant unmet need in the life insurance market. Middle-Income households in the U.S. need an additional \$14 trillion of life insurance to be protected properly². Primerica's unique distribution model is one of the strategic pillars to effectively serve this middle-income market.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.77	\$2.83	\$3.26	\$3.70	\$4.59	\$7.61	\$7.33	\$8.62	\$9.57	\$9.38	\$11.75	\$19.80
DPS	\$0.32	\$0.45	\$0.52	\$0.64	\$0.70	\$0.78	\$1.00	\$1.36	\$1.60	\$1.88	\$2.20	\$3.23
Shares³	56	55	52	48	46	44	43	41	39	39	38	37

The company has grown earnings by 14.5% per year over the past nine years and 9.1% over the past five years. We expect earnings to increase by 11% per year for the next five years. The company has been able to increase its yearly dividend payout for 12 consecutive years. Over the last five years, the average annual dividend growth rate is 23%. In February 2022, the company increased its quarterly dividend by 17% from \$0.47 to \$0.55 per share.

¹ Estimated date

² Introduction to Primerica, YE-2021

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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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/E	9.7	13.2	14.6	12.9	11.6	10.8	14.5	14.2	12.2	16.2	11.6	13.0
Avg. Yld.	1.9%	1.2%	1.1%	1.3%	1.3%	0.9%	0.9%	1.1%	1.4%	1.2%	1.6%	1.3%

During the past decade shares of Primerica have traded with an average price-to-earnings ratio of about 13 times earnings and today, it stands at 11.6. We are using 13 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 1.6% which is well above the average yield over the past 5 years of 1.1%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	12%	16%	16%	17%	15%	10%	14%	16%	17%	20%	19%	16%

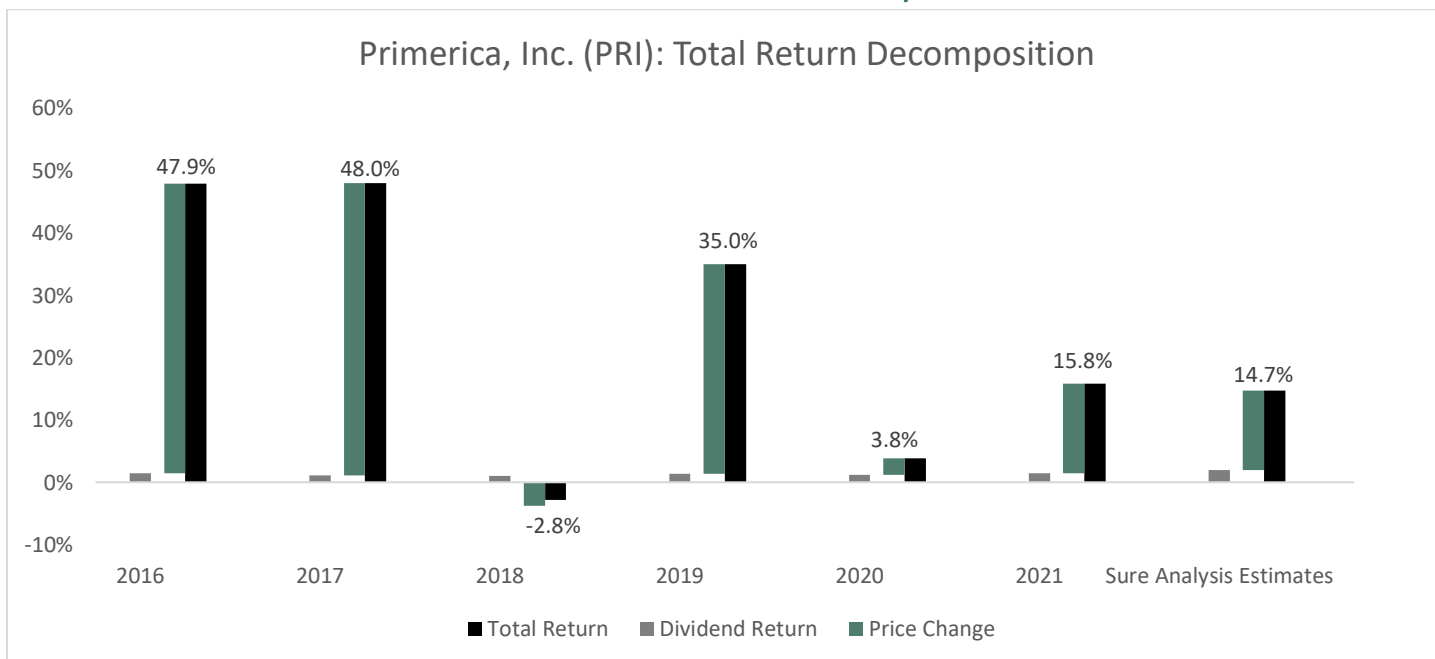
During the past five years, the company's dividend payout ratio has averaged around 15%. Primerica's dividend is comfortably covered by earnings.

As the second largest provider, Primerica is well-positioned in the market for term life insurance. Its distribution model is uniquely designed to reach and service middle-income consumers in North America and thus provides a competitive advantage. The company expects that demand for these offerings should continue to increase. The company's flexible business model allows it to adapt smoothly to changing industry conditions. Management is also taking the necessary measures to control expenses which should support overall profitability. Furthermore, the Primerica business model is difficult to replicate. Looking forward, we anticipate solid growth in earnings-per-share for the Primerica.

Final Thoughts & Recommendation

Primerica is a \$5.2 billion life insurance company active in the U.S. and Canada with a solid earnings track record and a modest dividend yield of 1.6%. We estimate total return potential of 14.7% per year for the next five years based on a 11% earnings-per-share growth, dividend yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	1,154	1,229	1,337	1,404	1,519	1,689	1,900	2,053	2,218	2,710
D&A Exp.	10	11	12	11	15	14	12	18	18	30
Net Profit	174	163	181	190	219	350	324	366	386	373
Net Margin	15.1%	13.2%	13.6%	13.5%	14.4%	20.7%	17.1%	17.9%	17.4%	13.8%
Free Cash Flow	113	164	230	257	281	385	465	460	616	632
Income Tax	93	86	96	101	118	29	92	111	121	139

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	10,338	10,330	10,738	10,611	11,439	12,461	12,595	13,689	14,905	16,123
Cash & Equivalents	112	149	192	152	212	280	262	257	548	393
Acc. Receivable	4,176	4,231	4,297	4,301	4,404	4,435	4,357	4,397	4,533	4,526
Inventories	70	69	62	58	55	52	48	45	45	375
Goodwill & Int.	9,062	9,108	9,492	9,465	10,218	11,042	11,134	12,036	13,069	14,033
Total Liabilities	255	253	246	238	268	307	314	340	520	585
Accounts Payable	374	374	595	737	875	1,110	1,343	1,558	1,720	1,986
Long-Term Debt	1,275	1,222	1,245	1,146	1,221	1,419	1,462	1,652	1,836	2,083
Total Equity	0.29	0.31	0.48	0.64	0.72	0.78	0.92	0.94	0.94	0.95
LTD/E Ratio	70	69	62	58	55	52	48	45	45	375

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	1.7%	1.6%	1.7%	1.8%	2.0%	2.9%	2.6%	2.8%	2.7%	2.4%
Return on Equity	13.4%	13.0%	14.7%	15.9%	18.5%	26.5%	22.5%	23.5%	22.1%	19.1%
ROIC	10.6%	10.0%	10.6%	10.2%	11.0%	15.1%	12.2%	12.2%	11.4%	9.8%
Shares Out.	56	55	52	48	46	44	43	41	39	39
Revenue/Share	18.49	21.70	24.49	27.58	32.01	36.97	43.19	48.51	55.18	68.34
FCF/Share	1.82	2.89	4.21	5.04	5.92	8.42	10.56	10.87	15.32	15.95

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

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