



Equitable Holdings (EQH)

Updated September 24th, 2022, by Tiago Dias

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|----------------------------------|-------------------------|
| Current Price: | \$27 | 5 Year CAGR Estimate: | 25.4% | Market Cap: | \$10.4 B |
| Fair Value Price: | \$59 | 5 Year Growth Estimate: | 6.0% | Ex-Dividend Date: | 11/26/2022 ¹ |
| % Fair Value: | 46% | 5 Year Valuation Multiple Estimate: | 16.9% | Dividend Payment Date: | 12/06/2022 ¹ |
| Dividend Yield: | 3.0% | 5 Year Price Target | \$79 | Years Of Dividend Growth: | 4 |
| Dividend Risk Score: | C | Retirement Suitability Score: | C | Rating: | Buy |

Overview & Current Events

Equitable Holdings, Inc. (EQH) is a leading financial services company specializing in Individual retirement, Group Retirement, Investment Management and Research, and Protection Solutions. With a history tracing back to 1859, this \$10.4 billion market cap company has raised its dividend every year since 2018.

Equitable Holdings reported Q2 2022 earnings on August 3rd, 2022. For the quarter, earnings-per-share equalled \$4.47, compared to the \$0.23 per share in the same period of 2021. The company also declared a new dividend of \$0.20 per share of common stock. This dividend was paid on August 15th. We expect that the next quarterly dividend will be paid in early December.

The highlight of the quarter was the acquisition by one of EQH's subsidiaries, AllianceBernstein (AB), of CarVal Investors which will bring its Private Markets platform to \$54 billion. The company continues to deliver robust results and its balance sheet remains protected amidst challenging economic conditions and declining markets. The CEO is satisfied that the company's clients continue to turn to Equitable and AB for solutions amidst the uncertain market outlook.

Growth on a Per-Share Basis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|---------------|------|------|------|------|------|------|--------|--------|--------|--------|---------------|---------------|
| EPS | -- | -- | -- | -- | -- | -- | \$3.89 | \$4.85 | \$4.99 | \$6.58 | \$6.55 | \$8.77 |
| DPS | -- | -- | -- | -- | -- | -- | \$0.26 | \$0.58 | \$0.66 | \$0.71 | \$0.80 | \$1.07 |
| Shares | -- | -- | -- | -- | -- | -- | 528 | 463 | 440 | 391 | 380 | 320 |

Insurance companies are stable non-cyclical businesses with generally reliable revenue and income streams that allow them to pay consistent dividends and return capital to shareholders. Equitable Holdings has certainly fit that mold, with its performance since the AXA spin-off showing consistently increasing earnings and dividends, as well as regular share buybacks. While the company could certainly stand to increase its dividend a bit faster, its current low payout ratio gives them some breathing room that will be valuable in the current era of increasing inflation and interest rates.

Despite a stellar performance since 2018, due to the lack of long-term standalone performance data, and a worsening macro climate, we expect that earnings and dividends will grow at a CAGR of around 6% over the next 5 years, with expected 2027 EPS of around \$8.77 and a dividend payment of \$1.07 per share.

Valuation Analysis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Now | 2027 |
|------------------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | -- | -- | -- | -- | -- | -- | 5.3 | 4.4 | 4.2 | 4.7 | 4.1 | 9.0 |
| Avg. Yld. | -- | -- | -- | -- | -- | -- | 1.3% | 2.7% | 3.2% | 2.3% | 3.0% | 1.4% |

Equitable Holdings has traded at a significant discount to both the general market and its peers in the insurance industry since it became public in 2018. While it's possible that such a discount will remain, particularly when considering the

¹ Estimated date.

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inherent risks and issues involved with life insurance, we think that the company's solid earnings, book value and track history may allow it to be re-rated closer to the market average, and in-line with the insurance PE ratio average.

As such we expect the by 2027 it will be trading at a multiple of around 9 times earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | -- | -- | -- | -- | -- | -- | 7% | 12% | 13% | 11% | 12% | 12% |

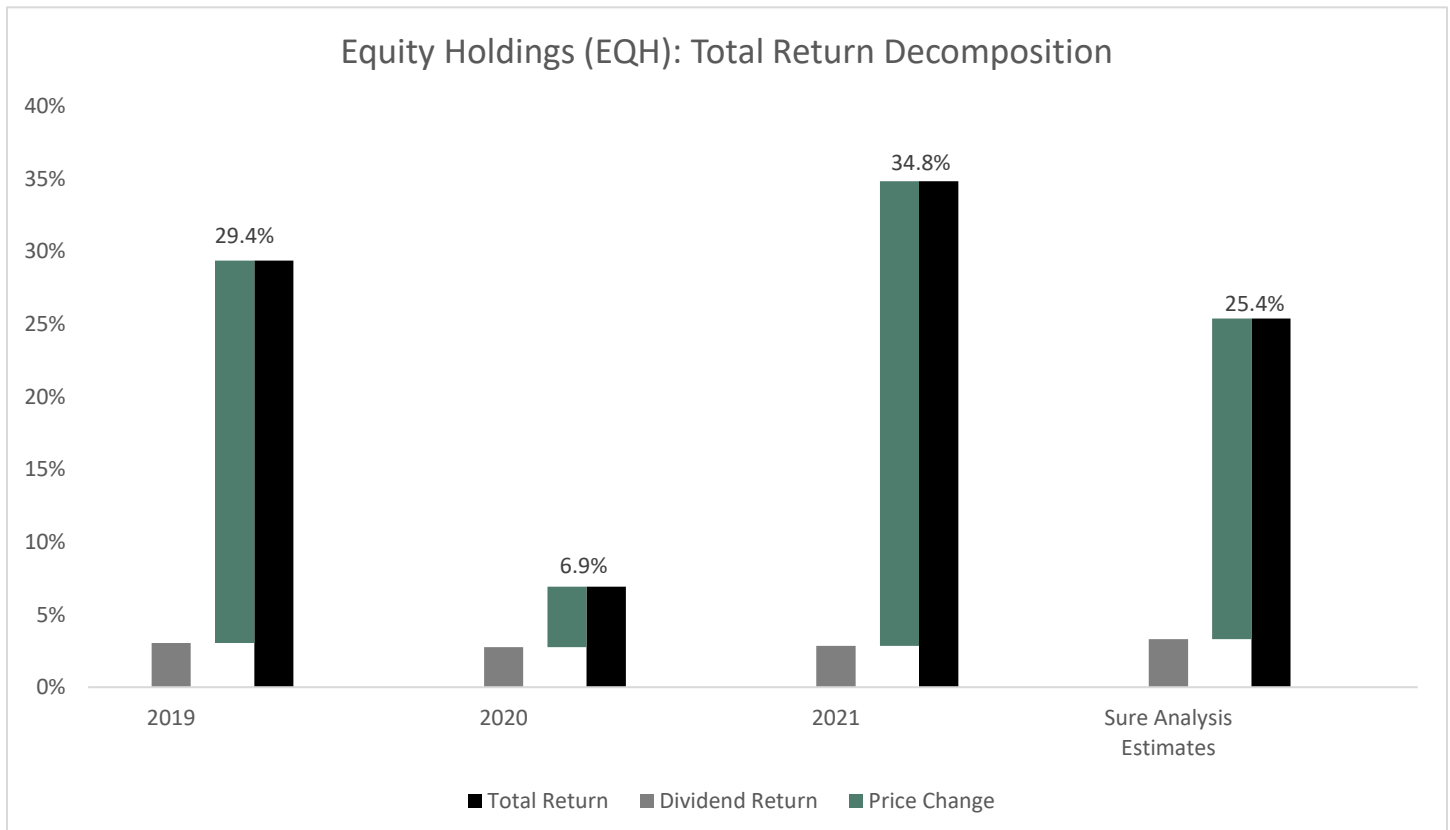
With reliable earnings, and an extremely low payout ratio, Equitable Holdings is well positioned to carry on its growth strategy even in the face of rising interest rates and an overall negative macro climate. With the consistent cashflows from premiums coming in, and a comparatively low dividend expense, we believe that Equitable Holdings can make good on its commitments to shareholders and clients, while maintaining a growth strategy that will bring the company better quality and higher margin business than its traditional retirement business.

The quality of the business can often be misjudged by the market, and its share price may remain unduly depressed for years, despite an otherwise stellar operational performance. It's for these reasons that dividends provide an attractive strategy for investors to get investment returns in difficult macro times.

Final Thoughts & Recommendation

With an attractive and secure 3.0% dividend yield, an expected growth rate of 6% and a multiple re-rating as a result of extreme undervaluation, we are forecasting a total return potential of 25.4% per annum, driven primarily by the valuation multiple re-rating. As a result, the company's 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 | | | 13063 | 10079 | 11763 | 12460 | 12069 | 9619 | 12415 | 11036 |
| SG&A Exp. | | | 2109 | 2165 | 1965 | 1980 | 2079 | 2081 | 2096 | 2360 |
| D&A Exp. | | | 353 | 9 | 758 | 399 | 296 | 675 | 1757 | 497 |
| Net Profit | | | 1630 | 333 | 1254 | 834 | 1855 | (1764) | (648) | (439) |
| Net Margin | | | 12.5% | 3.3% | 10.7% | 6.7% | 15.4% | -18.3% | -5.2% | -4.0% |
| Free Cash Flow | | | (720) | (275) | (333) | (345) | (62) | (309) | (168) | (876) |
| Income Tax | | | 477 | (217) | 378 | 49 | 301 | (593) | (744) | (145) |

Balance Sheet Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------|------|------|------|--------|--------|--------|--------|--------|--------|--------|
| Total Assets | | | | 205569 | 216614 | 235615 | 220797 | 249818 | 275397 | 292262 |
| Cash & Equivalents | | | | 6557 | 5654 | 4814 | 4469 | 4405 | 6179 | 5188 |
| Acc. Receivable | | | | 5270 | 5220 | 5023 | 4895 | 4592 | 4566 | 14679 |
| Goodwill & Int. | | | | 5242 | 5243 | 4824 | 4780 | 4751 | 4737 | 4728 |
| Total Liabilities | | | | 192000 | 202017 | 219097 | 205365 | 234771 | 258220 | 279167 |
| Accounts Payable | | | | 1945 | 2048 | 2219 | 1869 | 2126 | 2824 | 2664 |
| Long-Term Debt | | | | 6451 | 4509 | 6030 | 4955 | 4111 | 4428 | 5122 |
| Total Equity | | | | 10440 | 11455 | 13421 | 13866 | 12681 | 14307 | 9957 |
| LTD/E Ratio | | | | 0.62 | 0.39 | 0.45 | 0.36 | 0.31 | 0.28 | 0.44 |

Profitability & Per Share Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------|------|------|--------|--------|--------|--------|--------|--------|--------|--------|
| Return on Assets | | | | | 0.6% | 0.4% | 0.8% | -0.7% | -0.2% | -0.2% |
| Return on Equity | | | | | 11.5% | 6.7% | 13.6% | -13.3% | -4.8% | -3.6% |
| ROIC | | | | | 6.4% | 4.0% | 8.6% | -8.9% | -3.2% | -2.2% |
| Shares Out. | | | | | | | 528 | 463 | 440 | 391 |
| Revenue/Share | | | 23.29 | 17.97 | 20.97 | 22.21 | 21.69 | 19.49 | 27.56 | 26.44 |
| FCF/Share | | | (1.28) | (0.49) | (0.59) | (0.62) | (0.11) | (0.63) | (0.37) | (2.10) |

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

Disclaimer

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