MetLife Inc. (MET)

Updated November 4th, 2022, by Nathan Parsh

Key Metrics

Current Price:	$74	**5 Year CAGR Estimate:**	3.8%	**Market Cap:**	$59 B
Fair Value Price:	$64	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	11/07/22
% Fair Value:	116%	**5 Year Valuation Multiple Estimate:**	-2.9%	**Dividend Payment Date:**	12/14/22
Dividend Yield:	2.7%	**5 Year Price Target**	$78	**Years Of Dividend Growth:**	10
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

MetLife is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management to help its individual and institutional customers. Founded in 1868 as Metropolitan Life, today the $54 billion MetLife has operations in more than 40 countries and holds leading positions in the U.S., Japan, Latin America, Asia, Europe, and the Middle East, with about half of profits generated in the U.S.

On April 26th, 2022, MetLife announced a $0.50 quarterly dividend, representing a 4.2% year-over-year increase.

On November 2nd, 2022, MetLife reported third quarter results for the period ending September 30th, 2022. For the quarter, the company reported revenue of $22.3 billion, a 31.7% increase compared to the prior year and $1.69 billion ahead of estimates, as a 68% improvement in premiums, fees, and other income were partially offset by a 36% decrease in net investment income. Adjusted earnings equaled $966 million, or $1.21 per share, compared to $2.1 billion, or $2.39 per share, in the prior year. Adjusted earnings-per-share was $0.04 higher than expected.

MetLife's adjusted book value per share equaled $54.37 versus $57.29 in the year ago period.

Following second quarter earnings, we now estimate that MetLife will earn $7.11 per share in 2022, compared to $7.38, $7.35, and $7.25 previously.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$5.28	$5.63	$5.74	$4.86	$4.59	$3.92	$5.39	$6.11	$6.16	$9.15	***$7.11***	***$8.65***
DPS	$0.74	$1.01	$1.33	$1.48	$1.58	$1.60	$1.66	$1.74	$1.82	$1.90	***$2.00***	***$2.43***
Shares[1]	1,092	1,122	1,132	1,098	1,096	1,044	959	915	893	869	***801***	***735***

MetLife has put together a reasonable, but unspectacular earnings record in the last decade. From 2010 through 2020 earnings-per-share grew by an average compound rate of 3.5% per annum, before a standout performance in 2021. Moreover, there were many instances of year-over-year declines. The company benefited from a lower tax rate in 2018.

Above average growth is generally not expected in the insurance business, as competition is fierce, and the products being offered are commodity-like in nature. Further, Insurers can get in trouble by "chasing" growth if it means underpricing policies to gain share. The liabilities are not known for years, meaning that you can grow quickly in the short-term, but be worse off for it in the long-term. Our preference is a slow and steady approach, and our expectation is 4% intermediate term growth, coming off a lower base for 2022.

MetLife does have a few growth avenues in the way of general economic growth, international operations boosting its growth profile, and rising interest rates should they eventually come about. Additionally, share repurchases make sense given the below average valuation. Results in 2020 were a great example of this, with company-wide profit declining, but earnings-per-share increasing due to the lower share count. Lastly, higher interest rates should provide a tailwind to the business.

[1] In millions.

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	6.5	7.9	9.2	10.5	9.7	13.3	8.5	7.7	6.5	7.1	***10.4***	***9.0***
Avg. Yld.	2.2%	2.3%	2.5%	2.9%	3.5%	3.1%	3.6%	3.7%	4.5%	3.2%	***2.7%***	***3.1%***

Shares of MetLife have increased $7, or 10.4%, since our August 15th, 2022 report. Over the past decade shares of MetLife have traded hands with an average P/E ratio of around 9 times earnings. We believe this is a reasonable starting place, considering the conservative growth profile of the firm coupled with a typical valuation in the industry. With shares trading at 10.4 times expected earnings this implies a valuation headwind. Multiple compression could reduce annual results by 2.9% through 2027.

MetLife's dividend should add nicely to shareholder returns as well, given the 2.7% yield and runway for future growth. Note that MetLife held its dividend steady from 2007 through 2012 and recently held the payment at $0.40 for eight quarters in 2016 through 2018, before it bumped it up 5% in 2018, 4.8% in 2019, 4.5% in 2020, 4.3% in 2021, and 4.2% in 2022. Future dividend growth may be lumpy, but we do anticipate year-over-year increases from this point.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	14%	18%	23%	30%	34%	41%	31%	28%	30%	21%	***28%***	***28%***

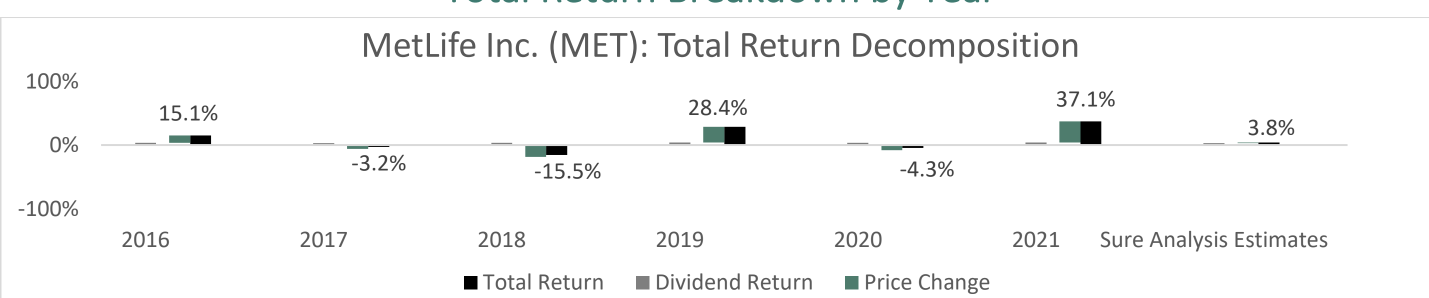
MetLife's industry does not typically exhibit competitive advantages as the products are commodity-like in nature. Consumers are not willing to pay a material premium to get the same policy. That being said, MetLife's long tradition and experience in the industry, along with a proven track record of intelligent, slow growth is encouraging. During the last recession MetLife posted earnings-per-share of $3.67, $2.87 and $4.38 during the 2008 through 2010 stretch. In addition, the dividend was held steady during this time. We believe this typifies what an investor might expect when the next recession comes along – a hit to short-term earnings, but the ability to bounce back and keep paying the dividend. The current crisis has tested this thesis and so far, MetLife is performing well.

We believe MetLife's historical dividend payout ratio management has been prudent – freezing the dividend in lesser times and accelerating growth when there is ample room to do so.

Final Thoughts & Recommendation

We are forecasting 3.8% annual total return potential for MetLife, down from 6.6% previously. Our estimate stems from a 4% intermediate-term earnings growth and a 2.7% starting yield offset by the potential for a valuation headwind. MetLife is not the type of security that is going to "wow" you when it comes to growth prospects. Indeed, it's in an industry where it can be intelligent to stick to prudent underwriting and let your competitors underprice you. We find MetLife to be among the better insurers in the market. We have lowered our five-year price target $3 to $78 to reflect earnings estimates, but reaffirm our hold rating on shares of MetLife due to projected returns.

Total Return Breakdown by Year



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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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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	68150	68199	73316	61343	60787	62308	67941	69620	67840	71080
SG&A Exp.	8076	7426	7185	7302	6866	6724	---	---	5775	---
D&A Exp.	596	714	713	693	652	795	---	---	619	---
Net Profit	1324	3368	6309	5373	850	4010	5123	5899	5407	6554
Net Margin	1.9%	4.9%	8.6%	8.8%	1.4%	6.4%	7.5%	8.5%	8.0%	9.2%
Free Cash Flow	17160	16131	16376	14052	14774	12283	---	---	11640	---
Income Tax	128	661	2465	1590	693	-1470	1179	886	1509	1551

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets ($B)	836.78	885.30	902.34	877.93	898.76	719.89	687.54	740.46	795.15	759.71
Cash & Equivalents	15738	7585	10808	12752	12651	12701	15821	16598	19800	20050
Acc. Receivable	21634	21859	22244	22702	15445	18423	19644	20443	17870	17150
Goodwill & Int.	9953	10542	9872	9477	9220	9590	9422	---	10110	9535
Total Liab. ($B)	771.94	823.20	829.78	809.51	831.06	661.02	634.58	9308	720.33	691.96
Long-Term Debt	22354	22021	19579	21317	19852	19307	16244	---	18150	17430
Total Equity	64452	61552	72052	67949	67531	58676	52741	---	74560	9.2%
LTD/E Ratio	0.35	0.36	0.27	0.31	0.29	0.33	0.31	0.25	0.24	0.26

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	0.2%	0.4%	0.7%	0.6%	0.1%	0.5%	0.7%	0.8%	0.7%	0.8%
Return on Equity	2.2%	5.3%	9.4%	7.7%	1.3%	6.4%	9.2%	9.9%	7.7%	9.2%
ROIC	1.5%	3.9%	7.2%	5.9%	1.0%	4.8%	7.0%	7.7%	6.1%	7.4%
Shares Out.	1,092	1,122	1,132	1,098	1,096	1,044	959	915	913	825.5
Revenue/Share	63.29	61.10	64.17	54.37	54.84	57.77	67.01	76.06	74.29	86.11
FCF/Share	15.94	14.45	14.33	12.45	13.33	11.39	---	---	12.75	

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