



Chubb Ltd. (CB)

Updated May 30th, 2023 by Jonathan Weber

Key Metrics

Current Price:	\$190	5 Year CAGR Estimate:	5.0%	Market Cap:	\$76B
Fair Value Price:	\$175	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	06/15/23 ¹
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.6%	Dividend Payment Date:	07/07/23 ²
Dividend Yield:	1.8%	5 Year Price Target	\$223	Years Of Dividend Growth:	31
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Chubb Ltd is a global provider of insurance and reinsurance services headquartered in Zurich, Switzerland. The company provides insurance services including property & casualty insurance, accident & health insurance, life insurance, and reinsurance. The current version of Chubb was created in 2016, when Ace Limited acquired the 'old' Chubb and adopted its name. American investors can initiate an ownership position in Chubb through shares listed on the New York Stock Exchange, where they are traded with the ticker symbol CB.

For its fiscal first quarter, Chubb Ltd reported net earned premium of \$10.1 billion, which was 16% more than the net earned premiums that Chubb generated during the previous year's quarter. Net written premiums were up 9% year-over-year in Chubb's P&C segment, and up by 11% at constant currency rates, which was slightly weaker than the growth recorded in the previous quarter. Chubb was able to generate net investment income of \$1.1 billion during the quarter, which was up 35% year over year.

Chubb generated earnings-per-share of \$4.41 during the first quarter, which was below what the analyst community had forecasted. Chubb's still solid profitability during the quarter can be explained by a reasonable combined ratio of 86%, despite some natural disasters that impacted Chubb's catastrophe losses. Thanks to written premium growth and tailwinds from share repurchases, Chubb's profits could be strong in the coming quarters, unless the company feels an impact from above-average catastrophe losses, which generally aren't predictable. Chubb's book value was up during the period, thanks to net profits and mark-to-market gains, ending the quarter at \$127.90.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$9.34	\$9.80	\$9.77	\$10.11	\$8.02	\$9.45	\$10.11	\$7.31	\$12.56	\$15.24	\$18.15	\$23.16
BVPS	\$85.6	\$90.0	\$89.8	\$103.6	\$110.3	\$109.6	\$122.4	\$131.9	\$140.0	\$121.9	\$140.0	\$178.7
DPS	\$2.14	\$2.56	\$2.64	\$2.72	\$2.80	\$2.90	\$3.00	\$3.09	\$3.18	\$3.32	\$3.44	\$4.19
Shares³	337	329	325	466	464	463	456	453	443	419	405	380

Chubb does not have a very strong earnings growth track record. The company's earnings-per-share in fiscal 2019 were just ~20% higher than the equivalent figure in 2009, which equates to an earnings-per-share growth rate of just 1-2% annually. Chubb's company-wide net profits rose at a higher pace, but the company's share count rose considerably throughout the last decade, which offset most of the business growth that Chubb generated during that time.

We believe that the more important metric to pay attention to is the company's book value per share (BVPS), due to the cyclicity of the insurance industry. Chubb has compounded its book value per share at more than 7% per year since 2009. Looking ahead, we believe that a 5% growth rate in per-share book value is feasible for Chubb. In 2018, Chubb's book value per share declined due to mark-to-market losses, but that was reversed in 2019 and the metric hit a new record in both 2020 and 2021, despite the pandemic. Book value declined in 2022 but should recover going forward.

¹ Estimated date

² Estimated 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.



Chubb Ltd. (CB)

Updated May 30th, 2023 by Jonathan Weber

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	9.8	10.6	11.2	12.2	17.7	13.7	15.4	15.4	15.3	14.5	10.5	9.6
Avg. P/B	1.07	1.15	1.22	1.19	1.29	1.17	1.27	1.17	1.37	1.81	1.36	1.25
Avg. Yld.	2.3%	2.5%	2.4%	2.2%	2.0%	2.3%	1.9%	2.0%	1.7%	1.5%	1.8%	1.9%

Chubb's shares have become less expensive between 2017 and 2020 on a price-to-book basis, but the valuation expanded considerably in 2021 and 2022. Chubb's valuation is above pre-crisis levels as Chubb's price-to-book multiple has risen to more than 1.3, which we believe is higher than a fair long-term book value multiple. We think that multiple compression will result in total return headwinds for Chubb going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	22.9%	26.1%	27.0%	26.9%	34.9%	30.7%	29.7%	42.3%	25.3%	21.8%	19.0%	18.1%

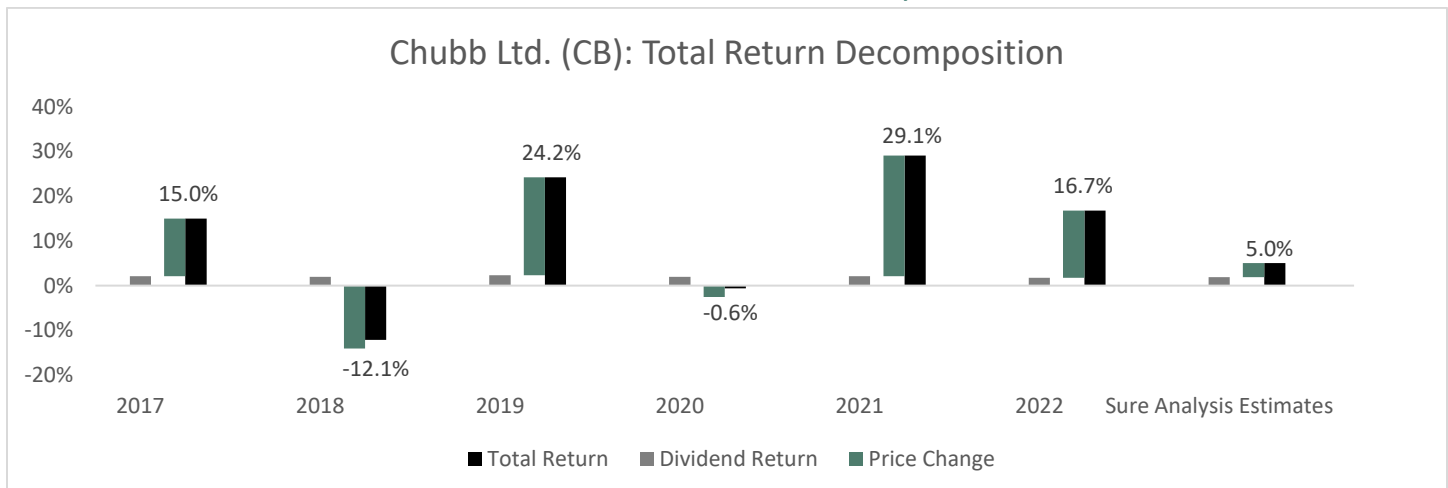
Chubb's profits can vary from year to year, depending on the catastrophe losses and the performance of Chubb's investments during that individual year. The company nevertheless was easily able to cover its dividend payments with its net profits during each year of the last decade. The dividend payout ratio, which is only about 20% based on our estimates for fiscal 2023, leaves a lot of room for future dividend increases.

Chubb remained highly profitable during the last financial crisis, unlike many other financial companies. The company also had a relatively stable, non-volatile stock price in the past. Chubb thus may appeal to risk-averse investors who want to avoid dividend cuts and minimize the price volatility of their investment portfolios. Chubb's size and scale grew considerably thanks to the combination with ACE in 2016, which provides for scale advantages over smaller competitors.

Final Thoughts & Recommendation

Chubb has not delivered a lot of consistent earnings growth in the past, but the company managed to grow its book value reliably, even during the Great Recession. Chubb is a lower-risk stock when bought at the right valuation, and the company was able to weather the coronavirus crisis without a lot of harm – in fact, book value rose to a new record level in 2020 and 2021. Due to mark-to-market losses, book value declined in 2022, however. Due to a high valuation, the total return outlook is not compelling, which is why we rate Chubb's stock a hold at the current price.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



Chubb Ltd. (CB)

Updated May 30th, 2023 by Jonathan Weber

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	19,261	19,171	18,987	31,469	32,243	32,717	34,186	35,994	40,963	43,124
SG&A Exp.	2,211	2,245	2,270	3,081	2,833	2,886	3,030	2,979	3,136	3,395
D&A Exp.	-	-	171	1,578	260	339	305	290	287	285
Net Profit	3,758	2,853	2,834	4,135	3,861	3,962	4,454	3,533	8,539	5,313
Net Margin	19.5%	14.9%	14.9%	13.1%	12.0%	12.1%	13.0%	9.8%	20.8%	12.3%
Free Cash Flow	4,022	4,496	3,864	5,292	4,503	5,480	6,342	9,785	11,149	11,243
Income Tax	480	634	462	815	(139)	695	795	629	1,277	1,255

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets (\$B)	94.5	98.2	102.3	159.8	167.0	167.8	176.9	190.8	200.1	199
Cash & Equivalents	579	655	1,775	985	728	1,247	1,537	1,747	1,659	2,012
Acc. Receivable	16,471	17,635	16,896	22,729	24,552	26,270	25,735	26,278	28,901	31,137
Goodwill & Int.	5,940	6,190	6,078	22,450	22,380	21,709	21,665	21,474	20,904	25,324
Total Liab. (\$B)	65.69	68.66	73.17	111.51	115.85	117.46	121.61	131.33	140.34	149
Accounts Payable	8,438	9,821	10,475	14,254	15,413	16,909	18,398	20,760	22,247	23,382
Long-Term Debt	5,708	4,507	9,389	13,110	12,569	12,596	14,858	14,948	16,168	14,877
Total Equity	28,825	29,587	29,135	48,275	51,172	50,312	55,331	59,441	59,714	50,540
LTD/E Ratio	0.20	0.15	0.32	0.27	0.25	0.25	0.27	0.25	0.27	0.29

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.0%	3.0%	2.8%	3.2%	2.4%	2.4%	2.6%	1.9%	4.4%	2.7%
Return on Equity	13.3%	9.8%	9.7%	10.7%	7.8%	7.8%	8.4%	6.2%	14.3%	9.6%
ROIC	11.2%	8.3%	7.8%	8.3%	6.2%	6.3%	6.7%	4.9%	11.4%	7.5%
Shares Out.	337	329	325	466	464	463	456	453	443	419
Revenue/Share	55.97	56.55	57.74	67.54	68.43	70.09	74.49	79.38	92.43	101.82
FCF/Share	11.69	13.26	11.75	11.36	9.56	11.74	13.82	21.58	25.16	26.55

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.