MetLife Inc. (MET)

Updated February 2nd, 2024, by Nathan Parsh

Key Metrics

Current Price:	$66	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$48 B
Fair Value Price:	$80	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	02/05/24
% Fair Value:	82%	**5 Year Valuation Multiple Estimate:**	4.0%	**Dividend Payment Date:**	03/14/24
Dividend Yield:	3.2%	**5 Year Price Target**	$89	**Years Of Dividend Growth:**	11
Dividend Risk Score:	A	**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 $49 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 25th, 2023, MetLife announced a $0.52 quarterly dividend, representing a 4.0% year-over-year increase.

On January 31st, 2024, MetLife released fourth quarter and full year earnings results for the period ending December 31st, 2023. For the quarter, the company reported revenue of $19.02 billion, a 21.8% increase compared to the prior year and $870 million below estimates. Adjusted earnings equaled $1.4 billion, or $1.83 per share, compared to $1.3 billion, or $1.59 per share, in the prior year. Adjusted earnings-per-share was $0.09 below expectations. For 2023, revenue declined 8% to $52 billion while adjusted earnings of $5.5 billion, or $7.25 per share, compared to adjusted earnings of $5.8 billion, or $7.16 per share, in the prior year. Premiums, fees, and other revenues of $13.7 billion for the quarter represented an increase of 25.6% from the prior year while net investment income grew 20.2% to $5.4 billion. MetLife's adjusted book value per share equaled $53.75 versus $54.30 in the year ago period. The company also repurchased $900 million worth of shares during the quarter and $3.1 billion worth of shares during the year. We project that MetLife will earn $8.92 in 2024.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$5.74	$4.86	$4.59	$3.92	$5.39	$6.11	$6.16	$9.15	$7.16	$7.25	***$8.92***	***$9.85***
DPS	$1.33	$1.48	$1.58	$1.60	$1.66	$1.74	$1.82	$1.90	$1.98	$2.06	***$2.08***	***$2.30***
Shares[1]	1,132	1,098	1,096	1,044	959	915	893	869	790	743	***743***	***725***

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. The company's earnings growth is just 2.6% over the last decade, but this accelerates to 7.9% over the last five years. Our preference is a slow and steady approach, and our expectation is 2% intermediate term growth, coming off a higher expected base for 2024.

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. Higher interest rates have been a benefit to results.

[1] 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	9.2	10.5	9.7	13.3	8.5	7.7	6.5	7.1	10.6	9.1	***7.4***	***9.0***
Avg. Yld.	2.5%	2.9%	3.5%	3.1%	3.6%	3.7%	4.5%	3.2%	2.7%	3.1%	***3.2%***	***2.6%***

Shares of MetLife have increased $6, or 10%, since our November 6th, 2023 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 7.4 times expected earnings this implies a valuation tailwind. Multiple expansion could add 4.0% to annual returns through 2029.

MetLife's dividend should add to shareholder returns as well, given the 3.2% 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, 4.2% in 2022, and 4% in 2023. Future dividend growth may be lumpy, but we do anticipate year-over-year increases in the future.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	23%	30%	34%	41%	31%	28%	30%	21%	28%	28%	***23%***	***23%***

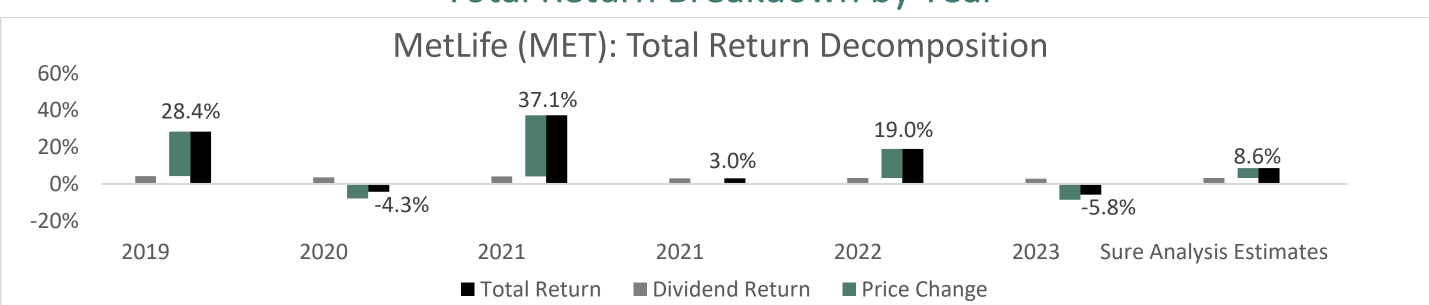
MetLife's industry does not typically exhibit competitive advantages as the products are commodity-like in nature. Consumers are not willing to pay a material premium to get the same policy. That being said, MetLife's long tradition and experience in the industry, along with a proven track record of 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 8.6% annual total return potential for MetLife, up from 7.5% previously. Our estimate stems from a 2% intermediate-term earnings growth, a 3.2% starting yield, and a single-digit contribution from multiple expansion. MetLife is not the type of security that is going to "wow" you when it comes to growth prospects. Indeed, it is 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 and we have lowered our five-year price target $14 to $89 to reflect earnings estimates for the year. We continue to rate shares of MetLife as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	73316	61343	60787	62308	67941	68719	66768	66037	68950	66905
SG&A Exp.	7185	7302	6866	6724	6462	6554	5775	5771	5891	
D&A Exp.	713	693	652	795	628	630	619	694	673	
Net Profit	6309	5373	850	4010	5123	5899	5407	6554	2539	1578
Net Margin	8.6%	8.8%	1.4%	6.4%	7.5%	8.6%	8.1%	9.9%	3.7%	2.4%
Free Cash Flow	16376	14052	14774	12283	11738	13786	11639	12596	13204	
Income Tax	2465	1590	693	(1470)	1179	886	1509	1551	301	560

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets ($B)	902	878	899	720	688	740	795	760	667	688
Cash & Equivalents	10808	12752	12651	12701	15821	16598	19795	20047	20195	20639
Acc. Receivable	22244	22702	15445	18423	19644	20443	17870	17149	17461	28971
Goodwill & Int.	9872	9477	9220	9590	9422	9308	10112	9535	9297	9236
Total Liab. ($B)	830	809	831	661	635	674	720	692	639	657
Long-Term Debt	19579	21317	19852	19307	16244	16851	18149	17430	17980	18828
Total Equity	72052	67949	67531	58676	52741	66144	74558	67482	27040	30015
LTD/E Ratio	0.27	0.31	0.29	0.33	0.31	0.25	0.24	0.26	0.66	0.63

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.7%	0.6%	0.1%	0.5%	0.7%	0.8%	0.7%	0.8%	0.4%	0.2%
Return on Equity	9.4%	7.7%	1.3%	6.4%	9.2%	9.9%	7.7%	9.2%	5.4%	5.5%
ROIC	7.1%	5.9%	1.0%	4.8%	7.0%	7.7%	6.1%	7.4%	3.9%	3.3%
Shares Out.	1,132	1,098	1,096	1,044	959	915	893	869	790	743
Revenue/Share	64.17	54.37	54.84	57.77	67.01	72.76	73.11	75.96	85.24	87.75
FCF/Share	14.33	12.45	13.33	11.39	11.58	14.60	12.75	14.49	16.32	

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