



Primerica, Inc. (PRI)

Updated February 16th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$245	5 Year CAGR Estimate:	11.4%	Market Cap:	\$8.8 B
Fair Value Price:	\$248	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	02/20/24
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.2%	Dividend Payment Date:	03/12/24
Dividend Yield:	1.2%	5 Year Price Target	\$399	Years Of Dividend Growth:	14
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 2.9 million client investment accounts on December 31, 2023. The company was the second-largest issuer of Term Life insurance coverage in the United States and Canada in 2023. Primerica's offerings are sold via a network of 141,572 licensed sales reps (Q4-2023) who are independent contractors. Primerica is a \$8.8 billion company and has 2,646 full time employees.

On February 13th, 2024, Primerica released its fourth quarter and full year 2023 results for the period ending December 31st, 2023. For the quarter, the company reported revenue of \$726.3 million, which represents an increase of 6% compared with a revenue of \$686.9 million in the same quarter of 2022. Reported adjusted operating net earnings per diluted share for the same periods was \$4.30 and \$3.95, an increase of 8.8% year-over-year.

Fourth quarter results highlighted Primerica's ongoing growth in the Term Life segment with strong margins. The life-insurance licensed sales force expanded by 5% year-over-year to 141,572. Adjusted direct premiums saw a 6% increase year-over-year, propelled by operating income growth. Despite market volatility, the Investment and Savings Products segment continued to show positive outcomes, buoyed by a rise in client asset values compared to the previous year. Client asset values reached \$96.7 billion, marking a 15% increase year-over-year, and generated revenues of \$221.7 million, a 12% increase, while operating income of \$62.8 million also grew by 11%. Adjusted net investment income came in at \$36 million, up \$11 million from the previous year period. For the full year of 2023, Primerica's net income amounted to \$576.6 million, marking a 23% increase, and the earnings per diluted share were \$15.94, showing a significant 29% increase over the year.

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. likely need an additional \$14 trillion of life insurance to be protected properly. Primerica's unique distribution model is one of the strategic pillars to effectively serve this middle-income market.

For 2024, Primerica projects a Term Life segment adjusted direct premiums growth of 5%-6%, with an operating margin around 22%. In the Investment & Savings Products segment, a 5% sales growth is anticipated, potentially increasing sales-based revenue less commissions by \$4 to \$5 million. Additionally, the company expects a 3% growth in its life-licensed sales force and anticipates 3% to 5% growth in issued policies for Term Life insurance.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$3.26	\$3.70	\$4.59	\$7.61	\$7.33	\$8.62	\$9.57	\$9.38	\$12.33	\$15.94	\$17.70	\$28.51
DPS	\$0.52	\$0.64	\$0.70	\$0.78	\$1.00	\$1.36	\$1.60	\$1.88	\$2.20	\$2.60	\$3.00	\$4.83
Shares¹	52	48	46	44	43	41	39	39	37	37	36	31

¹ In millions.

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The company has grown earnings by 19.3% per year since 2014 and 15.5% over the past five years. We expect earnings to increase by 10% per year for the next five years. The company has been able to increase its yearly dividend payout for 14 consecutive years. Over the last five years, the average annual dividend growth rate is 17%. In February 2024, the company increased its quarterly dividend by 15% from \$0.65 to \$0.75 per share. During the third quarter, the company repurchased \$72.5 million worth of common stock. The board authorized a new \$425 million share repurchase program to be executed through end 2024.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.6	12.9	11.6	10.8	14.5	14.2	12.2	16.2	11.8	13.1	13.8	14.0
Avg. Yld.	1.9%	1.3%	1.3%	0.9%	0.9%	1.1%	1.4%	1.2%	1.6%	1.4%	1.2%	1.2%

During the past decade shares of Primerica have traded with an average price-to-earnings ratio of about 13.5 times earnings and today, it stands at 13.8. We are using 14 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 1.2%, which is in line with the average yield over the past 9 years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	16%	17%	15%	10%	14%	16%	17%	20%	18%	16%	17%	17%

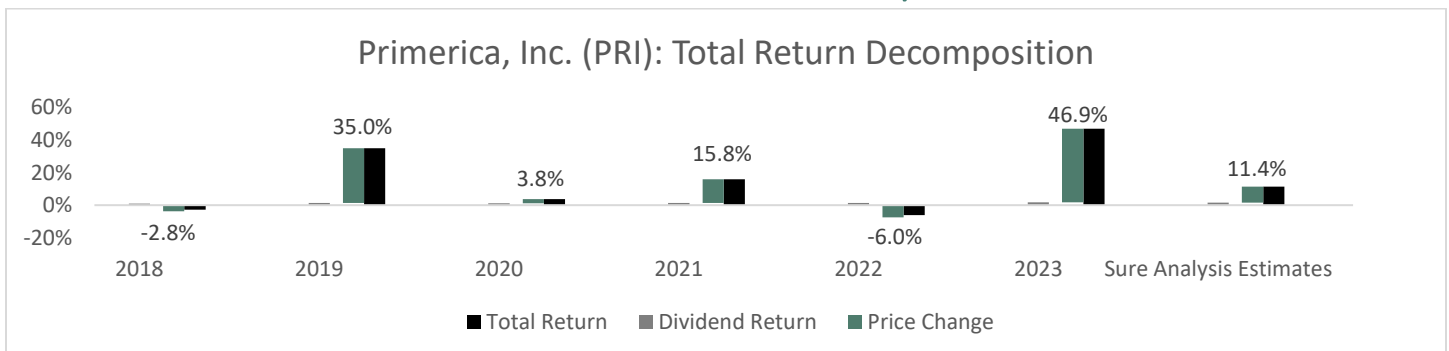
Primerica's dividend payout ratio has averaged around 15% for the last five years, meaning that the company's dividend is comfortably covered by earnings.

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. In the short term, Primerica should concentrate on managing expenses, which showed a 2% increase year-over-year to \$142 million, while capitalizing on the expected 5%-6% growth in adjusted direct premiums in the Term Life Insurance segment and aiming for an operating margin around 22%. The Primerica business model continues to be unique and challenging for competitors to replicate. Looking forward, we anticipate solid growth in earnings-per-share for the Primerica.

Final Thoughts & Recommendation

Primerica is a \$8.8 billion life insurance company active in the U.S. and Canada with a solid earnings track record and a modest dividend yield. We estimate total return potential of 11.4% per year for the next five years based on a 10% earnings-per-share growth, the starting dividend yield of 1.2%, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	1,229	1,337	1,404	1,519	1,689	1,900	2,053	2,218	2,710	2,720
D&A Exp.	11	12	11	15	14	12	18	18	30	34
Net Profit	163	181	190	219	350	324	366	386	373	373
Net Margin	13.2%	13.6%	13.5%	14.4%	20.7%	17.1%	17.9%	17.4%	13.8%	13.7%
Free Cash Flow	164	230	257	281	385	465	460	616	632	732
Income Tax	86	96	101	118	29	92	111	121	139	126

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	10,330	10,738	10,611	11,439	12,461	12,595	13,689	14,905	16,123	15,350
Cash & Equivalents	149	192	152	212	280	262	257	548	393	489
Acc. Receivable	4,231	4,297	4,301	4,404	4,435	4,357	4,397	4,533	4,526	4,270
Inventories	69	62	58	55	52	48	45	45	375	---
Goodwill & Int.	9,108	9,492	9,465	10,218	11,042	11,134	12,036	13,069	14,033	313
Total Liabilities	253	246	238	268	307	314	340	520	585	13,630
Accounts Payable	374	595	737	875	1,110	1,343	1,558	1,720	1,986	538
Long-Term Debt	1,222	1,245	1,146	1,221	1,419	1,462	1,652	1,836	2,083	2,037
Total Equity	0.31	0.48	0.64	0.72	0.78	0.92	0.94	0.94	0.95	1,184
LTD/E Ratio	69	62	58	55	52	48	45	45	375	1.18

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	1.6%	1.7%	1.8%	2.0%	2.9%	2.6%	2.8%	2.7%	2.4%	2.4%
Return on Equity	13.0%	14.7%	15.9%	18.5%	26.5%	22.5%	23.5%	22.1%	19.1%	19.6%
ROIC	10.0%	10.6%	10.2%	11.0%	15.1%	12.2%	12.2%	11.4%	9.8%	9.5%
Shares Out.	55	52	48	46	44	43	41	39	39	38.1
Revenue/Share	21.70	24.49	27.58	32.01	36.97	43.19	48.51	55.18	68.34	71.38
FCF/Share	2.89	4.21	5.04	5.92	8.42	10.56	10.87	15.32	15.95	19.21

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

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