Jackson Financial Inc. (JXN)

Updated March 21st, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$66	**5 Year CAGR Estimate:**	11.5%	**Market Cap:**	$5.2 B
Fair Value Price:	$63	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	03/11/2024
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-1.1%	**Dividend Payment Date:**	03/21/2024
Dividend Yield:	4.2%	**5 Year Price Target**	$96	**Years Of Dividend Growth:**	3
Dividend Risk Score:	B	**Retirement Suitability Score:**	A	**Rating:**	Buy

Overview & Current Events

Jackson Financial Inc. (JXN) primarily offers annuity products to retail investors in the United States. The company operates in three segments and provides a range of retirement income and savings options. The Institutional Products segment includes traditional investment contracts and funding agreements. The Closed Life and Annuity Blocks segment offers various insurance products. The company distributes its offerings through a diverse network of financial intermediaries.

On February 21st, 2024, the company announced results for the fourth quarter of 2023. Jackson Financial reported Q4 non-GAAP EPS of $2.53, missing estimates by $1.01.

Following a very financially stormy 2023, Jackson Financial posted a net loss of $1.6 billion for the last quarter. The loss was, however, worse than the previous year's $1.2 billion. Nevertheless, the company came up with adjusted operating earnings for the fourth quarter of $204 million compared to $294 million in the previous year.

On some level, the dip was driven by an unfavorable impact from an annual actuarial assumption update. Private equities' returns, in general, came in weak versus expectations. But Jackson was able to put up a brave face on strategic shareholder returns of $117 million in Q4 through dividends and buybacks, and, more importantly, strong selling of Registered Index-Linked Annuity (RILA), which went from $560 million in the quarter of the year-ago period to $1.0 billion in the same quarter of the prior year.

On a full-year basis, Jackson Financial presented a net income of $899 million against 2022's $6.2 billion, on top of adjusted operating earnings of $1.1 billion compared to $1.5 billion. Management also takes pride in successfully reaching its capital return target by returning $464 million to the shareholders. The year also featured a growing RILA of $2.9 billion. Together, these amounts help underscore increasing customer interest. Further, Jackson Financial has laid a strong foundation for growth and stability in the face of financial uncertainty. By establishing the Brooke Life Reinsurance Company and projecting a capital to return to shareholders in the range of $550 million to $650 million, the company is strategically enhancing its structure. These actions, including a notable increase in dividend payments, underscore Jackson Financial's commitment to sustainable growth and shareholder value amidst the ever-changing financial landscape.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	---	---	---	---	---	---	---	$33.69	$64.23	$10.76	***$15.65***	***$24.08***
DPS	---	---	---	---	---	---	---	$0.50	$2.20	$2.48	***$2.80***	***$3.93***
Shares[1]	---	---	---	---	---	---	---	94.5	88.7	83.6	***78.8***	***58.6***

In line with the analysts' estimates and the high-interest rate environment for the JXN, we expect the company to post an EPS of $15.65 in 2024. We estimate an EPS growth of 9% over the next five years, leading to our estimated EPS of $24.08 by 2029. Moreover, the company has a solid record of paying dividends despite operating in a matured sector, as

[1] Shares in millions.

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Jackson Financial has paid an increasing dividend for the past 3 years. We expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 7%, leading to a dividend of $3.93 in 2029.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	---	---	---	---	0.9	0.6	3.5	***4.2***	***4.0***
Avg. Yld.	---	---	---	---	---	---	---	1.6%	6.2%	6.6%	***4.2%***	***4.1%***

The financial services provider trades at a forward P/E of 4.2, considerably higher than its three-year average P/E of 1.7. The increasing registered index-linked annuity and an uptick in annuity account value have benefitted the company in the near term, and the stock's P/E multiple has expanded in the last quarter. We maintain our estimated P/E multiple of 4.0, which we feel is a fair reflection of its overvaluation, suggesting a target price of $96 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

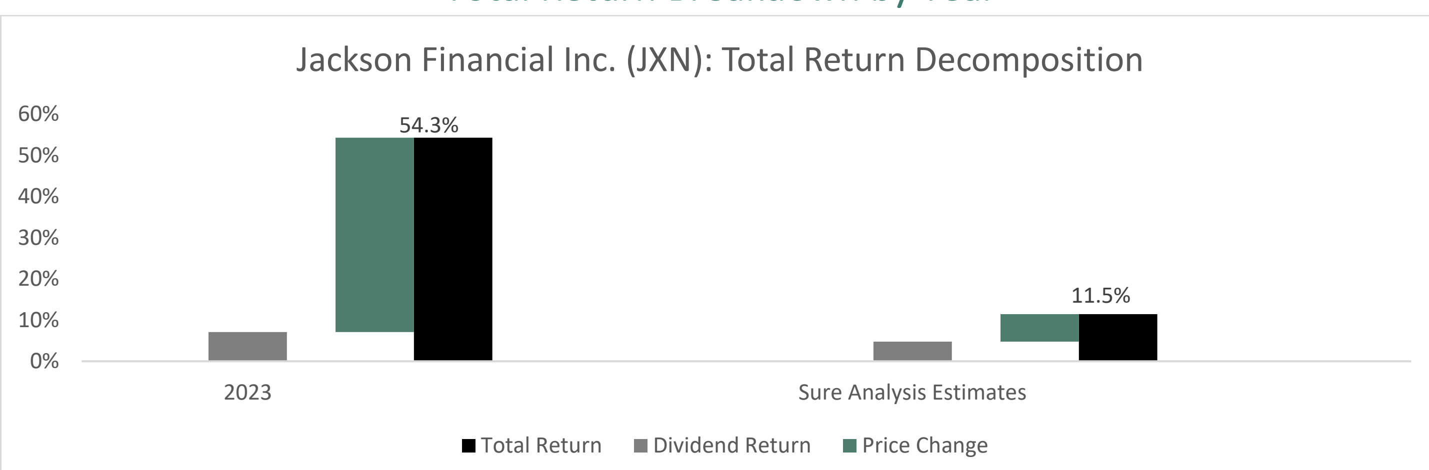
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	---	---	---	1%	3%	23%	***18%***	***16%***

The company has paid a consistent dividend to its shareholders with a 2-year payout ratio averaging 2.5%, and we expect the company to maintain and increase its payout in the future. While the company is committed to returning capital to shareholders, achieving its 2024 target may be ambitious, given the current financial performance. However, the increase in RILA sales and growth in annuity account value indicates some positive momentum. Maintaining a healthy RBC ratio and strong liquidity should provide a buffer against potential financial challenges. In the fourth quarter of 2023, Jackson Financial successfully returned a total of $117 million to its common shareholders. This shareholder value enhancement was achieved through a strategic blend of $67 million in share repurchases and $50 million distributed as dividends, showcasing the company's commitment to rewarding its investors and reinforcing shareholder confidence amidst the financial landscape of the period.

Final Thoughts & Recommendation

While Jackson Financial runs a capital-intensive financial service business, increased annuity value will be a positive catalyst for EPS growth. Indeed, Jackson Financial's dividend growth prospects could remain strong throughout the mid-term. We maintain our buy rating for the stock premised upon the 11.5% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 9.0%, the 4.2% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	---	---	---	---	---	13,688	3,489	3,441	8,452	14,407
SG&A Exp.	---	---	---	---	---	1,050	994	985	1,078	875
Net Profit	---	---	---	---	---	1,986	(497)	(1,634)	3,183	5,697
Net Margin	---	---	---	---	---	14.5%	-14.2%	-47.5%	37.7%	39.5%
Free Cash Flow	---	---	---	---	---	5,822	4,368	3,712	5,682	5,206
Income Tax	---	---	---	---	---	338	(369)	(854)	602	1,371

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	---	---	---	---	---	---	297,057	353,456	375,559	311,058
Cash & Equivalents	---	---	---	---	---	---	1,935	2,019	2,623	4,298
Acc. Receivable	---	---	---	---	---	---	8,372	35,270	33,126	29,641
Total Liabilities	---	---	---	---	---	---	289,736	343,533	364,485	301,903
Long-Term Debt	---	---	---	---	---	---	2,692	322	4,053	4,367
Total Equity	---	---	---	---	---	---	6,837	9,429	10,394	8,423
LTD/E Ratio	---	---	---	---	---	---	0.39	0.03	0.39	0.52

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	---	---	---	---	---	---	---	-0.5%	0.9%	1.7%
Return on Equity	---	---	---	---	---	---	---	-20.1%	32.1%	60.6%
ROIC	---	---	---	---	---	---	---	-16.1%	25.1%	39.8%
Shares Out.	---	---	---	---	---	---	---	---	94.5	88.7
Revenue/Share	---	---	---	---	---	144.90	36.93	36.43	95.30	162.44
FCF/Share	---	---	---	---	---	61.63	46.24	39.30	64.07	58.70

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