



# Chubb Ltd. (CB)

Updated August 6<sup>th</sup>, 2024 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$267	<b>5 Year CAGR Estimate:</b>	4.7%	<b>Market Cap:</b>	\$109B
<b>Fair Value Price:</b>	\$259	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	09/14/24 <sup>1</sup>
<b>% Fair Value:</b>	103%	<b>5 Year Valuation Multiple Estimate:</b>	-0.6%	<b>Dividend Payment Date:</b>	10/05/24 <sup>2</sup>
<b>Dividend Yield:</b>	1.4%	<b>5 Year Price Target</b>	\$315	<b>Years Of Dividend Growth:</b>	32
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	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 second quarter, Chubb Ltd reported net earned premiums of \$12.3 billion, which was 12% more than the net earned premiums that Chubb generated during the previous year's quarter. Net written premiums were up 12% year-over-year in the company's Global P&C business unit, while other business units such as Life saw solid growth as well. Chubb was able to generate net investment income of \$1.47 billion during the quarter, or \$1.56 billion after adjustments, which was up by a nice 26% compared to the previous year's period.

Chubb generated earnings-per-share of \$5.38 during the second quarter, which was above what the analyst community had forecasted. Chubb's strong profitability during the quarter can be explained by a good combined ratio, 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 \$151.05.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$9.80	\$9.77	\$10.11	\$8.02	\$9.45	\$10.11	\$7.31	\$12.56	\$15.24	\$19.80	<b>\$21.60</b>	<b>\$26.28</b>
<b>DPS</b>	\$2.56	\$2.64	\$2.72	\$2.80	\$2.90	\$3.00	\$3.09	\$3.18	\$3.32	\$3.44	<b>\$3.64</b>	<b>\$4.65</b>
<b>Shares<sup>3</sup></b>	329	325	466	464	463	456	453	443	419	410	<b>405</b>	<b>380</b>

Chubb does not have a very consistent 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. In the years since 2020, Chubb has delivered more consistent and more pronounced earnings-per-share growth, however, partially due to higher investment income. Chubb, like other insurers, benefits from higher interest rates that are beneficial for the investment income the company generates.

Chubb has compounded its book value per share at a mid-single digit pace since the Great Recession. Going forward, we believe that earnings-per-share growth could be more consistent compared to the 2009 to 2019 time frame, and more in line with what we have seen over the last couple of years. Strong written premium growth and tailwinds from higher interest rates for Chubb's investment income should be growth drivers for the company's profits going forward. We believe that a 4% earnings-per-share growth rate could be achievable.

<sup>1</sup> Estimated date

<sup>2</sup> Estimated date

<sup>3</sup> In Millions

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## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	10.6	11.2	12.2	17.7	13.7	15.4	15.4	15.3	14.5	11.4	12.4	12.0
Avg. Yld.	2.5%	2.4%	2.2%	2.0%	2.3%	1.9%	2.0%	1.7%	1.5%	1.5%	1.4%	1.5%

Chubb's shares have traded at earnings multiples between 10 and 18 over the last decade, with some years showing a high earnings multiple due to weaker profitability. Today, Chubb trades at a little more than 12x this year's expected net profits, which is slightly above our fair value estimate. Based on the earnings growth track record and a comparison to other insurers, we believe that a 12x earnings multiple would be fair.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	26.1%	27.0%	26.9%	34.9%	30.7%	29.7%	42.3%	25.3%	21.8%	17.4%	16.9%	17.7%

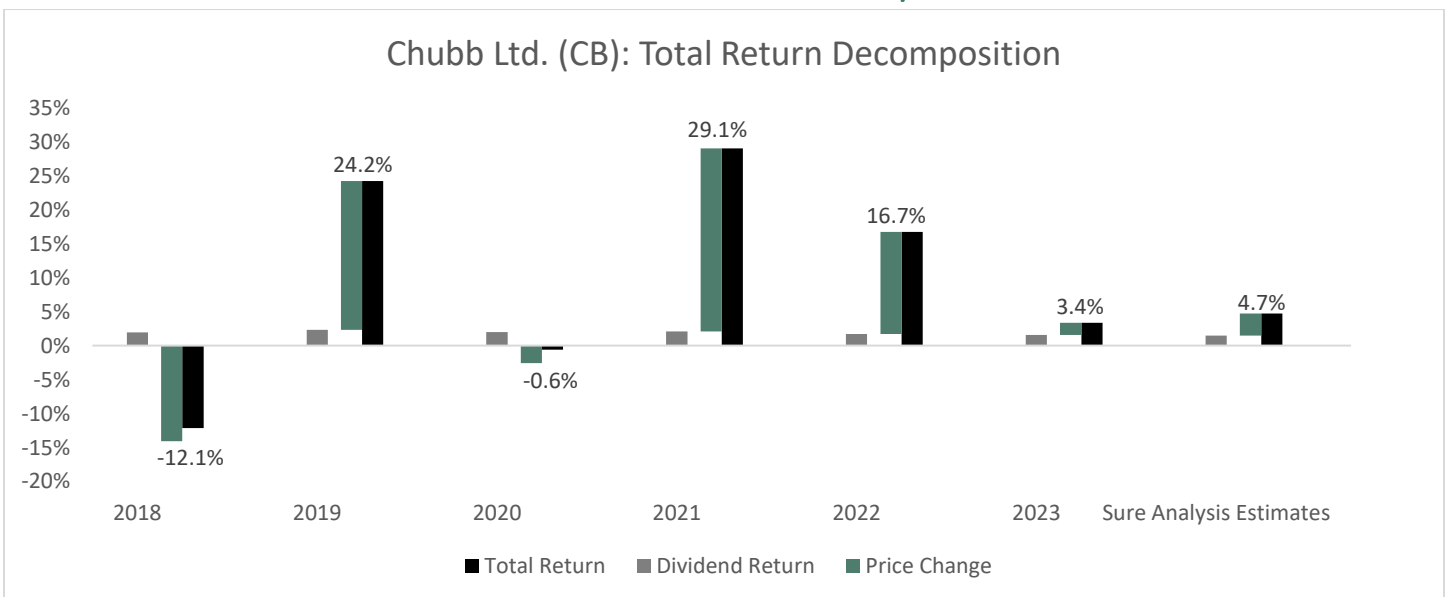
Chubb's profits can vary from year to year, depending on the catastrophe losses and the performance of Chubb's investments during that individual year. The company nevertheless was easily able to cover its dividend payments with its net profits during each year of the last decade. The dividend payout ratio, which is only about 17% based on our estimates for fiscal 2024, 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 overly consistent earnings growth in the long run, but profit growth improved markedly over the last couple of years. 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. While mark-to-market losses hurt book value in 2022, things improved in 2023, when book value hit a new record high. Shares trade slightly above our fair value estimate right now and promise reasonable returns going forward, which is why we rate Chubb a hold right here.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	19,173	18,968	31,480	32,340	32,679	34,230	36,052	40,955	43,124	49,690
<b>SG&amp;A Exp.</b>	2,245	2,270	3,081	2,833	2,886	3,030	2,979	3,136	3,395	4,007
<b>D&amp;A Exp.</b>	-	171	1,578	260	339	305	290	287	285	
<b>Net Profit</b>	2,853	2,834	4,135	3,861	3,962	4,454	3,533	8,539	5,313	9,015
<b>Net Margin</b>	14.9%	14.9%	13.1%	11.9%	12.1%	13.0%	9.8%	20.8%	12.3%	18.1%
<b>Free Cash Flow</b>	4,496	3,864	5,292	4,503	5,480	6,342	9,785	11,149	11,243	
<b>Income Tax</b>	634	462	815	(139)	695	795	629	1,277	1,255	511

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets (\$B)</b>	98	102	160	167	168	177	191	200	199	229
<b>Cash &amp; Equivalents</b>	655	1,775	985	728	1,247	1,537	1,747	1,659	2,012	2,621
<b>Acc. Receivable</b>	17,635	16,896	22,729	24,552	26,270	25,735	26,278	28,901	31,137	33,331
<b>Goodwill &amp; Int.</b>	6,190	6,078	22,450	22,380	21,709	21,665	21,474	20,904	25,324	26,461
<b>Total Liab. (\$B)</b>	69	73	112	116	117	122	131	140	149	165
<b>Accounts Payable</b>	9,821	10,475	14,254	15,413	16,909	18,398	20,760	22,247	23,382	
<b>Long-Term Debt</b>	4,507	9,389	13,110	12,569	12,596	14,858	14,948	16,168	14,877	-
<b>Total Equity</b>	29,587	29,135	48,275	51,172	50,312	55,331	59,441	59,714	50,540	59,507
<b>LTD/E Ratio</b>	0.15	0.32	0.27	0.25	0.25	0.27	0.25	0.27	0.29	-

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	3.0%	2.8%	3.2%	2.4%	2.4%	2.6%	1.9%	4.4%	2.7%	4.2%
<b>Return on Equity</b>	9.8%	9.7%	10.7%	7.8%	7.8%	8.4%	6.2%	14.3%	9.6%	16.4%
<b>ROIC</b>	8.3%	7.8%	8.3%	6.2%	6.3%	6.7%	4.9%	11.4%	7.5%	14.0%
<b>Shares Out.</b>	329	325	466	464	463	456	453	443	419	410
<b>Revenue/Share</b>	56.56	57.68	67.56	68.63	70.01	74.59	79.51	92.41	101.82	119.97
<b>FCF/Share</b>	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

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