Jackson Financial Inc. (JXN)

Updated November 27th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$103	**5 Year CAGR Estimate:**	5.3%	**Market Cap:**	$8.1 B
Fair Value Price:	$76	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	12/05/2024
% Fair Value:	136%	**5 Year Valuation Multiple Estimate:**	-6.0%	**Dividend Payment Date:**	12/19/2024
Dividend Yield:	2.7%	**5 Year Price Target**	$116	**Years Of Dividend Growth:**	3
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Rating:**	Hold

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 November 6th, 2024, the company announced results for the third quarter of 2024. Jackson Financial reported Q3 non-GAAP EPS of $4.60, missing estimates by $0.07.

Jackson Financial delivered robust third-quarter 2024 results, highlighted by a 59% year-over-year increase in retail annuity sales to $5.3 billion, driven by strength across all product categories. Variable annuity sales grew 8% to $2.6 billion, while record registered index-linked annuity (RILA) sales reached $1.6 billion, up 99%. Fixed and fixed indexed annuities surged to $1 billion from $76 million in the prior year, reflecting the broad success of Jackson's distribution platform. Adjusted operating earnings rose to $350 million ($4.60 per diluted share), up from $315 million ($3.80 per diluted share) in Q3 2023, benefiting from higher annuity assets under management, improved spread income, and share repurchases. Total adjusted capital at Jackson National Life Insurance Company (JNLIC) grew to $4.8 billion, supporting an estimated RBC ratio of 550%-570%.

Despite strong operating performance, Jackson reported a net loss of $480 million ($6.37 per diluted share), driven by a $515 million loss on reinsured business and unfavorable hedging results due to market risk benefit movements. The loss did not impact statutory capital or free cash flow, as offsetting adjustments occurred in Accumulated Other Comprehensive Income (AOCI).

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	***$18.92***	***$29.10***
DPS	---	---	---	---	---	---	---	$0.50	$2.20	$2.48	***$2.80***	***$3.93***
Shares[1]	---	---	---	---	---	---	---	94.5	88.7	83.6	***78.8***	***58.6***

We have increased our EPS estimate for 2024, in line with the analysts' estimates and the high-interest rate environment for JXN. Thus, we expect the company to post an EPS of $18.92 in 2024. We estimate an EPS growth of 9% over the next five years, leading to our estimated EPS of $29.10 by 2029. Moreover, the company has a solid record of paying dividends despite operating in a mature sector, as 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.

[1] Shares in millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	---	---	---	---	0.9	0.6	3.5	***5.4***	***4.0***
Avg. Yld.	---	---	---	---	---	---	---	1.6%	6.2%	6.6%	***2.7%***	***3.4%***

The financial services provider trades at a forward P/E of 5.4, 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 $116 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

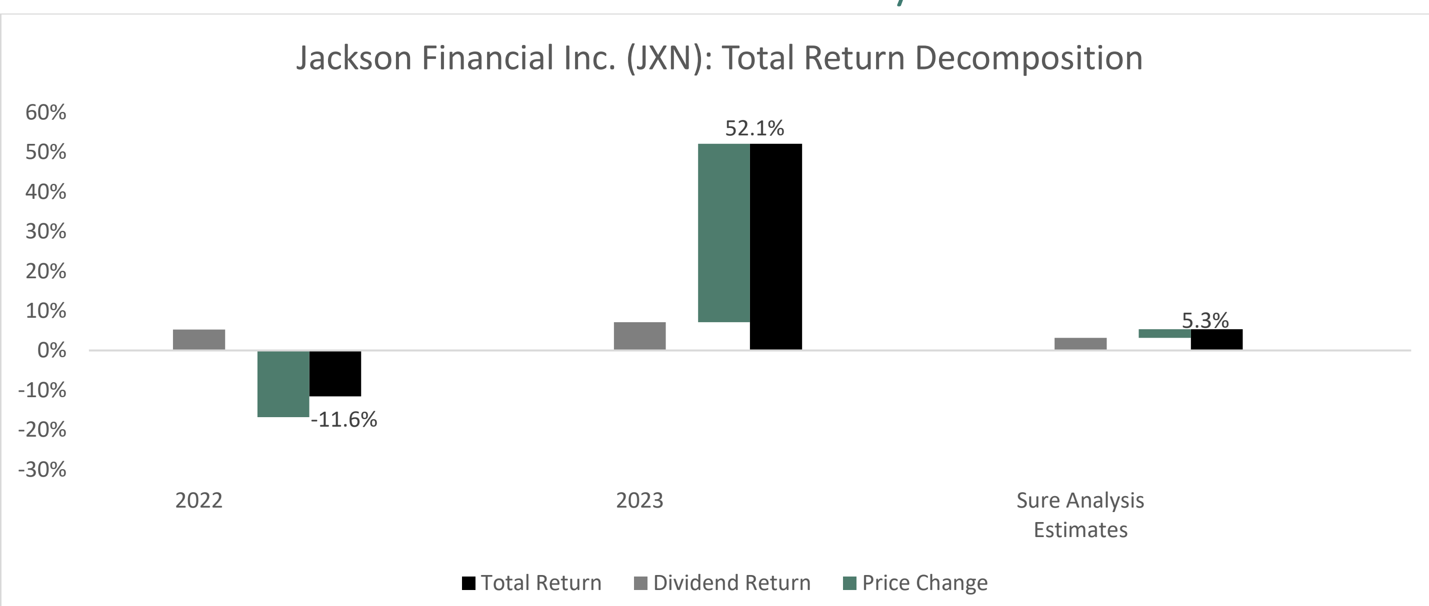
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	---	---	---	1%	3%	23%	***15%***	***13%***

The company has paid a consistent dividend to its shareholders with a 3-year payout ratio averaging 9.3%, 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. During Q3, Jackson Financial repurchased $54 million in dividends. Year-to-date, Jackson has returned $483 million to shareholders and remains on track to achieve its full-year target of $550-$650 million, bolstered by a robust liquidity position of $650 million at the holding company.

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. Following the strong bull run of the stock, we revise our rating to hold premised upon the 5.3% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 9.0%, the 2.7% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	---	---	---	---	13,688	3,489	3,441	8,452	14,407	3,241
SG&A Exp.	---	---	---	---	1,050	994	985	1,078	875	1,007
Net Profit	---	---	---	---	1,986	(497)	(1,634)	3,183	5,697	934
Net Margin	---	---	---	---	14.5%	-14.2%	-47.5%	37.7%	39.5%	28.8%
Free Cash Flow	---	---	---	---	5,822	4,368	3,712	5,682	5,206	5,310
Income Tax	---	---	---	---	338	(369)	(854)	602	1,371	4

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	---	---	---	---	---	297,057	353,456	375,559	311,058	330,260
Cash & Equivalents	---	---	---	---	---	1,935	2,019	2,623	4,298	2,688
Acc. Receivable	---	---	---	---	---	8,372	35,270	33,126	29,641	25,570
Total Liabilities	---	---	---	---	---	289,736	343,533	364,485	301,903	319,920
Long-Term Debt	---	---	---	---	---	2,692	322	4,053	4,367	4,025
Total Equity	---	---	---	---	---	6,837	9,429	10,394	8,423	9,637
LTD/E Ratio	---	---	---	---	---	0.39	0.03	0.39	0.52	0.40

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	---	---	---	---	---	-0.5%	0.9%	1.7%	0.3%
Return on Equity	---	---	---	---	---	---	-20.1%	32.1%	60.6%	9.5%
ROIC	---	---	---	---	---	---	-16.1%	25.1%	39.8%	6.7%
Shares Out.	---	---	---	---	---	---	---	94.5	88.7	83.6
Revenue/Share	---	---	---	---	144.90	36.93	36.43	95.30	162.44	38.78
FCF/Share	---	---	---	---	61.63	46.24	39.30	64.07	58.70	63.53

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