Primerica, Inc. (PRI)

Updated November 9th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$298	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$10.7 B
Fair Value Price:	$265	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date[1]:**	11/21/24
% Fair Value:	113%	**5 Year Valuation Multiple Estimate:**	-2.3%	**Dividend Payment Date[1]:**	12/12/24
Dividend Yield:	1.2%	**5 Year Price Target**	$426	**Years Of Dividend Growth:**	15
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Hold

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 September 30th, 2024. 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 148,890 licensed sales reps (Q3-2024) who are independent contractors. Primerica is a $10.7 billion company and has 2,646 full-time employees.

On November 6th, 2024, Primerica released its third-quarter results for the period ending September 30th, 2024. For the quarter, the company reported revenue of $774.1 million, representing an increase of 11% compared with $697.5 million in the third quarter of 2023. Reported adjusted operating net earnings per diluted share for the same periods were $5.68 and $4.43, respectively, marking an increase of 28% year-over-year.

Third-quarter results highlighted Primerica's ongoing growth in the Term Life segment, with strong margins. Adjusted direct premiums increased by 6% year-over-year, supported by operating income growth. Despite market volatility, the Investment and Savings Products segment continued to perform well, driven by a 26% rise in client asset values compared to the previous year. Client asset values reached $111 billion, generating revenues of $266.1 million, a 22% increase. Operating income of $79.9 million grew by 24%. Adjusted net investment income benefited from higher interest rates. The life-insurance licensed sales force expanded by 7% year-over-year to 148,890.

Primerica's management continues to expect earnings growth, citing 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 adequately protected. Primerica's unique distribution model remains a strategic pillar in effectively serving this middle-income market.

For 2024, Primerica projects Term Life segment adjusted direct premiums growth of 5%, with an operating margin around 23%. 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 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	***$18.90***	***$30.44***
DPS	$0.52	$0.64	$0.70	$0.78	$1.00	$1.36	$1.60	$1.88	$2.20	$2.60	***$3.60***	***$5.80***
Shares[2]	52	48	46	44	43	41	39	39	37	37	***36***	***31***

The company has grown earnings by 19.3% per year since 2014 and 17.0% 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 15 consecutive years. Over the last five years, the average annual dividend growth rate is 21.5%. In August 2024, the

[1] Estimated date
[2] 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.

company increased its quarterly dividend by 20% from $0.75 to $0.90 per share. During the third quarter, Primerica repurchased $129 million worth of common stock. The board has authorized a $425 million share repurchase program to be executed through the end of 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	***15.8***	***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%***	***1.4%***

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 15.8. We are using 14 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 1.2%, which is in line with the average yield over the past 10 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%	***19%***	***19%***

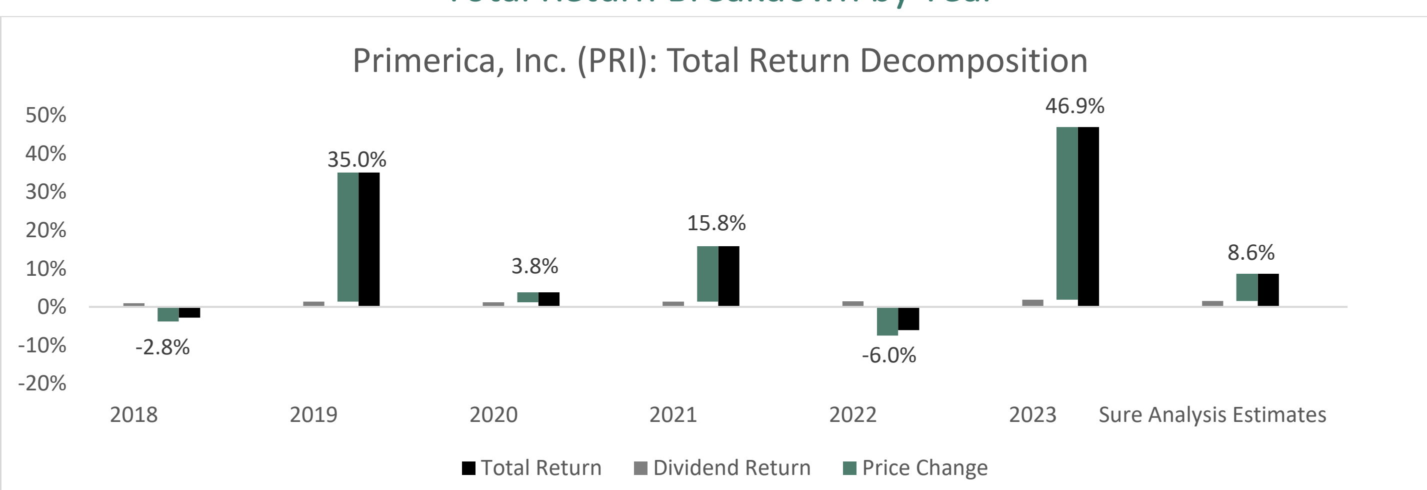
Primerica's dividend payout ratio has averaged around 15% for the last five years, meaning that the company's dividend is comfortably covered by earnings.

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 6% increase year-over-year to $150 million, while capitalizing on the expected 5% growth in adjusted direct premiums in the Term Life Insurance segment and aiming for an operating margin around 23%. 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 $10.7 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 8.6% 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 headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,337	1,404	1,519	1,689	1,900	2,053	2,218	2,710	2,720	2,816
D&A Exp.	12	11	15	14	12	18	18	30	34	32
Net Profit	181	190	219	350	324	366	386	373	373	577
Net Margin	13.6%	13.5%	14.4%	20.7%	17.1%	17.9%	17.4%	13.8%	13.7%	20.5%
Free Cash Flow	230	257	281	385	465	460	616	632	732	659
Income Tax	96	101	118	29	92	111	121	139	126	175

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10,738	10,611	11,439	12,461	12,595	13,689	14,905	16,123	15,350	15,030
Cash & Equivalents	192	152	212	280	262	257	548	393	489	613
Acc. Receivable	4,297	4,301	4,404	4,435	4,357	4,397	4,533	4,526	4,270	3,289
Inventories	62	58	55	52	48	45	45	375	---	---
Goodwill & Int.	9,492	9,465	10,218	11,042	11,134	12,036	13,069	14,033	313	303
Total Liabilities	246	238	268	307	314	340	520	585	13,630	12,960
Accounts Payable	595	737	875	1,110	1,343	1,558	1,720	1,986	538	514
Long-Term Debt	1,245	1,146	1,221	1,419	1,462	1,652	1,836	2,083	2,037	1,980
Total Equity	0.48	0.64	0.72	0.78	0.92	0.94	0.94	0.95	1,184	2,066
LTD/E Ratio	62	58	55	52	48	45	45	375	1.18	0.96

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.7%	1.8%	2.0%	2.9%	2.6%	2.8%	2.7%	2.4%	2.4%	3.9%
Return on Equity	14.7%	15.9%	18.5%	26.5%	22.5%	23.5%	22.1%	19.1%	19.6%	28.2%
ROIC	10.6%	10.2%	11.0%	15.1%	12.2%	12.2%	11.4%	9.8%	9.5%	14.2%
Shares Out.	52	48	46	44	43	41	39	39	38.1	72.1
Revenue/Share	24.49	27.58	32.01	36.97	43.19	48.51	55.18	68.34	71.38	39.08
FCF/Share	4.21	5.04	5.92	8.42	10.56	10.87	15.32	15.95	19.21	9.14

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