



# Allstate Corporation (ALL)

Updated February 14<sup>th</sup>, 2025 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$190	<b>5 Year CAGR Estimate:</b>	12.3%	<b>Market Cap:</b>	\$51 B
<b>Fair Value Price:</b>	\$196	<b>5 Year Growth Estimate:</b>	10.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	03/03/2025
<b>% Fair Value:</b>	97%	<b>5 Year Valuation Multiple Estimate:</b>	0.6%	<b>Dividend Payment Date<sup>1</sup>:</b>	04/01/2025
<b>Dividend Yield:</b>	1.9%	<b>5 Year Price Target</b>	\$316	<b>Years of Dividend Growth:</b>	11
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Buy

## Overview & Current Events

Allstate Corporation is an insurance company that offers property and casualty insurance to its customers. The company also sells life, accident, and health insurance products. Its segments include Allstate Protection, Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, etc. Allstate's insurance brands include Allstate, Encompass, and Esurance. Allstate Corporation was founded in 1931, and the company is headquartered in Northbrook, IL. Allstate is currently trading with a market capitalization of \$51 billion.

On October 15<sup>th</sup>, 2024, Allstate announced its acquisition of Kingfisher, which offers mobile device protection plans.

Allstate Corporation reported fourth quarter 2024 results on February 5<sup>th</sup>, 2025, for the period ending December 31<sup>st</sup>, 2024. The company reported consolidated revenues of \$16.5 billion for the quarter, an 11.3% year-over-year increase, largely due to higher Property-Liability earned premium. Property-Liability insurance premiums earned totaled \$13.9 billion, up 10.6% from \$12.6 billion in the same period a year ago. Adjusted net income per share of \$7.67 was a 32% improvement from \$5.82 a year ago. Catastrophe losses amounted to \$410 million in the quarter, significantly higher than the same quarter last year. For the full year, however, catastrophe losses have declined by 12%.

Total policies in force increased 7.2% year-over-year, from 194.4 million to 208.3 million. The trailing twelve months adjusted net income return on common shareholder's equity was 26.8%, 25.3 points higher than last year's 1.5%. Book value per share rose by 22% year-over-year to \$72.35.

Allstate reached agreements to sell its Health and Benefits business to Nationwide for \$1.25 billion cash, and the Employer Voluntary Benefits business to StanCorp Financial for \$2 billion, for combined total proceeds of \$3.25 billion.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$5.21	\$4.89	\$6.71	\$8.86	\$10.43	\$14.29	\$13.48	(\$0.88)	\$0.95	\$18.32	<b>\$17.84</b>	<b>\$28.73</b>
<b>DPS</b>	\$1.18	\$1.29	\$1.45	\$1.84	\$2.00	\$2.16	\$3.24	\$3.40	\$3.52	\$3.68	<b>\$3.68</b>	<b>\$5.41</b>
<b>Shares<sup>2</sup></b>	381.0	366.0	355.0	342.0	326.0	314.0	280.6	263.5	262.5	265.0	<b>265.0</b>	<b>240.0</b>

Allstate's profits took a large hit during the last financial crisis. Earnings once peaked in 2006 at \$7.67 and continued to drop for several years before bottoming out in 2011, more than 80% below the peak that was hit five years earlier. Since then, profits have recovered, though, and have risen to new record highs since 2018, and through to 2020. 2021 fell just short of its 2020 high, while 2022 results were gruesome due to increased claims severity and unfavorable prior year reserve reestimates, lower net investment income and policies in force, and higher costs and expenses. For 2023, catastrophe losses rose 81% compared to 2022 to \$5.6 billion, heavily impacting profit. For 2025, we see Allstate on track to deliver \$17.84 per share, and forecast it can produce 10% annualized earnings-per-share growth to generate \$28.73 in 2030.

<sup>1</sup> Estimate based on last year's date

<sup>2</sup> in millions.

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The insurance industry is not a high-growth industry, nevertheless, Allstate has managed to grow earnings successfully over the long term, with ebbs and flows over certain time periods. The company benefits from rising interest rates, as this allows it to deploy its insurance float more profitably. Allstate has successfully reduced its share count throughout the last decade, and it is likely that share repurchases will remain a key factor in earnings-per-share growth going forward as well. In the last five years, the company has reduced its common shares outstanding by 4.0% annually. We would consider Allstate to be a shareholder-friendly company. However, due to underwriting losses that Allstate has been subject to recently, its \$5 billion share repurchase authorization was suspended in July 2023.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	12.6	13.8	13.1	10.3	13.5	7.5	9.2	-	-	11.4	<b>10.7</b>	<b>11.0</b>
Avg. Yld.	1.8%	1.9%	1.6%	2.2%	1.9%	2.1%	2.2%	2.5%	2.9%	2.1%	<b>1.9%</b>	<b>1.7%</b>

Allstate Corporation trades at 10.7 times this year's earnings-per-share forecast. This is above the 5-year average PE of 9.4. We believe that shares are slightly undervalued here, which implies a valuation tailwind. Allstate's dividend yield is above that of the broad market at 1.9% and is in line with its average historical yield of 2.1%.

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

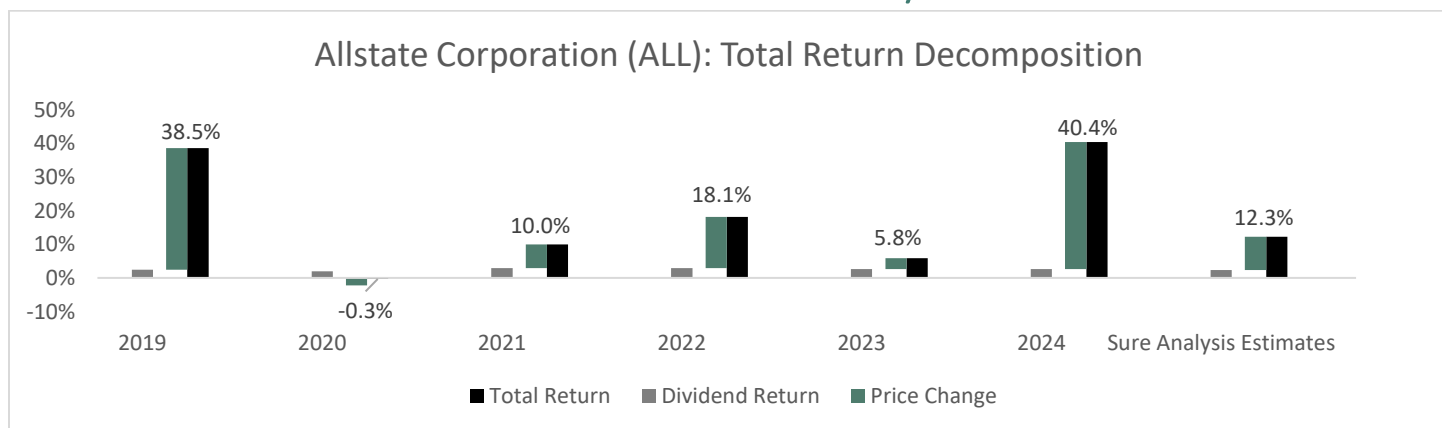
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	26%	22%	21%	19%	15%	24%	-	371%	20%	<b>21%</b>	<b>19%</b>

Allstate saw its profits shrink considerably during the last financial crisis, which is why the company cut its dividend during those troubled times. The dividend was cut from 2008 to 2009 as well as from 2009 to 2010. The dividend payout ratio is quite low now, though, and results are expected to normalize from here. The risk of another dividend cut during the next couple of years is relatively low, even with the underperformance we saw in 2022 and 2023. Allstate does not have strong recession performance; its profits declined massively, and it took the company until 2018 to breach its earnings-per-share record that the company set in 2006. Allstate is thus not a resilient investment. It is highly reliant on auto insurance, which is responsible for more than 50% of revenues. Shifts towards more autonomous driving or ride sharing could thus turn into a headwind in the distant future.

## Final Thoughts & Recommendation

Allstate is one of the largest American insurers and a shareholder-friendly company. Following the 18% share price runup in the trailing one year, we now see the company as trading at a 3% discount to our fair value estimate. The stock could offer total annual returns of 12.3% over the next five years, thus we are upgrading ALL from hold to buy.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	35,653	37,399	39,407	39,815	44,675	44,791	50,588	51,412	57,090	64110
SG&A Exp.			-217	468	114	-51	-644	116	9	-37
D&A Exp.	371	382	483	511	647	686				
Net Profit	2,171	1,877	3,554	2,160	4,847	5,576	1,599	-1,311	-188	4667
Net Margin	6.1%	5.0%	9.0%	5.4%	10.8%	12.4%	3.2%	-2.5%	-0.3%	7.0%
Free Cash Flow	3,313	3,680	4,015	4,898	4,696	5,183				
Income Tax	1,111	877	995	468	1,242	1,383	1,289	-494	-135	1162

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	104,656	108,610	112,422	112,249	119,950	125,987	99,440	97,957	103,360	111620
Cash & Equivalents	495	436	617	499	338	377	763	736	722	704
Acc. Receivable	14,062	14,342	14,707	15,719	15,683	15,699	18,388	18,771	18,850	19540
Goodwill & Int.	1,219	1,219	2,737	3,243	3,026	2,997	3,502	3,502	3,502	3245
Total Liab. (\$B)	84,631	88,037	89,871	90,937	93,952	95,770	74,313	80,607	85,730	90250
Long-Term Debt	5,124	6,347	6,350	6,451	6,631	7,825	7,976	7,964	7,942	8085
Total Equity	18,279	18,827	20,805	19,382	23,750	28,247	23,209	15,505	15,770	19440
LTD/E Ratio	0.26	0.31	0.28	0.30	0.26	0.26	0.32	0.46	0.45	0.37

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.0%	1.8%	3.2%	1.9%	4.2%	4.5%	1.4%	-1.3%	-0.2%	4%
Return on Equity	11.2%	10.1%	17.9%	10.7%	22.5%	21.4%	6.2%	-6.8%	-1.1%	23%
ROIC	8.3%	7.2%	12.7%	7.6%	16.1%	15.8%	4.5%	-4.5%	-0.7%	16%
Shares Out.	381.0	366.0	355.0	342.0	326.0	314.0	280.6	271.2	262.5	267.80
Revenue/Share	87.64	99.12	107.14	112.73	133.96	141.97	169.13	189.57	217.50	239.38
FCF/Share	8.14	9.75	10.92	13.87	14.08	16.43				

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