CNA Financial Corp. (CNA)

Updated February 11th, 2025, by Nikolaos Sismanis

Key Metrics

Current Price:	$48	**5 Year CAGR Estimate:**	4.8%	**Market Cap:**	$13.1 B
Fair Value Price:	$44	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	02/24/25
Fair Value:	110%	**5 Year Valuation Multiple Estimate:**	-1.8%	**Dividend Payment Date:**	03/13/25
Dividend Yield:	3.8%	**5 Year Price Target**	$51	**Years Of Dividend Growth:**	9[1]
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Founded in 1897 and headquartered in Chicago, IL, CNA Financial is one of the largest U.S. Commercial Property and Casualty insurance companies. The company operates under five segments: Specialty, Commercial, International, Life & Group and Corporate & Other – offering property and casualty coverage, life, accident and health insurance and retirement products and annuities. Loews Corporation (L) owns approximately 89% of CNA's shares. Last year the $13.1 billion market cap company served over 1 million businesses and professionals and generated $959 million in profit.

On February 10th, 2025, CNA raised its dividend by 4.5% to a quarterly rate of $0.46. It also announced a special dividend of $2.00. This year's special dividend is in-line with last year's amount.

On the same day, CNA reported its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, the company posted core income, which excludes investment gains or losses, of $342 million, or $1.25 per share, compared to $362 million, or $1.33 per, share last year.

The Property & Casualty segments reported $451 million in core income for Q4 2024, down $17 million due to higher catastrophe losses and an unfavorable impact from changes in foreign currency exchange rates offsetting growth in underwriting income. Premiums grew 10% overall, with 8% new business growth and 86% retention. The Life & Group segment posted a core loss of $18 million, compared to a core income of $4 million last year. The Corporate & Other segment saw a core loss of $91 million, widening from $76 million last year.

The underlying combined ratio, which divides the sum of claim-related losses and business expenses by premiums earned, came in at 93.1%, up from 92.1% in the prior-year quarter. Adjusted book value per share equaled $46.16, up 8% from year-end-2023 if adjusted for $3.76 of total dividends per share. For FY2024, core EPS was $4.71. For FY2025, we expect core earnings per share of about $4.40.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.90	$3.05	$3.38	$3.11	$3.59	$2.70	$4.06	$3.84	$4.71	$4.83	***$4.40***	***$5.10***
DPS	$1.00	$1.00	$1.10	$1.30	$1.40	$1.48	$1.52	$1.60	$1.68	$1.76	***$1.84***	***$2.13***
Shares[2]	270	271	271	272	271	271	271	271	271	271	***271***	***271***

Note that we are using core earnings, as we believe this better reflects the long-term earnings power of the company. CNA has put together a volatile but positive business record over the last decade. This is to be expected from an insurer, as premiums tend to be consistent, but claims will vary dramatically. Over the past decade, CNA has modestly grown its core earnings-per-share, although there are notable fluctuations. We believe that EPS will dip this year, but will continue to growth thereafter.

Note that insurers do not know their liabilities for many years, and it can be easy to underprice policies to chase growth. This was especially relevant during the past couple of years, given the COVID-19 pandemic and the uncertainties (still)

---

[1] Refers to the base dividend, excluding special dividends.
[2] In millions.

surrounding future equity gyrations and insurance-related losses, especially those pertaining to weather. Therefore, we are of the opinion that CNA's slow and steady approach is attractive.

We believe CNA could generate growth over the intermediate term via ongoing policy price increases, a combined ratio that continues to improve, and higher interest rates over the long term, which would help the fixed maturity holdings. We are estimating earnings-per-share to reach $4.40 in 2025, and we are assuming a 3% intermediate-term growth rate.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.2	11	14.1	15.4	12.7	12.9	10.7	11.7	8.2	9.2	***11.0***	***10.0***
Avg. Yld.	2.6%	3.0%	2.3%	2.7%	3.1%	4.2%	3.5%	3.6%	4.3%	3.9%	***3.8%***	***4.2%***

Over the past decade, shares of CNA have traded hands with an average multiple of 12.6 times earnings. We believe 10 times earnings is a reasonable starting place, given the volatile results of the business and fairly humble growth forecast compared to other companies in the industry. With shares currently trading at 11 times our EPS estimate, we view CNA as somewhat overvalued. Note that while CNA has paid a notable special dividend every year since 2014, we have not included this in our forecasts. With respect to 2024, the special dividend amounted to $2.00. As such, this component could very well be understated in our dividend and total return estimates.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	53%	33%	33%	42%	39%	55%	37%	42%	36%	36%	***42%***	***42%***

While CNA's business results have been markedly positive during the last decade, we do not believe the firm has a material competitive advantage given that insurance products are commodity-like in nature.

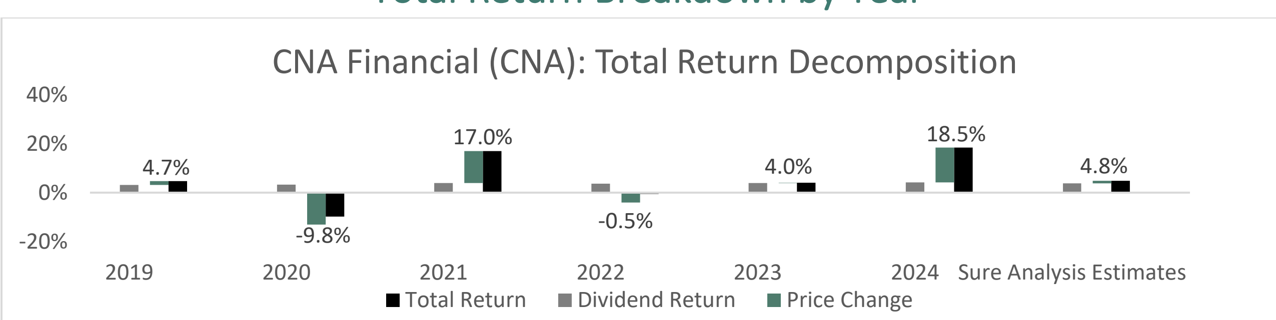
CNA is not necessarily beholden to economic conditions as much as it is to the timing of insurance related losses. That being said, many of the company's customers are sensitive to recessions, which will put pressure on the company in lesser times. During the Great Recession, CNA posted earnings-per-share of $3.90, $1.91, $3.42, $2.20, and $2.28 during the 2007 through 2011 stretch. Moreover, the dividend was cut from $0.45 to zero during 2009 and 2010, before being reinstated at $0.40 in 2011. Core earnings declined during 2020 amid the pandemic, but rebounded quickly as well.

Today the company appears to be in reasonable financial shape, with A+ and A2 ratings from S&P and Moody's. Moreover, we are encouraged by the annual special dividend as this shows both a penchant for returning capital to shareholders and flexibility if the firm needs it in the future.

Final Thoughts & Recommendation

CNA Financial has put up a volatile record over the past decade. We are projecting a 4.8% annual total return potential, stemming from 3% growth and a 3.8% dividend yield, offset by the potential for valuation tailwinds. Our projection doesn't include the annual special dividends, which could boost total returns meaningfully. Shares earn a hold rating.

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.

CNA Financial Corp. (CNA)

Updated February 11th, 2025, by Nikolaos Sismanis

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	$9,692	$9,101	$9,366	$9,542	$10,134	$10,767	$10,690	$11,510	$11880	$13,120
D&A Exp.	$83	$84	$77	$88	$79	$68	$60	$54	$51	$73
Net Profit	$691	$479	$859	$899	$813	$1,000	$690	$1,202	$894	$1,205
Net Margin	7.1%	5.3%	9.2%	9.4%	8.0%	9.3%	6.5%	10.4%	7.5%	9.2%
Free Cash Flow	$1,369	$1,262	$1,270	$1,152	$1,128	$1,114	$1,752	$1,971	$2450	$2195
Income Tax	$319	$70	$278	$411	$151	$223	$131	$282	$187	$313

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	$55,566	$55,045	$55,233	$56,567	$57,152	$60,612	$64,030	$66,640	$60,930	$64,710
Cash & Equiv.	$190	$387	$271	$355	$310	$242	$419	$536	$475	$345
Accounts Rec.	$6,630	$6,531	$6,625	$6,553	$6,749	$6,628	$7,064	$8,408	$8,574	$8,854
Goodwill & Int.	$237	$231	$214	$220	$214	$216	$217	$215	$215	224
Total Liabilities	$42,772	$43,289	$43,264	$44,323	$45,935	$48,397	$51,320	$53,830	$52,100	$54,820
LT Debt	$2,559	$2,560	$2,710	$2,858	$2,680	$2,679	$2,776	$2,779	$2,781	$3,031
Book Value	$12,794	$11,756	$11,969	$12,244	$11,217	$12,215	$12,710	$12,810	$8,825	$9,893
LTD/E Ratio	0.20	0.22	0.23	0.23	0.24	0.22	0.22	0.22	0.32	0.31

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.2%	0.9%	1.6%	1.6%	1.4%	1.7%	1.1%	1.8%	1.4%	1.9%
Return on Equity	5.4%	3.9%	7.2%	7.4%	6.9%	8.5%	5.5%	9.4%	8.3%	13.1%
ROIC	4.5%	3.2%	5.9%	6.0%	5.6%	6.9%	4.5%	7.7%	6.6%	9.9%
Shares Out.	270.6	270.7	271.1	272.1	272.5	272.5	272.4	272.8	275.5	272.2
Revenue/Share	$35.82	$33.62	$34.55	$35.07	$37.19	$39.51	$39.23	$42.18	$43.59	$48.22
FCF/Share	$5.06	$4.66	$4.68	$4.23	$4.14	$4.09	$6.43	$7.23	$9.00	$8.06

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