



# Lincoln National Corp (LNC)

Updated February 13<sup>th</sup>, 2025 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$39	<b>5 Year CAGR Estimate:</b>	15.7%	<b>Market Cap:</b>	\$6.6 B
<b>Fair Value Price:</b>	\$46	<b>5 Year Growth Estimate:</b>	9.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	04/09/2025
<b>% Fair Value:</b>	85%	<b>5 Year Valuation Multiple Estimate:</b>	3.3%	<b>Dividend Payment Date<sup>1</sup>:</b>	05/01/2025
<b>Dividend Yield:</b>	4.6%	<b>5 Year Price Target:</b>	\$71	<b>Years of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## Overview & Current Events

Lincoln National Corporation offers life insurance, annuities, retirement plan services and group protection. The corporation was founded in 1905 as The Lincoln National Life Insurance Company. Permission from Abraham Lincoln's son to use the former president's name was granted. In 1912, the company entered the reinsurance business. In 1969, Lincoln National Corp began trading on the New York Stock Exchange and the Midwest Stock Exchange. Today it trades under the ticker LNC. The corporation has grown into a market capitalization of \$6.6 billion.

In November 2023, Lincoln National ceded \$28 billion of in-force ULSG, MoneyGuard and fixed annuity statutory reserves to Fortitude Re. This reduced Lincoln's balance sheet risk, improved its risk-based capital ratio, and is expected to increase annual free cash flow by more than \$100 million. The deal closed in Q4 2023.

On May 6, 2024, Lincoln completed the sale of its wealth management business to Osaic, Inc. Lincoln received \$725 million cash. It used the cash to increase The Lincoln National Life Insurance Company's Risk-Based Capital (RBC) ratio, and deleverage.

Lincoln National reported fourth quarter 2024 results on February 6<sup>th</sup>, 2025, for the period ending December 31<sup>st</sup>, 2024. The company generated net income of \$9.63 per share in the quarter, which compared favorably to a net loss of \$(7.35) in the fourth quarter of 2023. Adjusted income from operations equaled \$1.91 per share compared to \$1.47 in the same prior year period. Additionally, annuities average account balances rose by 8% to \$160 billion and group protection insurance premiums grew 1.9% to \$1.25 billion.

Adjusted book value per share rose 11% compared to the prior year from \$64.97 to \$72.34.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>AOIPS</b>	\$5.46	\$6.50	\$7.59	\$8.48	\$6.71	\$4.45	\$8.20	(\$6.90)	\$5.32	\$7.07	<b>\$7.68</b>	<b>\$11.82</b>
<b>DPS</b>	\$0.80	\$1.00	\$1.16	\$1.32	\$1.48	\$1.60	\$1.68	\$1.80	\$1.80	\$1.80	<b>\$1.80</b>	<b>\$2.30</b>
<b>Shares<sup>2</sup></b>	243.8	226.3	218.1	205.9	196.7	192.3	189.1	172.7	170.4	174.0	<b>175.0</b>	<b>152.0</b>

The COVID-19 pandemic crushed Lincoln National's 2020 results, but it recuperated strongly in 2021 before plummeting in 2022. For 2023 and 2024, results normalized, and the company got back on track, but results were still below its highs. As a result, LNC has an adjusted operating income per share (AOIPS) CAGR of 2.9% and 1.1% in the last nine and five years, respectively. We expect 9% growth of AOIPS in 2025, and 9% annual growth into 2030.

The dividend has grown since it was slashed in 2008 and 2009 to \$0.04 annually. The corporation's 2020 dividend of \$1.60 was the first year the dividend returned to this level since 2007. The share count has been reduced meaningfully over the last decade. Continued strong share repurchase would be a tailwind to per share earnings.

Following Lincoln's Fortitude Reinsurance and Osaic deals, the company has laid out the long term outlook for its target operating income earnings mix. It is targeting for Annuities to account for 45% to 55% of its earnings mix, group to account for 25% to 35%, retirement to be 5% to 15%, and life to make up 10% to 15%. This means Lincoln will be

<sup>1</sup> Estimate

<sup>2</sup> In millions

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reducing its exposure to annuities, increasing its exposure to group and life, while retirement will remain in its current range.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AOIPS	10.1	7.1	9.2	8.0	9.0	9.1	8.0	-	4.8	4.3	5.1	6.0
Avg. Yld.	1.5%	2.2%	1.7%	1.9%	2.4%	4.0%	2.5%	3.4%	7.2%	5.9%	4.6%	3.2%

Lincoln National trade at just 5.1 times this year's adjusted net income expectations of \$7.68 per share. The average price-to-adjusted operating income per share for Lincoln has been 7.7X and 6.6X for the trailing ten and five years. We believe shares are still undervalued here and that it could be trading at a 6.0 P/AOIPS ratio in 2030, which implies the potential for a valuation tailwind.

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

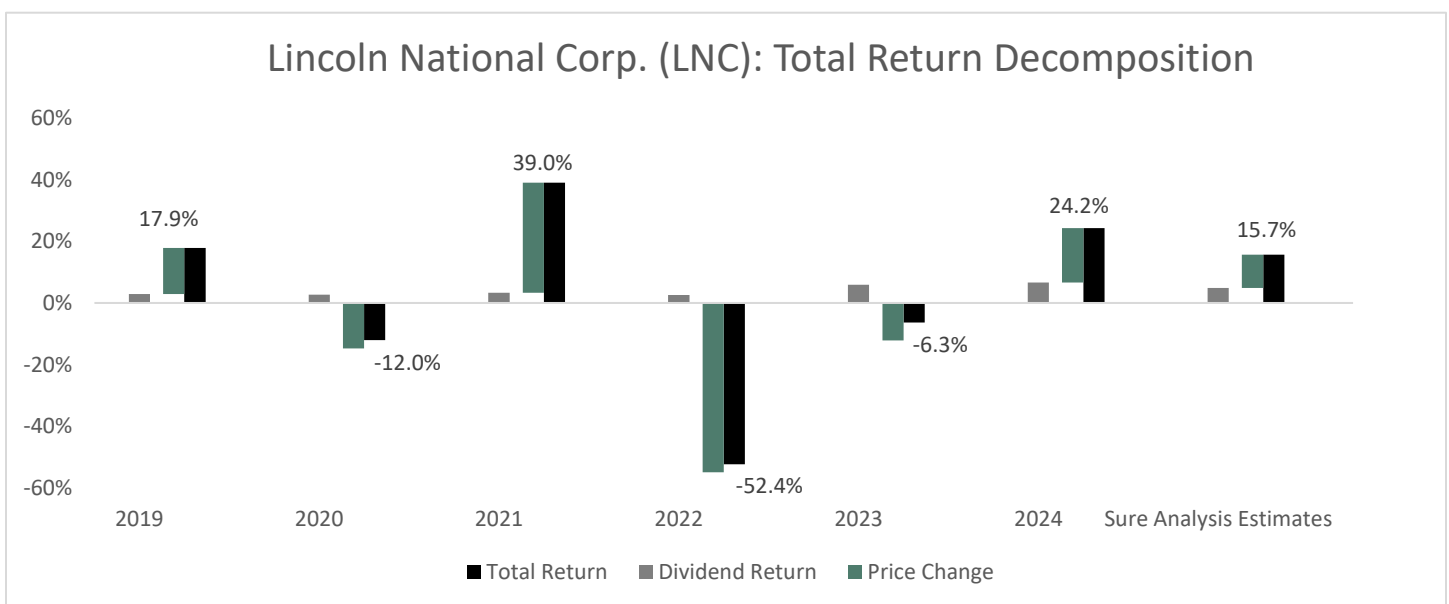
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	15%	15%	15%	16%	22%	36%	20%	-	34%	25%	23%	19%

Lincoln's earnings fell significantly during the great financial crisis, falling about 40% from peak to trough. As a result, the dividend was cut to near nothing. It took about five years for earnings to return to their prior highs, and as mentioned, the dividend only now eclipsed its previous record. Additionally, LNC was hit hard by the COVID-19 pandemic due to mortality impacts. Today the dividend appears to be in safe territory with an expected payout ratio of 23% for 2025, but LNC is not recession resistant and could face headwinds from a slowing economy. The company lists its automated underwriting within a defined criterion, and its LincXpress product, a simplified issue process, as marketplace competitive advantages.

## Final Thoughts & Recommendation

The share price of LNC stock has increased by 11% since we rated it a buy in our last research report, in November. The stock could still offer annualized total returns of 15.7% in the intermediate term, and the stock is trading at 85% of our estimate of fair value. We rate shares as a buy for investors who can stomach the volatility in this insurance business. Lincoln National appears to be a high-risk, high-reward stock.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	13,572	13,330	14,257	16,422	17,259	17,556	19,116	18,784	11,640	18440
<b>SG&amp;A Exp.</b>	1,730	1,687	1,766	1953	2,210	2,072	2251			
<b>Net Profit</b>	1,154	1,192	2,079	1,641	886	499	1,405	-2,227	-752	3275
<b>Net Margin</b>	8.5%	8.9%	14.6%	10.0%	5.1%	2.8%	7.31%	-11.9%	-6.5%	17.8%
<b>Free Cash Flow</b>	2,243	1,272	788	1,943	-2,686	534	151			
<b>Income Taxes</b>	276	266	-949	244	33	-76	233	-584	-396	747

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	251,908	261,627	281,763	298,147	334,761	365,948	387,301	335,437	372,410	390830
<b>Cash &amp; Equivalents</b>	3,146	2,722	1,628	2,345	2,563	1,708	2,612	3,343	3,365	5801
<b>Accts. Receivable</b>	5,999	5,695	5,303	18,318	17,609	16,982	20,875	19,882	29,840	28750
<b>Goodwill and Intang.</b>	2,273	2,273	1,368	1,782	1,778	1,778	1,778	1,144	1,144	1144
<b>Total Liabilities</b>	238,291	247,149	264,441	283,797	315,072	343,249	367,029	331,336	365,520	382560
<b>Long-Term Debt</b>	5,553	5,345	5,344	5,839	6,367	6,682	6,625	6,455	5,949	6156
<b>Total Equity</b>	13,617	144,78	17,322	14,350	19,689	22,699	20,272	3,115	5,907	7283
<b>LTD/E Ratio</b>	0.41	0.37	0.31	0.41	0.32	0.29	0.33	1.57	0.86	0.74

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	0.5%	0.5%	0.8%	0.6%	0.3%	0.1%	0.4%	-0.6%	-0.21%	0.86%
<b>Return on Equity</b>	7.9%	8.5%	13.1%	10.4%	5.2%	2.4%	6.5%	-19.0%	-13.1%	43.2%
<b>ROIC</b>	5.7%	6.1%	9.8%	7.7%	3.8%	1.8%	5.0%	-11.9%	-6.3%	23.9%
<b>Shares Out.</b>	243.8	226.3	218.1	205.9	196.7	192.3			170.7	173.1
<b>Revenue/Share</b>	53.24	56.29	63.02	74.80	85.40	90.28	189.1	172.7	68.22	106.54
<b>FCF/Share</b>	8.80	5.37	3.48	8.85	-13.29	2.75	101.09	108.77		

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

### Disclaimer

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