Primerica, Inc. (PRI)

Updated February 18th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$282	**5 Year CAGR Estimate:**	11.9%	**Market Cap:**	$9.4 B
Fair Value Price:	$290	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	02/21/25
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.5%	**Dividend Payment Date:**	03/14/25
Dividend Yield:	1.5%	**5 Year Price Target**	$467	**Years Of Dividend Growth:**	16
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Rating:**	Buy

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 5.5 million lives and had approximately 3.0 million client investment accounts as of December 31st, 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 151,611 licensed sales representatives (Q4 2024), who are independent contractors. Primerica is a $9.4 billion company and has 2,646 full-time employees.

On February 11th, 2025, Primerica released its fourth-quarter and full year results for the period ending December 31st, 2024. For the quarter, the company reported revenue of $788.1 million, representing an increase of 12% compared with $706.2 million in the fourth quarter of 2023. Reported adjusted operating net earnings per diluted share for the same periods were $5.03 and $4.30, respectively, marking an increase of 17% year-over-year. For the full year 2024, diluted adjusted operating EPS was $19.84, up 20% from $16.47 in 2023.

Fourth-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 23% rise in average client asset values compared to the previous year. Client asset values reached $112.1 billion, generating revenues of $286.0 million, a 29% increase. Operating income of $82.0 million grew by 31%. Adjusted net investment income benefited from higher interest rates. The life-insurance licensed sales force expanded by 7% year-over-year to 151,611.

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 2025, Primerica expects continued growth across its core business segments. The Term Life segment is projected to see steady premium growth, with an operating margin expected to remain strong. In the Investment & Savings Products segment, momentum from 2024's 41% sales growth and rising client asset values could support further expansion. Additionally, the company aims to continue increasing its life-licensed sales force, building on 7% growth in 2024, while targeting modest growth in issued policies for Term Life insurance.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.70	$4.59	$7.61	$7.33	$8.62	$9.57	$11.61	$11.44	$16.47	$19.84	***$20.70***	***$33.34***
DPS	$0.64	$0.70	$0.78	$1.00	$1.36	$1.60	$1.88	$2.20	$2.60	$3.05	***$4.16***	***$6.70***
Shares[1]	48	46	44	43	41	39	39	37	37	34	***34***	***31***

The company has grown earnings by 20.5% per year since 2015 and 16.7% 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

[1] 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.

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16 consecutive years. Over the last five years, the average annual dividend growth rate is 21.1%. In January 2024, the company increased its quarterly dividend by 15.6% from $0.90 to $1.04 per share. During the fourth quarter, Primerica repurchased $44.4 million worth of common stock, completing the $425 million share repurchase program for 2024. The board has authorized a new $450 million share repurchase program to be executed through the end of 2025.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	12.9	11.6	10.8	14.5	14.2	12.2	16.2	11.8	13.6	13.4	***13.6***	***14.0***
Avg. Yld.	1.9%	1.3%	0.9%	0.9%	1.1%	1.4%	1.2%	1.6%	1.4%	1.4%	***1.5%***	***1.4%***

During the past decade shares of Primerica have traded with an average price-to-earnings ratio of about 13.1 times earnings and today, it stands at 13.6. We are using 14 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 1.5%, which is in line with the average yield over the past 5 years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	17%	15%	10%	14%	16%	17%	16%	19%	16%	15%	***20%***	***20%***

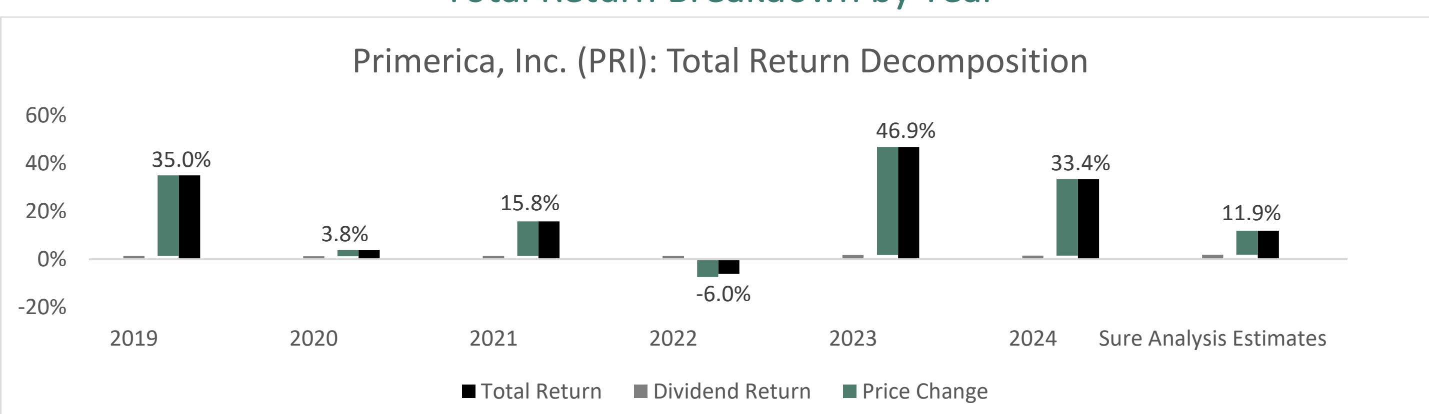
Primerica's dividend payout ratio has averaged around 16% for the last five years, meaning that the company's dividend is comfortably covered by earnings.

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 increased 13% year-over-year to $152 million, driven by higher variable costs, employee incentive compensation, and technology investments. At the same time, the company should capitalize on the 6% growth in adjusted direct premiums in the Term Life Insurance segment while aiming to maintain a strong operating margin, which stood at 21.3% in Q4 2024. 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 $9.4 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 11.9% per year for the next five years based on a 10% earnings-per-share growth, the starting dividend yield of 1.5%, and a valuation tailwind. Shares earn a buy 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.