



American Financial Group (AFG)

Updated March 5th, 2025 by Tiago Dias

Key Metrics

Current Price:	\$126	5 Year CAGR Estimate:	13.1%	Market Cap:	\$11 B
Fair Value Price:	\$137	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	03/17/2025
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date:	03/28/2025
Dividend Yield:	4.1%	5 Year Price Target	\$201	Years Of Dividend Growth:	18
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

American Financial Group (AFG) is an insurance holding company that is engaged in property and casualty insurance, focusing on specialized commercial products for businesses. In 2021, the company completed the sale of its annuity business for \$3.8 billion in cash. In business for over 150 years, this \$11 billion market cap company has regularly increased its quarterly dividend since 2006.

AFG reported Q4 and full year 2024 earnings on February 28th, 2025. For the quarter, earnings-per-share was \$3.03, below the \$3.13 per share that the company reported for the same period in 2023. For the full year the company reported \$10.57 in earnings per share, above the \$10.05 per share reported in the prior year. The company also announced a new regular quarterly dividend as well as a new special dividend to be paid shortly.

The co-CEOs were pleased with the performance of the business during the year, highlighting the 19% return on equity, and the net written premiums growth of 7%. The excellent underwriting results, record P&C net investment income and effective capital management enabled the company to create substantial shareholder value.

AFG continues to have significant excess capital and returning capital to shareholders through regular and special cash dividends, as well as through opportunistic share repurchases remains an important and effective component of the business's capital management strategy.

Growth in book value per share remains strong, and book value stands at \$56 per share a 19.6% increase over the prior year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.43	\$6.03	\$6.56	\$8.40	\$8.62	\$8.44	\$11.60	\$10.53	\$10.05	\$10.57	\$10.50	\$15.43
DPS	\$1.03	\$1.15	\$1.29	\$1.45	\$1.65	\$1.85	\$2.06	\$2.52	\$8.10	\$9.43	\$5.20	\$7.64
Shares	87	87	88	89	90	86	85	85	84	84	84.0	82.0

Insurance companies are stable non-cyclical businesses with generally reliable revenue and income streams that allow them to pay consistent dividends and return capital to shareholders. American Financial Group fits this mold precisely, and its performance over the past decade shows consistently growing revenues and earnings. As an established company in a mature industry, we don't expect this situation to change.

While the above-market average growth of their earnings and dividends will likely slow down in the next few years, we still expect the company to be able to outperform as a result of AFG's profitable specialty insurance business. The specialty insurance business should have more growth opportunities than the consumer facing insurance segments.

As a result, we expect earnings to grow 8% annually until 2030, where earnings-per-share would stand at around \$15.43 per share, and its quarterly dividend to be around \$7.64 per share.

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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	12.3	12.2	15.1	12.9	11.8	9.1	10.6	10.7	11.8	11.9	12.0	13.0
Avg. Yld.	1.5%	1.6%	1.3%	1.3%	1.6%	2.4%	1.7%	2.4%	6.8%	7.5%	4.1%	3.8%

American Financial Group has traded with an average P/E of about 12 times earnings in the past decade. Given its strong growth and history of returning capital to shareholders, we expect the company's P/E ratio to expand to 13x by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	19%	19%	20%	17%	19%	22%	18%	24%	81%	89%	50%	50%

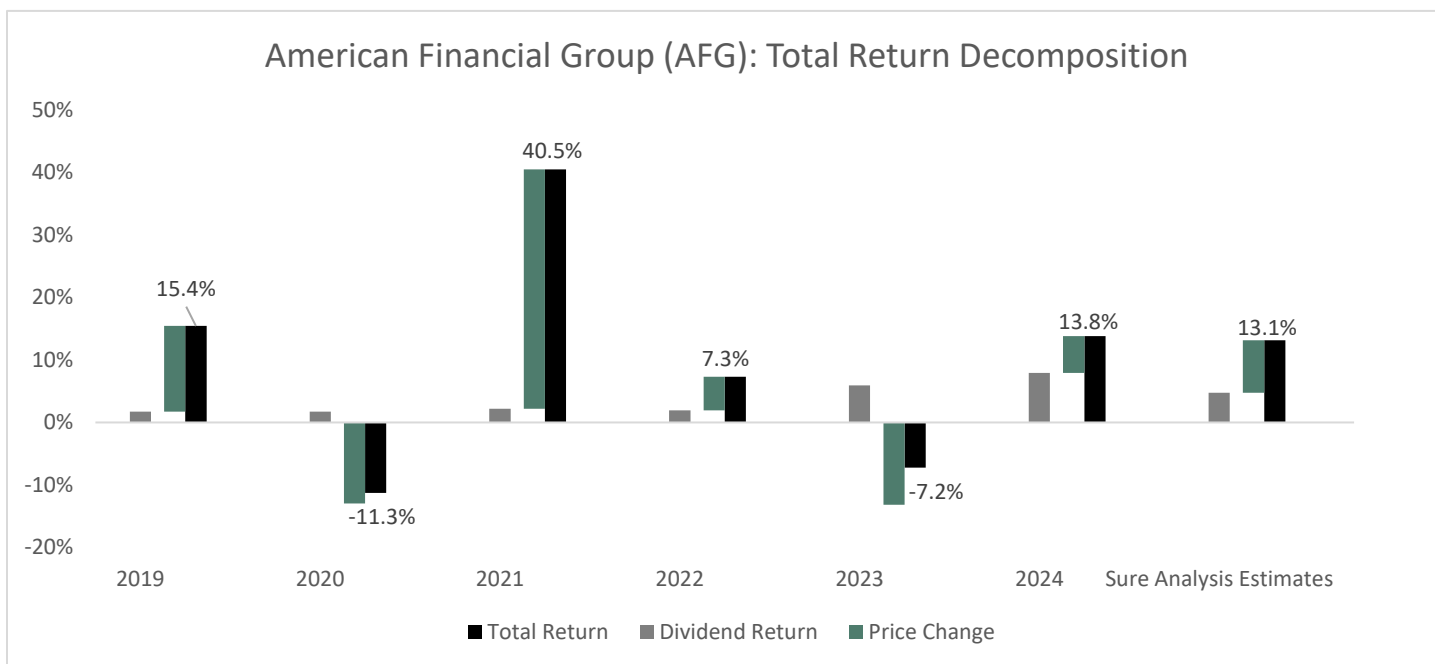
The combination of regular quarterly dividends with special dividends means that the company can quickly return capital to shareholders in special cases and events, like the recent divestiture of their annuities business, without restricting their ongoing ability to take on new opportunities. Additionally, the sale of the annuities business also helps the company focus on its more profitable property and casualty insurance divisions, which have better growth prospects and more reliable earnings.

Overall, the quarterly dividends are well covered by the company's earnings and are unlikely to be cut anytime soon, however the special dividends will fluctuate as the company's business needs evolve.

Final Thoughts & Recommendation

With a 4.1% dividend yield, and an expected 8% earnings growth, we estimate that the total return for AFG will be around 13.1% annually. However, this company's special dividends may provide an additional tailwind (or headwind) not accounted for in this forecast, and so it is likely that returns could be better or worse. 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	5,733	6,145	6,498	6,865	6,989	6,116	5,670	6,231	6,773	7,728
D&A Exp.	144	134	134	107	210	259	299	187	100	78
Net Profit	452	352	649	475	530	897	732	1,995	898	852
Net Margin	7.9%	5.7%	10.0%	6.9%	7.6%	14.7%	12.9%	32.0%	13.3%	11.0%
Free Cash Flow	1,231	1,353	1,150	1,804	2,083	2,456	2,183	1,714	1,153	1,970
Income Tax	220	195	119	247	122	143	25	254	225	221

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	47,535	49,837	55,072	60,658	63,456	70,130	73,710	28,931	28,831	29,787
Cash & Equivalents	1,343	1,220	2,107	2,338	1,515	2,314	1,665	2,131	872	1,225
Acc. Receivable	4,127	3,573	3,734	4,515	4,583	4,750	4,517	4,784	5,316	5,948
Goodwill & Int.	201	199	199	199	207	207	176	246	246	305
Total Liabilities	42,481	45,067	50,153	55,324	58,484	63,861	66,921	23,919	24,779	25,529
Accounts Payable	2,872	2,792	2,936	3,700	3,694	3,838	3,924	4,339	1,035	1,186
Long-Term Debt	1,061	998	1,283	1,301	1,302	1,473	1,963	1,964	1,496	1,475
Total Equity	4,879	4,592	4,916	5,330	4,970	6,269	6,789	5,012	4,052	4,258
LTD/E Ratio	21.8%	21.7%	26.1%	24.4%	26.2%	23.5%	28.9%	39.2%	36.9%	34.6%

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	0.7%	1.2%	0.8%	0.9%	1.3%	1.0%	3.9%	3.1%	2.9%
Return on Equity	9.2%	7.2%	13.4%	9.3%	10.3%	16.0%	11.2%	33.8%	19.8%	20.5%
ROIC	7.7%	5.9%	10.8%	7.4%	8.2%	12.8%	8.9%	25.4%	14.3%	15.1%
Shares Out.	91	89.4	88.5	89.8	90.6	91	89.2	85.6	85.3	84.8
Revenue/Share	63.00	68.74	73.42	76.45	77.14	67.21	63.57	72.79	79.40	91.13
FCF/Share	13.53	15.13	12.99	20.09	22.99	26.99	24.47	20.02	13.52	23.23

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

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