Assured Guaranty Ltd. (AGO)

Updated March 9th, 2025, by Tiago Dias

Key Metrics

Current Price:	$85	**5 Year CAGR Estimate:**	-3.9%	**Market Cap:**	$4 B
Fair Value Price:	$63	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	03/05/2025
% Fair Value:	135%	**5 Year Valuation Multiple Estimate:**	-5.8%	**Dividend Payment Date:**	03/19/2025
Dividend Yield:	1.6%	**5 Year Price Target**	$63	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Sell

Overview & Current Events

Assured Guaranty Ltd. (AGO) is a Bermuda-based holding company that provides, through its subsidiaries, credit protection products and asset management services. The company provides credit protection products to the U.S. and international public finance and structured finance markets and manages assets across collateralized loan obligations as well as other funds. Incorporated in 2003, this $4 billion market cap company has raised its dividend every year for the past 11 years.

Assured Guaranty Ltd. reported Q4 and full year 2024 earnings on February 27th, 2025. For the quarter, earnings-per-share equaled $0.35 per share, well below the $6.40 per share reported in the same period in 2023. For the full year the company earned $6.87 per share, also below the $12.30 reported in the prior year. The company issued a $0.34 dividend that will be paid in late March. The company's shareholders equity stood at $108.80 per share.

In the second quarter the company returned $107 million to shareholders, including share repurchases of $91 million and $16 million in dividends. For the full year the company returned $570 million to shareholders, of which $502 million came in the form of share repurchases and $68 million came in the form of dividends.

The president and CEO, Dominic Frederico, was pleased with the strong results for 2024, with the record-highs in shareholders equity and adjusted book value being highlighted. The company benefited from strong production across U.S public finance, non-U.S. public finance and global structured finance businesses. The repurchase of 11% of all outstanding shares during the year was also a key highlight, and a demonstration of the company's commitment to return capital to shareholders.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$7.08	$6.56	$5.96	$4.68	$4.00	$4.19	$5.23	$1.92	$12.30	$6.87	***$7.00***	***$7.00***
DPS	$0.48	$0.52	$0.57	$0.64	$0.72	$0.80	$0.88	$1.00	$1.12	$1.24	***$1.36***	***$1.36***
Shares	138	128	116	103	93	77	67	64	60	52	***48.0***	***40.0***

While the -8.6% average annual growth rate in earnings during the 2013 to 2022 period may seem lackluster at first, a quick look will immediately see that such a growth rate is deflated by unusually low earnings in 2022. When we discard that outlier, we can see that the company has been flat during the time period.

For such a mature and well-established industry, it is normal for growth to not be particularly spectacular, however AGO has failed to live up to its peers' performance over the past 5 years, and arguably the past decade. While there are some bright spots, and potential turnaround moments, particularly with the settlement of its Puerto Rico business, we are not confident that the company will be able to break from its current shrinking trajectory.

For these reasons we are estimating 0% growth in earnings, and subsequently 0% growth in its dividend. This means we expect EPS in 2030 to be around $7.00 per share, with a dividend payment of around $1.36.

While the company has not seen its earnings meaningfully improve over the past decade, insurance is a well-established and stable business that can provide reliable income for long lengths of time. While it's true that the lack of growth in earnings has been felt, particularly given the increasing dividend which has put pressure on the payout ratio, such pressure has not yet reached the point where the dividend is in danger of a cut.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	3.7	4.2	6.6	8.1	11.1	7.2	8.4	29.0	7.3	12.4	***12.1***	***9.0***
Avg. Yld.	1.8%	1.9%	1.4%	1.7%	1.6%	2.7%	2.0%	2.0%	1.2%	1.5%	***1.6%***	***2.2%***

AGO is currently trading at around seven times TTM earnings and 18 times forward earnings, well above its historical average. Given its lackluster performance, we expect that the company will be re-rated back down to closer to its historical norms and trade at a multiple of around nine times earnings in 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

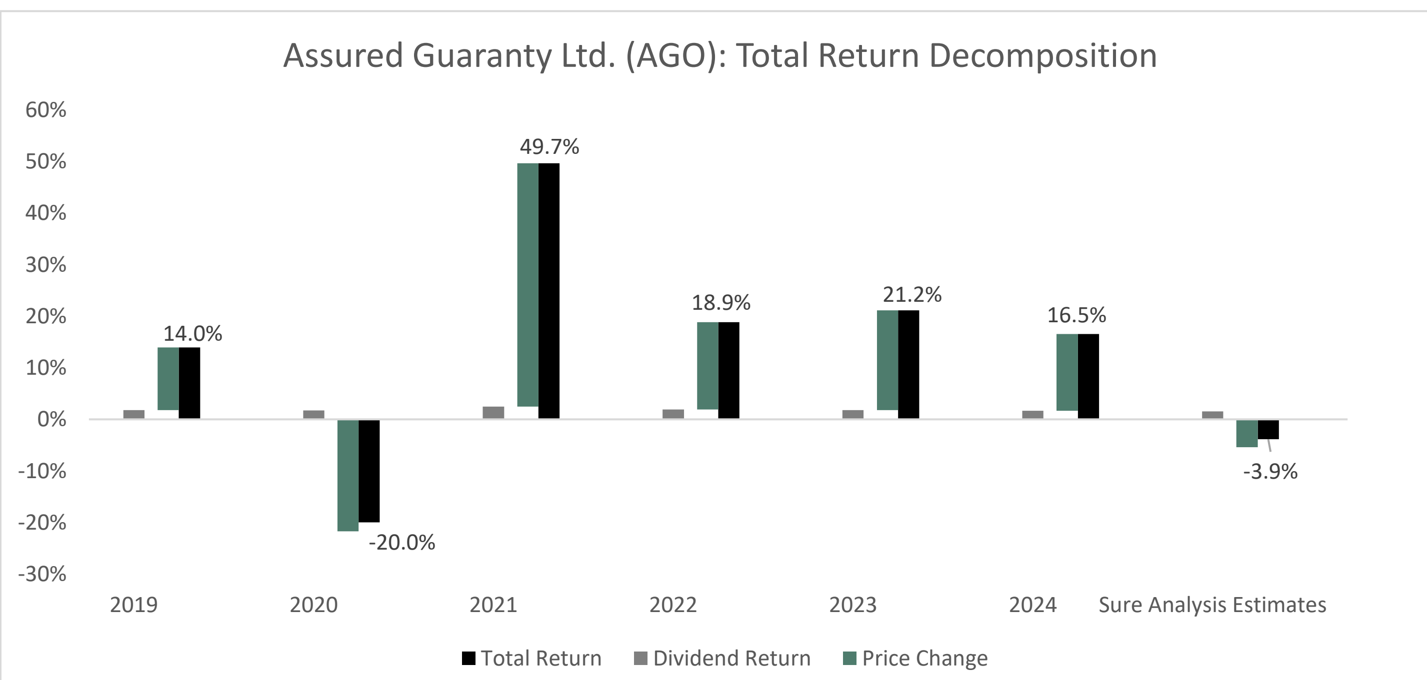
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	7%	8%	10%	14%	18%	19%	17%	52%	9%	18%	***19%***	***19%***

So long as the management team continues to run a steady ship, Assured Guaranty has more than enough runway to make good on its obligations, dispose of unprofitable business, and find new growth opportunities, in the U.S. or abroad. And indeed, the company's comparatively high profit margins indicate that they do have some sort of competitive advantage when it comes to sourcing and insuring local government bonds and other similar financial products. The management team clearly recognizes this expertise, so it's merely a matter of allocating and transferring these competitive advantages to new and more profitable markets.

Final Thoughts & Recommendation

With an unattractive 1.6% dividend yield, troubled growth prospects and heavy headwinds stemming from a multiple re-rating, we expect the company to provide a negative return over the next 5 years of around -3.9%. For this reason, the company's shares earn a sell 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.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,955	1,380	1,651	987	924	1,084	698	684	1,015	814
SG&A Exp.			143	152	178	228	230	258	251	202
Net Profit	1,056	881	730	521	402	362	389	124	739	376
Net Margin	54.0%	63.8%	44.2%	52.8%	43.5%	33.4%	55.7%	18.1%	72.8%	46.2%
Free Cash Flow	-71	-132	433	462	-509	-853	-1,937	-2,479	461	47
Income Tax	375	136	261	59	63	45	58	11	-93	96

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	14,544	14,151	14,433	13,603	14,326	15,334	18,208	16,843	12,540	11,900
Cash & Equivalents	166	118	144	104	169	162	120	107	97	121
Acc. Receivable	888	1,021	1,487	1,394	2,033	2,363	2,173	1,555	1,766	1,947
Goodwill & Int.				24	216	203	175	163		
Total Liabilities	8,481	7,647	7,594	7,048	7,674	8,629	11,708	11,551	6,774	6,348
Accounts Payable	51	64	---	---	---	---	---	---	---	---
Long-Term Debt	1,300	1,306	1,292	1,233	1,235	1,224	1,673	1,675	1,694	1,699
Total Equity	6,063	6,504	6,839	6,555	6,639	6,643	6,292	5,064	5,713	5,495
D/E Ratio	0.21	0.20	0.19	0.19	0.19	0.18	0.27	0.33	0.30	0.31

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.2%	6.1%	5.1%	3.7%	2.9%	2.4%	2.3%	0.7%	5.0%	3.1%
Return on Equity	17.9%	14.0%	10.9%	7.8%	6.1%	5.5%	6.0%	2.1%	13.4%	6.6%
ROIC	14.6%	11.6%	9.2%	6.5%	5.1%	4.6%	4.8%	1.6%	10.2%	5.1%
Shares Out.	138	128	116	103	93	77	67	64	58	53
Revenue/Share	13.12	10.29	13.50	8.87	9.22	12.58	9.39	10.70	17.38	15.27
FCF/Share	(0.48)	(0.98)	3.54	4.15	(5.08)	(9.90)	(26.07)	(38.80)	7.95	0.89

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