American Financial Group (AFG)

Updated May 12th, 2025, by Kody Kester

Key Metrics

Current Price:	$123	**5 Year CAGR Estimate:**	11.6%	**Market Cap:**	$10.3B
Fair Value Price:	$130	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	07/15/2025[1]
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.1%	**Dividend Payment Date:**	07/25/2025[1]
Dividend Yield:	2.6%	**5 Year Price Target**	$191	**Years Of Dividend Growth:**	19
Dividend Risk Score:	A	**Sector:**	Financials	**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. AFG's Specialty P&C Group is made up of over 35 businesses in three major groupings: Property and Transportation, Specialty Casualty, and Specialty Financial. In 2021, the company completed the sale of its annuity business for $3.8 billion in cash. In business for more than 150 years, AFG has regularly increased its regular quarterly dividend per share since 2006. As of March 31st, 2025, the company's investment portfolio was valued at approximately $16 billion.

On May 6th, AFG shared its first-quarter earnings report for the period ending March 31st. The company's total revenue fell by 2.6% year-over-year to $1.86 billion during the quarter. AFG's net earned premiums grew by 2.2% over the year-ago period to $1.58 billion in the quarter. However, this was countered by lower net investment income and reduced investment income of managed investment entities for the quarter. The former category declined by 12.6% year-over-year to $173 million during the quarter, which was due to reduced interest rates. Investment income of managed entities also decreased by 23.2% over the year-ago period to $76 million in the quarter. AFG's core net operating EPS dropped 34.4% year-over-year to $1.81 for the quarter. That was due to a lower P&C insurance underwriting profit and reduced returns in the company's alternative investment portfolio during the quarter. This missed the analyst consensus in the quarter by $0.26.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$5.44	$6.03	$6.20	$8.40	$8.62	$8.44	$11.59	$11.63	$10.56	$10.75	***$10.40***	***$15.28***
DPS	$1.03	$1.15	$1.29	$1.45	$1.65	$1.85	$2.06	$2.31	$2.60	$2.93	***$3.20***	***$5.15***
Shares[2]	87.5	86.9	88.3	89.3	90.3	86.4	84.9	85.2	83.6	84.0	***83.8***	***81.3***

Over the past decade, AFG's core net operating EPS have compounded by nearly 8% annually. Moving forward, we believe that similar growth can continue. This would take the anticipated core net operating EPS base from an anticipated $10.40 in 2025 to $15.28 by 2030. Our assumptions are based on the specialty insurance business having ample growth opportunities ahead. That's because risks are constantly evolving, and many businesses view tailored insurance solutions as the answer to addressing these risks. Over this time, we believe that AFG's share count will also modestly decrease. This is because the company throws off plenty of cash flow and has consistently repurchased its shares over time. That's why we believe the share count will decline from the current mark of 83.8 million to 81.3 million by 2030.

[1] Estimated based on past dividend dates.

[2] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	13.3	14.6	17.5	10.8	12.7	10.4	11.9	11.8	11.3	12.6	***11.8***	***12.5***
Avg. Yld.	1.4%	1.3%	1.2%	1.6%	1.5%	2.1%	1.5%	1.7%	2.2%	2.2%	***2.6%***	***2.7%***

Since 2015, shares of AFG have traded as cheap as a P/E ratio in the low double-digits to as expensive as the high teens. Overall, the average P/E ratio in that period was nearly 13. In the years to come, we believe that a valuation multiple of 12.5x would represent fair value for AFG. That is backed up by the growth profile which appears to be intact. Relative to the current P/E ratio of 11.8, AFG's shares look to be modestly undervalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	19%	19%	21%	17%	19%	22%	18%	20%	25%	27%	***31%***	***34%***

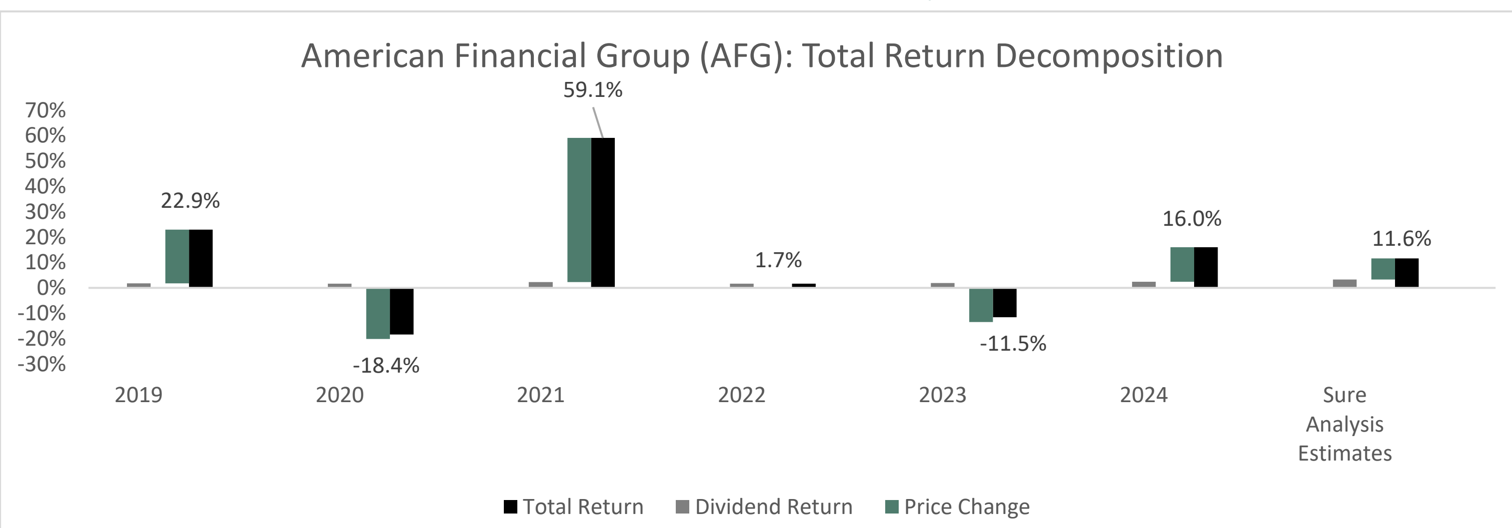
AFG has a couple of elements that could be considered competitive advantages. For one, the company has been in business for more than a century and a half. This reputation alone is enough to attract many new customers. AFG's specialized insurance product offerings also draw in new customers and allow the company to keep them. The necessity of the company's products has allowed it to report overall renewal rate increases for 35 consecutive quarters. That is how AFG has grown its core net operating EPS at a decent clip over the years.

AFG is also a financially healthy business. The company enjoys a BBB+ credit rating from S&P on a stable outlook. AFG's dividend is also well-covered, with the payout ratio set to be in the low-30% range for 2025. We think this gives it room to grow the dividend at a pace moderately ahead of core net operating EPS for the foreseeable future. That's why we believe AFG can deliver 10% annual growth in its regular quarterly dividend per share through 2030. This also provides the company with opportunities to continue distributing special dividends as it deems appropriate.

Final Thoughts & Recommendation

AFG's 2.6% dividend yield, 8.0% annual core net operating EPS growth prospects, and 1.1% annual valuation multiple upside potential could lead to 11.6% annual total returns over the medium term. That's enough for us to reiterate our buy 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	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.