



Aflac Inc. (AFL)

Updated May 2nd, 2025, by Nathan Parsh

Key Metrics

| | | | | | |
|-----------------------------|-------|--|------------|----------------------------------|----------|
| Current Price: | \$104 | 5 Year CAGR Estimate: | 2.9% | Market Cap: | \$56 B |
| Fair Value Price: | \$75 | 5 Year Growth Estimate: | 7.0% | Ex-Dividend Date: | 05/21/25 |
| % Fair Value: | 139% | 5 Year Valuation Multiple Estimate: | -6.4% | Dividend Payment Date: | 06/02/25 |
| Dividend Yield: | 2.2% | 5 Year Price Target | \$105 | Years Of Dividend Growth: | 43 |
| Dividend Risk Score: | A | Sector: | Financials | Rating: | Hold |

Overview & Current Events

Aflac Inc., founded in 1955, is the world's largest underwriter of supplemental cancer insurance. The diversified insurance corporation also provides accident, short-term disability, critical illness, dental, vision, and life insurance. Roughly 70% of the company's pretax earnings are from Japan, with 30% coming from the U.S. The \$56 billion market cap company generated \$5.4 billion in profit in 2024.

On December 2nd, 2024, Aflac raised its quarterly dividend 16% to \$0.58. This marks the company's 43rd straight year of increasing its payment.

On April 30th, 2025, Aflac reported first quarter results for the period ending March 31st, 2025. For the quarter, revenue declined 37% to \$3.4 billion, which was \$874 million below estimates. For the quarter, net earnings equaled \$29 million, or \$0.05 per share, compared to net earnings of \$1.9 billion, or \$3.25 per share, in the prior year. However, this includes investment losses of \$963 million, which are excluded from adjusted earnings. On an adjusted basis, earnings-per-share equaled \$1.66, matching the prior year's result.

The steep decline in revenue was primarily due to investment losses compared to investment gains in the prior year. The weakening yen/dollar exchange rate reduced earnings-per-share by \$0.01. In U.S. dollars, Aflac Japan's quarterly net earned premiums decreased 7.4% to \$1.7 billion while Aflac U.S. net earned premiums grew 1.8% to \$1.5 billion. Adjusted book value grew 3.5% to \$51.98 per share. Aflac repurchased 8.5 million shares at an average price of ~\$106 during the quarter. The company has 38.8 million shares, or 7.1% of its outstanding share count, remaining on its repurchase authorization.

Aflac is expected to earn \$6.78 in 2025, down from \$6.93 previously.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$3.08 | \$3.40 | \$3.41 | \$4.17 | \$4.44 | \$4.96 | \$5.94 | \$6.23 | \$6.23 | \$7.21 | \$6.78 | \$9.51 |
| DPS | \$0.79 | \$0.83 | \$0.87 | \$1.04 | \$1.08 | \$1.12 | \$1.32 | \$1.60 | \$1.68 | \$2.00 | \$2.32 | \$3.74 |
| Shares¹ | 849 | 812 | 781 | 755 | 727 | 692 | 677 | 625 | 578 | 550 | 543 | 500 |

From 2007 through 2020, Aflac was able to grow earnings-per-share by an average compound rate of 8.8% per annum, although part of that improvement is tax reform related. Also, keep in mind that the Yen was generally weakening against the dollar for a good amount of the last decade. Results for 2020 were especially impressive amid the pandemic, while 2021 proved to be a standout year. Currency headwinds lowered results in 2022, but the company stabilized the next year and returned to growth last year.

Aflac has two sources of revenue: income from premiums and income from investments. On the premium side, this is generally sticky with policy renewals making up the bulk of income. However, Aflac operates in two developed markets where we would not anticipate outsized growth in the business. The other lever available is on the investment side, where the vast majority of the portfolio is in bonds. Here there is a possibility for income improvement should rates continue to rise in the future. In addition, the share repurchase program has been an important factor as well and we

¹ In millions.

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believe it will continue to drive bottom-line results. All these items – premium growth, higher rates and repurchases – were challenged to some degree by the COVID-19 pandemic. However, the company has proven to be quite resilient. We are now forecasting a 7% annual growth rate over the intermediate term, which is below the long-term growth rate of 9.9%, but matches the medium-term growth rate. We project dividends to grow at 10% annually.

Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/E | 10.0 | 10.0 | 11.4 | 10.8 | 11.6 | 8.0 | 8.6 | 13.5 | 13.2 | 14.3 | 15.3 | 11.0 |
| Avg. Yld. | 2.6% | 2.5% | 2.2% | 2.3% | 2.1% | 2.8% | 2.5% | 2.2% | 2.0% | 1.9% | 2.2% | 3.6% |

Shares of Aflac are unchanged since our February 7th, 2025 report. Over the last decade, shares of Aflac have traded hands with an average P/E ratio of roughly 11 times earnings. We believe this is fair for the security, considering that many insurers trade at a comparable multiple. With shares trading at just over 15 times our earnings estimate, this implies a meaningful headwind from valuation. Reverting to our target multiple by 2030 would reduce annual returns by 6.4% for the period.

Aflac is a Dividend Aristocrat with a long streak of rising dividends. Moreover, with the company paying out significantly less than half of its profits in the form of a dividend, there is ample runway for the dividend streak to continue.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 26% | 24% | 26% | 25% | 24% | 23% | 22% | 30% | 27% | 28% | 34% | 39% |

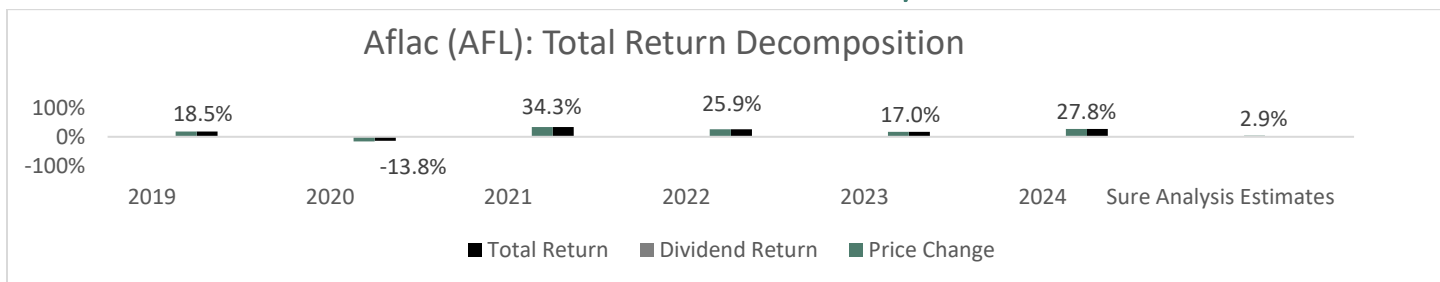
During the Great Recession Aflac generated earnings-per-share of \$1.64, \$1.31, \$1.96, and \$2.57 during the 2007 through 2010 period. Furthermore, the dividend was increasing this entire time. We are encouraged by the past performance and ongoing financial stability, as the company's strong brand and conservative approach serve as complementary competitive advantages. Although we do note that the company's international exposure, while strong in Japan, mitigates some of its reliability, especially as it relates to currency fluctuations.

Despite this reasonable recession performance, especially in comparison to other financial institutions, Aflac's share price dropped all the way from \$34 in the middle of 2008 down to under \$6 per share at the depths of the recession – even though the underlying earnings power was fine, and the dividend never faltered. We suppose this is a general cautionary note: in the long run business results will prevail, but in the short-term anything can happen, so it is important to prepare accordingly.

Final Thoughts & Recommendation

Aflac has a solid business model and great dividend growth record. Total return potential comes in at 2.9% per year, down from our prior estimate of a 3.3% return. Our forecast is driven by the 7% growth rate and the 2.2% starting dividend yield that are offset by multiple contraction. Total returns are not especially attractive, but Aflac has a strong dividend risk score. Shares now receive a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 20,811 | 22,489 | 21,600 | 21,708 | 22,241 | 22,261 | 21,546 | 19,151 | 18,841 | 18,927 |
| Net Profit | 2,533 | 2,659 | 4,604 | 2,920 | 3,304 | 4,778 | 4,231 | 4,418 | 4,659 | 5,443 |
| Net Margin | 12.2% | 11.8% | 21.3% | 13.5% | 14.9% | 21.5% | 19.6% | 23.1% | 24.7% | 28.8% |
| Free Cash Flow | 6,776 | 5,987 | 6,128 | 6,014 | 5,455 | 5,958 | 5,051 | 3,879 | 3,190 | 2,707 |
| Income Tax | 1,329 | 1,408 | (586) | 1,063 | 1,141 | (619) | 977 | 451 | 603 | 974 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Total Assets (\$B) | 118 | 130 | 137 | 140 | 153 | 165 | 158 | 132 | 127 | 118 |
| Cash & Equivalents | 4,350 | 4,859 | 3,491 | 4,337 | 4,896 | 5,141 | 5,051 | 3,943 | 4,306 | 105,087 |
| Accounts Receivable | 705 | 669 | 827 | 851 | 828 | 796 | 672 | 647 | 848 | 779 |
| Total Liab. (\$B) | 101 | 109 | 113 | 117 | 124 | 132 | 124 | 112 | 105 | 91 |
| Accounts Payable | 4,951 | 5,339 | 5,267 | 5,765 | 6,408 | 7,745 | 7,839 | 7,295 | 7,240 | 7,498 |
| Long-Term Debt | 17,708 | 20,482 | 24,598 | 23,462 | 28,959 | 33,559 | 33,253 | 20,140 | 21,985 | 26,098 |
| Shareholder's Equity | 0.28 | 0.26 | 0.21 | 0.25 | 0.22 | 0.23 | 0.24 | 0.36 | 0.33 | 0.29 |
| LTD/E Ratio | 118 | 130 | 137 | 140 | 153 | 165 | 158 | 132 | 127 | 118 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 2.1% | 2.1% | 3.4% | 2.1% | 2.3% | 3.0% | 2.6% | 3.1% | 3.6% | 4.5% |
| Return on Equity | 14.1% | 13.9% | 20.4% | 12.2% | 12.6% | 15.3% | 12.7% | 16.5% | 22.1% | 22.6% |
| ROIC | 10.9% | 11.0% | 16.5% | 9.9% | 10.2% | 12.5% | 10.3% | 12.9% | 16.4% | 17.3% |
| Shares Out. | 849 | 812 | 781 | 755 | 727 | 692 | 677 | 625 | 578 | 550 |
| Revenue/Share | 24.02 | 27.17 | 27.07 | 28.02 | 29.80 | 31.08 | 31.84 | 30.03 | 31.47 | 33.50 |
| FCF/Share | 7.82 | 7.23 | 7.68 | 7.76 | 7.31 | 8.32 | 7.46 | 6.08 | 5.33 | 4.79 |

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

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