Assured Guaranty Ltd. (AGO)

Updated May 27th, 2025, by Kody Kester

Key Metrics

Current Price:	$85	**5 Year CAGR Estimate:**	2.8%	**Market Cap:**	$4.2B
Fair Value Price:	$73	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	08/20/2025[1]
% Fair Value:	116%	**5 Year Valuation Multiple Estimate:**	-2.9%	**Dividend Payment Date:**	09/03/2025[1]
Dividend Yield:	1.6%	**5 Year Price Target**	$89	**Years Of Dividend Growth:**	14
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Assured Guaranty Ltd. (AGO) is a Bermuda-based holding company that provides credit protection products and asset management services through its subsidiaries. The company offers 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.

AGO operates the following two segments:

1. Insurance: This segment provides clients with financial guaranty insurance that protects holders of debt instruments from defaults in scheduled payments. It also offers specialty insurance and reinsurance on transactions with risk profiles similar to its structured finance exposures written in financial guaranty form, as well as insurance and reinsurance of renewable energy bonds, infrastructure bonds, healthcare bonds, etc. The segment made up more than 90% of its $886 million in total 2024 revenue.
2. Asset Management: AGO participates in the asset management business via its ownership interest in Sound Point, LP. The company's five main credit strategies include CLOs and performing credit, private credit, structured credit, opportunistic credit, and commercial real estate credit. Along with the corporate division, this made up the remainder of AGO's total revenue in 2024.

On May 8th, the company shared its first-quarter earnings report for the period ending March 31st, 2025. The company's total revenue grew by 40.8% over the year-ago period to $345 million during the quarter. That was mostly driven by significant gains on credit derivatives and foreign exchange gains on remeasurement recorded in the quarter. AGO's adjusted operating income per diluted share jumped 62.2% year-over-year to $3.18 for the quarter. That topped the analyst consensus by $0.57 during the quarter. This was due to the greater revenue base and a double-digit percentage decline in the weighted average diluted share count stemming from share repurchases.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.69	$6.68	$5.41	$4.34	$3.91	$2.97	$6.32	$4.14	$10.78	$7.10	***$8.13***	***$9.89***
DPS	$0.48	$0.52	$0.57	$0.64	$0.72	$0.80	$0.88	$1.00	$1.12	$1.24	***$1.36***	***$1.91***
Shares[2]	137.9	128.0	116.0	103.7	93.3	77.6	67.5	59.0	56.2	50.5	***49.1***	***38.0***

Over the past decade, AGO's adjusted operating income per diluted share has grown by around 5% annually. Moving forward, we believe that similar growth can continue. That's because new business production in Q1 came in at $39 million. Of this amount, roughly 65% came from U.S. public finance. Coupled with AGO's extensive history of aggressive share buybacks, this is how we believe that 4% annual adjusted operating income per share growth can persist through 2030 off an anticipated 2025 base of $8.13.

[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	5.6	5.7	6.3	8.8	12.5	10.6	7.9	15.0	6.9	12.7	***10.4***	***9.0***
Avg. Yld.	1.8%	1.4%	1.7%	1.7%	1.5%	2.5%	1.8%	1.6%	1.5%	1.4%	***1.6%***	***2.1%***

Since 2015, AGO has traded at a P/E ratio ranging from as low as the mid-single-digits to as much as the mid-teens. The average P/E ratio over that time was approximately 9. Since we believe that the modest growth profile is intact, a P/E ratio of 9 probably still represents fair value. Compared to the current year P/E ratio just above 10.4, this implies AGO's shares are moderately overvalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	10%	8%	11%	15%	18%	27%	14%	24%	10%	17%	***17%***	***19%***

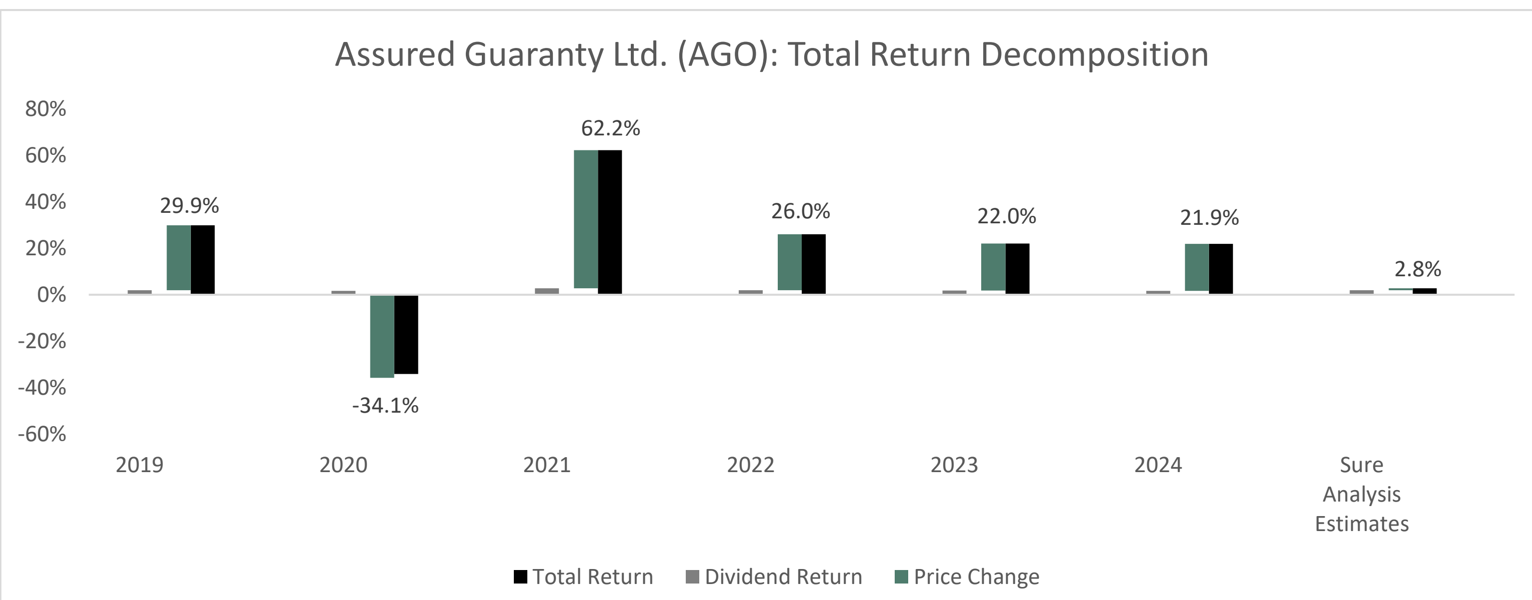
AGO's market leadership in the municipal bond insurance industry is a key competitive advantage for the company. In 2024, its U.S. municipal par volume of more than $24 billion accounted for 58% of total insured par sold. That makes it very difficult for existing competitors or new entrants in the market to challenge their position.

AGO also enjoys a strong balance sheet, with an A credit rating from S&P on a stable outlook. As of March 31st, 2025, the company held cash and investments of $257 million on its balance sheet. AGO's dividend is also reasonably secure, with the payout ratio set to be in the high teens for 2025. This should give it room for payout growth to moderately exceed adjusted operating income per diluted share for the foreseeable future.

Final Thoughts & Recommendation

AGO's 1.6% yield, 4.0% annual adjusted operating income per diluted share growth prospects, and 2.9% annual valuation multiple downside could translate into 2.8% annual total returns through 2030. That's why we're issuing a hold 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.