



Cincinnati Financial Corp. (CINF)

Updated May 29th, 2025 by Felix Martinez

Key Metrics

Current Price:	\$150	5 Year Annual Expected Total Return:	2.2%	Market Cap:	\$23.1B
Fair Value Price:	\$110	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	06/23/25
% Fair Value:	136%	5 Year Valuation Multiple Estimate:	-6.0%	Dividend Payment Date:	07/15/25
Dividend Yield:	2.3%	5 Year Price Target	\$147	Years Of Dividend Growth:	65
Dividend Risk Score:	A	Sector:	Financial	Rating:	Hold

Overview & Current Events

Cincinnati Financial Corp. (CINF) is an insurance company founded in 1950. It offers business, home, auto insurance, and financial products, including life insurance, annuities, property, and casualty insurance. Cincinnati Financial is headquartered in Fairfield, Ohio, trading with a \$23.1 billion market capitalization. As an insurance company, Cincinnati Financial makes money in two ways. It earns income from premiums on policies written and by investing its float, or the large sum of money consisting of the time value between the premium income and insurance claims.

Cincinnati Financial recently reported its financial results for the first quarter for Fiscal year 2025. The company reported a Q1 2025 net loss of \$90 million (\$0.57 per share), down from a \$755 million net income (\$4.78 per share) in Q1 2024, due to a \$536 million drop in after-tax net investment gains and a \$356 million increase in after-tax catastrophe losses from California wildfires and spring storms. Non-GAAP operating loss was \$37 million (\$0.24 per share), compared to \$272 million operating income (\$1.72 per share). Total revenue fell 13% to \$2.566 billion, despite earned premiums rising 13% to \$2.344 billion and pretax investment income growing 14% to \$280 million, driven by a 24% increase in bond interest. The property casualty combined ratio rose to 113.3% from 93.6%, including 25 points from catastrophe losses, triple the 10-year Q1 average. The current accident year combined ratio before catastrophes improved to 90.5%. Net written premiums grew 11% to \$2.495 billion: commercial lines up 8% to \$1.325 billion, personal lines up 13% to \$672 million, and excess and surplus lines up 15% to \$168 million. New business premiums increased 11% to \$383 million, with \$26 million from new agencies. Life insurance net income rose 11% to \$21 million, with earned premiums up 1% to \$80 million. Book value per share dropped 1.5% to \$87.78, yielding a negative 0.5% value creation ratio. Total investments were \$28.481 billion, with a 2% bond portfolio gain and a 1% equity portfolio loss. Parent company cash and securities were \$4.994 billion, down 4%. A \$0.87 per share dividend, up 7%, was declared. Cincinnati Financial remains focused on long-term profitable growth through pricing sophistication and agency partnerships.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.56	\$3.07	\$2.74	\$3.35	\$4.20	\$3.28	\$6.41	\$4.24	\$6.03	\$7.58	\$5.50	\$7.36
DPS	\$1.84	\$1.92	\$2.00	\$2.12	\$2.24	\$2.40	\$2.52	\$2.76	\$3.00	\$3.24	\$3.48	\$4.44
BPS	\$39.21	\$42.94	\$50.29	\$48.11	\$60.50	\$67.04	\$81.72	\$67.01	\$77.06	\$89.11	\$70.00	\$112.74
Shares¹	165.0	167.0	166.0	165.0	165.0	162.0	162.7	158.8	158.1	157.8	157.0	156.0

Cincinnati Financial has grown earnings by 8.8% per year over the past nine years and 9.7% over the past five years. Consensus analysts expect earnings to grow by 6% for the next five years. Book value, a significant metric for insurance companies, has increased by 9.6% over the past nine years and 7.7% over the past five years. Unlike many insurers, the company is not a significant buyer of its shares for per-share growth.

The company makes most of its net income from its investment gains and is highly dependent on bond interest rates and stock market performance. We have a baseline forecast of 6% earnings and 10% book value growth over the next

¹ Share count is in millions.

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five years, but the estimate depends on overall stock and bond performance in the United States over that period. Management expects to grow the book value by 10% - 15% per year.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	15.2	22.7	26.8	22.3	25.0	26.6	17.8	24.1	17.2	18.9	27.3	20.0
Avg. P/B	1.38	1.62	1.46	1.55	3.8	1.3	1.4	0.7	1.3	1.6	2.1	1.6
Avg. Yld.	4.2%	2.8%	3.4%	2.8%	2.1%	2.6%	2.2%	2.7%	2.9%	2.3%	2.3%	3.0%

Cincinnati Financial has averaged a 21.7 P/E ratio over the past decade. The P/B ratio has averaged 1.6. The company is slightly higher than its historical norm with a current PE of 27.3x and 2.1 P/B valuations. We expect a mean reversion to 20 P/E as the base case, implying a headwind of 6.0%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	52%	63%	73%	63%	53%	73%	39%	65%	50%	43%	63%	60%

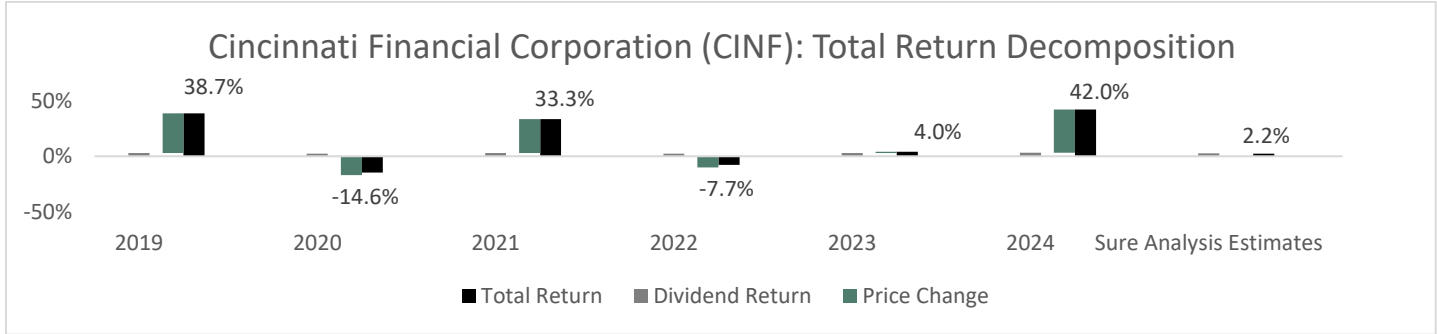
Cincinnati Financial has a strong dividend growth track record. Unlike many financial industry peers, it did not cut its dividend payout during the last financial crisis. In 2009, the dividend was not fully covered by earnings, but The Company continued to grow its payout, and dividends have been fully covered since 2012. With its dividend record during the financial crisis, BBB+ investment-grade credit rating, and Cincinnati Financial having 62 consecutive years of annual dividend increases, we believe that the risk of a dividend cut is low with this company.

Cincinnati Financial lacks durable competitive advantages. Its recognized brand and relatively large-scale help, and to that end, Cincinnati Financial have developed a close relationship with its customers. But competition is fierce, and insurance companies do not enjoy high brand loyalty. Competing insurers can lure customers away with relative ease by offering price discounts. Cincinnati Financial is not insulated against recessions but is not as vulnerable as many companies in the financial sector. The company's balance sheet is strong, with interest coverage of 50.6 times and a Debt-to-Equity ratio of 0.1.

Final Thoughts & Recommendation

Cincinnati Financial is a high-quality dividend stock that has previously delivered compelling results for shareholders. The company is not a high-growth name, though, and we believe that earnings will rise at a meager mid-single-digit pace. Cincinnati Financial is trading at a high valuation compared to what seems justified based on its growth outlook and historical valuation. The company earns a sell recommendation due to its valuation levels compared to historical valuation levels, with an estimated total return of 2.2% annually for the next five years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,142	5,449	5,732	5,407	7,924	7,536	9,630	6,557	10,010	11340
D&A Exp.	52	48	55	63	72	81	93			130
Net Profit	634	591	1,045	287	1,997	1,216	2,946	-486	1,843	2292
Net Margin	12.3%	10.8%	18.2%	5.3%	25.2%	16.1%	30.6%	-7.4%	18.4%	20.2%
Free Cash Flow	1,065	1,102	1,036	1,161	1,184	1,471	1,966			2627
Income Tax	247	221	-315	-36	475	283	724	-207	433	566

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	18,888	20,386	21,843	21,935	25,408	27,542	31,387	29,736	32,770	36500
Cash & Equivalents	544	777	657	784	767	900	1,139	1,264	907	983
Acc. Receivable	1,973	2,078	2,021	2,128	2,387	2,396	2,623	2,962	3,243	3492
Total Liabilities	12,461	13,326	13,600	14,102	15,544	16,753	18,282	19,205	20,670	22570
Long-Term Debt	821	807	811	820	827	842	843	891	874	815
Total Equity	6,427	7,060	8,243	7,833	9,864	10,789	13,105	10,531	12,100	13940
LTD/E Ratio	0.13	0.11	0.10	0.10	0.08	0.08	0.06	0.08	0.07	0.06

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.4%	3.0%	4.9%	1.3%	8.4%	4.6%	10.0%	-1.6%	5.9%	6.6%
Return on Equity	9.8%	8.8%	13.7%	3.6%	22.6%	11.8%	24.7%	-4.1%	16.3%	17.6%
ROIC	8.7%	7.8%	12.4%	3.2%	20.6%	10.9%	23.0%	-3.8%	15.1%	16.6%
Shares Out.	165.0	167.0	166.0	165.0	165.0	162.0	162.7	158.8	158.1	157.8
Revenue/Share	31.05	32.73	34.53	32.87	48.00	46.40	59.19	41.28	63.33	71.84
FCF/Share	6.43	6.62	6.24	7.06	7.17	9.06	12.08			16.65

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

Disclaimer

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