



Prudential Financial Inc. (PRU)

Updated May 2nd, 2025, by Nathan Parsh

Key Metrics

Current Price:	\$103	5 Year CAGR Estimate:	8.7%	Market Cap:	\$37 B
Fair Value Price:	\$109	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	05/20/25 ¹
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.2%	Dividend Payment Date:	06/13/25 ²
Dividend Yield:	5.2%	5 Year Price Target	\$127	Years Of Dividend Growth:	17
Dividend Risk Score:	C	Sector:	Financials	Rating:	Hold

Overview & Current Events

Prudential Financial, now in business for over 140 years, operates in the United States, Asia, Europe and Latin America, with more than \$1.5 *trillion* in assets under management (AUM). The company provides financial products – including life insurance, annuities, retirement-related services, mutual funds, and investment management. Prudential operates in four divisions: PGIM (formerly Prudential Investment Management), U.S. Businesses, International Businesses and Corporate & Other. The company trades with a \$37 billion market capitalization.

On February 5th, 2025, Prudential declared a \$1.35 quarterly dividend, marking a 3.8% increase.

On April 30th, 2025, Prudential reported first quarter results for the period ending March 31st, 2025. For the quarter, the company reported net income of \$707 million, or \$1.96 per share, versus net income of \$1.138 billion, or \$3.12 per share, in the prior year. Adjusting for investment losses, earnings-per-share of \$3.29 compared to \$3.05 in the prior year and was \$0.11 better than expected.

At quarter-end, Prudential held \$1.522 trillion in AUM versus \$1.496 trillion in the year ago period. Prudential's adjusted book value per share equaled \$96.37 compared to \$97.03 in the year ago period. The company repurchased \$250 million worth of shares during the quarter. Prudential has a share repurchase authorization of \$1 billion total for 2025.

Prudential is expected to earn \$13.66 per share in 2025, down from \$14.22 previously. This would be an 8.2% increase from the prior year. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$10.04	\$9.13	\$10.58	\$11.69	\$11.69	\$10.21	\$14.58	\$10.31	\$11.62	\$12.62	\$13.66	\$15.84
DPS	\$2.44	\$2.80	\$3.00	\$3.60	\$4.00	\$4.40	\$4.60	\$4.80	\$5.00	\$5.20	\$5.40	\$6.26
Shares³	447	430	423	411	399	396	390	369	361	357	356	345

If you look at 2007 (when the company was earning \$7.31 and paying out \$1.15) through 2019, Prudential grew earnings-per-share by about 4.0% per year. Results in 2020 proved to be a down year amid difficult circumstances; however, the bottom-line bounced back dramatically in 2021, before oscillating between declines and growth the past few years. Earnings-per-share over the last decade have moved little, growing at a rate of less than 3% since 2015.

Higher interest rates and general economic improvement are typically positives for the company's growth prospects over the long-term. Of course, there are offsetting factors; chief among them being lower rather than higher rates in the short-term. The majority of Prudential's business is in the U.S. and Japan, both of which are mature markets where we do not anticipate above average growth. Life insurance and annuities are highly competitive industries. Further, insurers do not know the price of the goods sold for years, allowing for the temptation to underprice policies in search for growth. We believe a slow, steady, and profitable approach in this industry is prudent.

We project 3% earnings and dividend growth rates through 2030.

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions.

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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.3	8.7	10.2	8.6	8.0	6.8	7.1	10.5	8.9	9.4	7.5	8.0
Avg. Yld.	2.9%	3.5%	2.8%	3.6%	4.3%	6.4%	4.6%	4.8%	4.8%	4.4%	5.2%	4.9%

Shares of Prudential have declined \$11, or 9.6%, since our Feb. 5th, 2025 report. Shares of Prudential have traded hands with an average P/E ratio between 8 and 9 times earnings over the last decade. This may seem low compared to your average firm, but this has been typical of insurers. We believe fair value to be closer to 8 times earnings. With shares currently trading below our target P/E, this implies a 1.2% tailwind to annual returns from multiple expansion.

The dividend will add to shareholder returns, as it sits at 5.2% and makes up less than half of earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	24%	31%	28%	31%	34%	43%	32%	51%	43%	41%	40%	40%

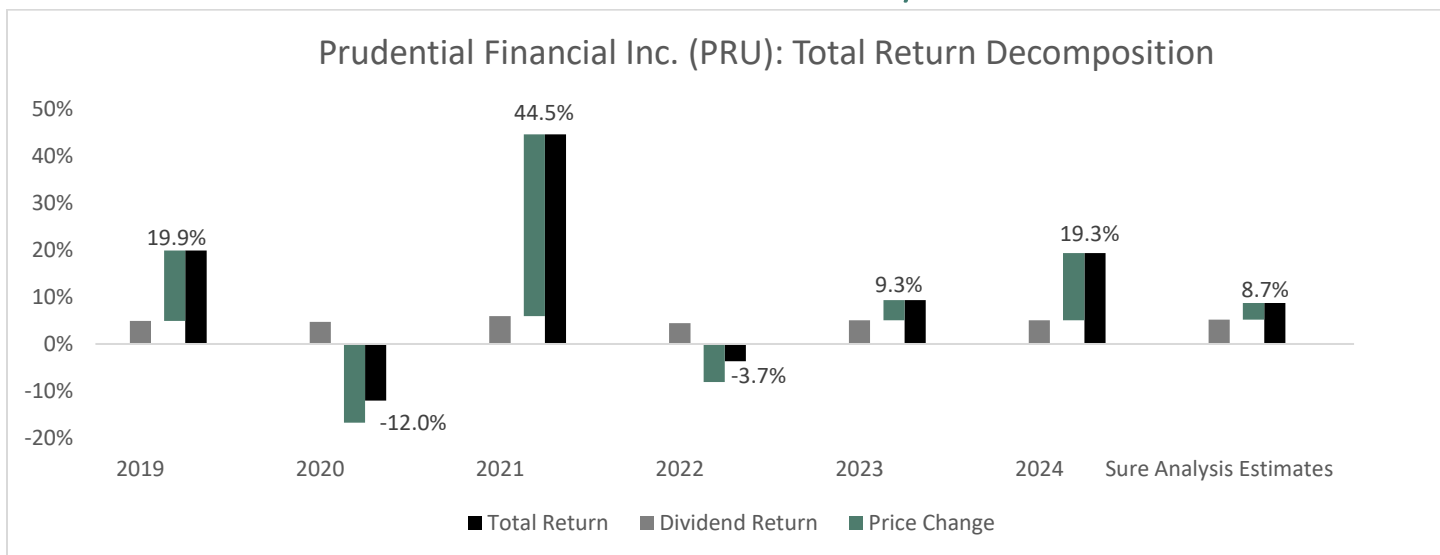
While Prudential is highly profitable and well-known, we do not believe the firm carries a significant competitive advantage over its competitors as the products it sells are highly commoditized.

During the Great Recession, Prudential generated earnings-per-share of \$7.31 in 2007 followed by \$2.69, \$5.58 and \$6.27 in 2008 through 2010. It was not until 2014 that earnings finally eclipsed their pre-recession peak. Similarly, the dividend was slashed from \$1.15 in 2007 down to \$0.58 in 2008 and did not recover until 2010. This sort of cyclicalality is certainly possible in the next downturn. Still, the company has a reasonable payout ratio and financial position. We do note that while earnings dipped significantly during the Great Recession, dilutive activity was not excessive.

Final Thoughts & Recommendation

Prudential has proven to be a solid business over the years with a variety of positive attributes. We are forecasting 8.7% annual total return potential through 2030, up from our prior estimate of 7.2%. Our estimate stems from 3% earnings growth, the 5.2% starting dividend yield, and a small contribution from multiple expansion. There is a lingering negative: even in good times growth is not especially robust and in lesser times the rate of improvement can fall off completely. We have lowered our five-year price target \$5 to \$127 due to EPS estimates, but we continue to view shares of Prudential as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	57,119	58,779	59,689	62,992	64,800	57,030	71,149	56,960	54,265	65,506
SG&A Exp.	10,912	11,779	11,915	11,949	13,416	13,913	13,609	12,576	12,951	13,132
D&A Exp.	113	318	222	161	460	457	206	117	(70)	383
Net Profit	5,642	4,368	7,863	4,074	4,186	(374)	8,868	(1,647)	2,488	2,727
Net Margin	9.9%	7.4%	13.2%	6.5%	6.5%	-0.7%	12.5%	-2.9%	4.6%	4.2%
Free Cash Flow	13,942	14,876	13,460	21,664	19,625	8,368	9,812	5,158	6,510	8,502
Income Tax	2,072	1,335	(1,438)	822	947	(81)	1,995	(279)	613	507

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	757	784	832	815	897	941	938	689	721	736
Cash & Equivalents	17,612	14,127	14,490	15,353	16,327	13,701	12,888	17,251	19,419	18,497
Goodwill & Int.								18,993	27,311	37,680
Total Liab. (\$B)	2,828	2,314	1,591	5,211	2,573	4,718	3,194	2,015	2,107	435
Long-Term Debt	715	738	778	766	833	873	875	657	691	705
Total Equity								5,733	15,729	17,084
LTD/E Ratio	29,407	21,324	20,070	20,784	21,853	20,948	19,618	21,057	20,874	21,570

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	0.6%	1.0%	0.5%	0.5%	0.0%	0.9%	-0.2%	0.4%	0.4%
Return on Equity	13.4%	9.9%	15.6%	7.9%	7.4%	-0.6%	13.6%	-3.5%	8.1%	9.1%
ROIC	7.9%	6.3%	11.1%	5.6%	5.4%	-0.4%	10.3%	-2.4%	4.8%	5.3%
Shares Out.	447	430	423	411	399	396	390	369	361	357
Revenue/Share	124.02	131.63	136.92	147.83	157.70	144.09	182.39	152.99	148.83	182.32
FCF/Share	30.27	33.31	30.88	50.84	47.76	21.14	25.15	13.85	17.86	23.66

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

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