



# Cincinnati Financial Corp. (CINF)

Updated September 8<sup>th</sup>, 2025 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$153	<b>5 Year Annual Expected Total Return:</b>	3.3%	<b>Market Cap:</b>	\$23.9B
<b>Fair Value Price:</b>	\$120	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	09/22/25
<b>% Fair Value:</b>	128%	<b>5 Year Valuation Multiple Estimate:</b>	-4.8%	<b>Dividend Payment Date:</b>	10/15/25
<b>Dividend Yield:</b>	2.3%	<b>5 Year Price Target</b>	\$161	<b>Years Of Dividend Growth:</b>	65
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Financial	<b>Rating:</b>	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 \$23.9 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 second quarter for Fiscal year 2025. The company reported net income more than doubling year-over-year to \$685 million, or \$4.34 per share, compared with \$312 million, or \$1.98 per share, in the prior-year period. The sharp increase reflected higher investment gains, stronger underwriting profits, and increased investment income. Non-GAAP operating income rose 52% to \$311 million, or \$1.97 per share, despite elevated catastrophe losses that negatively impacted results by \$45 million after-tax. Total revenues grew 28% to \$3.25 billion, supported by a 15% increase in earned premiums and an 18% increase in investment income. Book value per share rose to \$91.46, up 12% year-over-year. Insurance operations showed meaningful improvement, with the property and casualty combined ratio improving to 94.9% from 98.5% in the prior year's quarter, reflecting better underwriting profitability. Net written premiums grew 11% to \$2.7 billion, driven by price increases, higher exposures, and growth in agency renewals. Commercial lines performed particularly well, with the combined ratio falling to 92.9% and underwriting profit surging to \$87 million from just \$10 million a year earlier. Personal lines also improved, though catastrophe losses, including severe Texas flooding, weighed on results, pushing the segment to a modest underwriting loss. Life insurance contributed \$26 million of net income, up from \$24 million in Q2 2024. Management emphasized the company's ability to balance growth and profitability despite a challenging catastrophe environment. CEO Stephen M. Spray highlighted the importance of underwriting discipline, continued investment in data-driven analytics, and a growing agency network, which supported an 11% increase in net written premiums in both the quarter and first half of 2025. Investment performance also remained a strength, with pretax income up 18% on higher bond yields. Cincinnati Financial ended the quarter with record book value and more than \$30 billion in total investments, supporting its dividend policy and long-term growth plans.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$3.56	\$3.07	\$2.74	\$3.35	\$4.20	\$3.28	\$6.41	\$4.24	\$6.03	\$7.58	<b>\$6.00</b>	<b>\$8.03</b>
<b>DPS</b>	\$1.84	\$1.92	\$2.00	\$2.12	\$2.24	\$2.40	\$2.52	\$2.76	\$3.00	\$3.24	<b>\$3.48</b>	<b>\$4.44</b>
<b>BPS</b>	\$39.21	\$42.94	\$50.29	\$48.11	\$60.50	\$67.04	\$81.72	\$67.01	\$77.06	\$89.11	<b>\$91.46</b>	<b>\$147.30</b>
<b>Shares<sup>1</sup></b>	165.0	167.0	166.0	165.0	165.0	162.0	162.7	158.8	158.1	157.8	<b>157.0</b>	<b>156.0</b>

Cincinnati Financial has grown earnings by 8.8% per year over the past nine years and 12.8% 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.

<sup>1</sup> Share count is in millions.

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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 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	25.6	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	1.7	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%	2.8%

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 25.6x and 1.7 P/B valuations. We expect a mean reversion to 20 P/E as the base case, implying a headwind of 4.8%.

## 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%	58%	55%

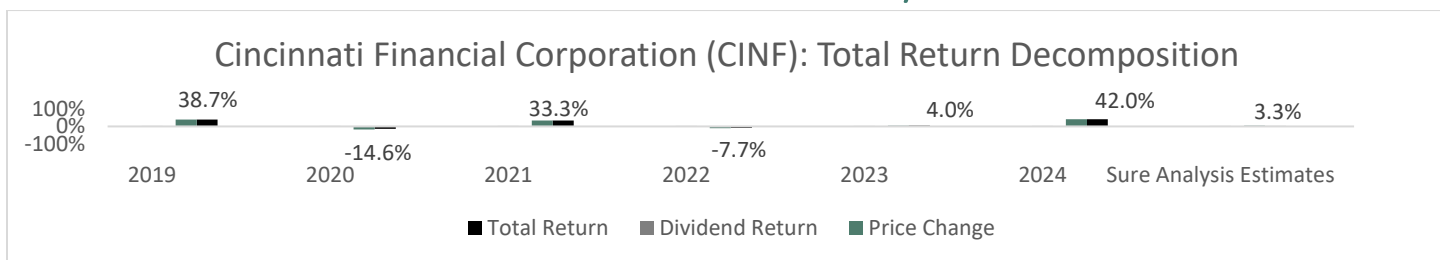
Cincinnati Financial has a strong dividend growth track record. Unlike many financial industry peers, it did not cut its dividend payout during the last financial crisis. In 2009, the dividend was not fully covered by earnings, but The Company continued to grow its payout, and dividends have been fully 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 43.4 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 hold recommendation due to its valuation levels compared to historical valuation levels, with an estimated total return of 3.3% 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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