

## Assurant Inc.(AIZ)

**\$131.53** (As of 01/21/20)

Price Target (6-12 Months): **\$138.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 02/15/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: D

### Summary

The shares of Assurant have outperformed the industry in a year's time. It's focus on Specialty Property and Casualty and Lifestyle Protection bodes well for growth. Strong franchise, consistent cash flow generation, robust solutions segment poise it well for growth. It plans to deploy capital, mainly to fund business growth, finance other investments and return capital to shareholders via share buybacks and dividends. Assurant estimates net operating income (excluding reportable catastrophe loss) to grow between 6% and 10% from 2018 level, driven by profitability achieved in Global Lifestyle and share buybacks. However, Global Housing is persistently weighed on by lower mortgage originations and insurance normalization. The company is also exposed to catastrophes which induces earnings volatility. Also higher expenses weigh on margins.

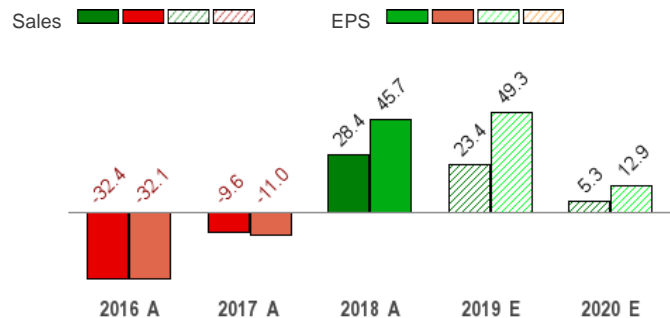
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$134.89 - \$91.84</b>
20 Day Average Volume (sh)	<b>275,095</b>
Market Cap	<b>\$8.0 B</b>
YTD Price Change	<b>0.3%</b>
Beta	<b>0.48</b>
Dividend / Div Yld	<b>\$2.52 / 1.9%</b>
Industry	<b><a href="#">Insurance - Multi line</a></b>
Zacks Industry Rank	<b>Bottom 33% (172 out of 255)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>0.0%</b>
Last Sales Surprise	<b>-1.9%</b>
EPS F1 Est- 4 week change	<b>0.0%</b>
Expected Report Date	<b>02/11/2020</b>
Earnings ESP	<b>0.6%</b>
P/E TTM	<b>18.8</b>
P/E F1	<b>13.5</b>
PEG F1	<b>NA</b>
P/S TTM	<b>0.8</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	2,512 E	2,661 E	2,601 E	2,618 E	10,481 E
2019	2,399 A	2,523 A	2,480 A	2,495 E	9,950 E
2018	1,620 A	1,828 A	2,263 A	2,352 A	8,063 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$2.55 E	\$2.63 E	\$1.95 E	\$2.66 E	\$9.78 E
2019	\$2.21 A	\$2.34 A	\$1.69 A	\$2.41 E	\$8.66 E
2018	\$2.00 A	\$2.11 A	\$1.06 A	\$0.77 A	\$5.80 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/21/2020. The reports text is as of 01/22/2020.

## Overview

Founded in 1969 and headquartered in New York, Assurant Inc. is a global provider of risk management solutions in the housing and lifestyle markets, protecting where people live and the goods they buy. The company operates in North America, Latin America, Europe and Asia Pacific. Assurant was incorporated as a Delaware corporation in 2004.

The company reports through three reportable segments: **Global Housing, Global Lifestyle and Global Preneed**.

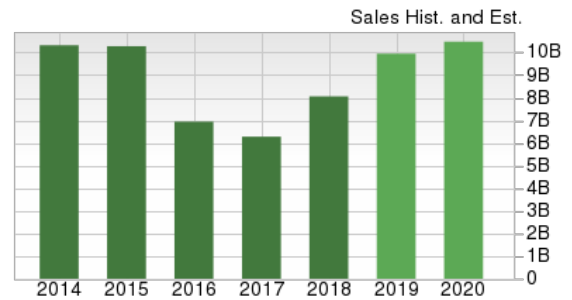
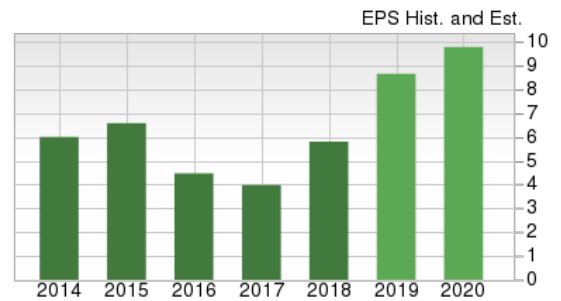
**Global Housing segment (27% of 2018 revenues)** provides lender-placed homeowners insurance, lender-placed manufactured housing insurance, lender-placed flood insurance; and renters insurance and related products (referred to as Multifamily Housing), as well as voluntary manufactured housing and other insurance.

On Aug 1, 2018, Assurant sold its Mortgage Solutions business, which comprised property inspection and preservation, valuation and title services and other property risk management services.

**Global Lifestyle segment (67%)** provides mobile device protection products and related services and extended service products and related services for consumer electronics and appliances (referred to as Connected Living); vehicle protection and related services (referred to as Global Automotive); and credit and other insurance products (referred to as Global Financial Services).

Global Lifestyle operates globally, with about 75% of its revenues from North America, 11% from Latin America, 10% from Europe and 4% from Asia Pacific in 2018.

**Global Preneed segment (6%)** provides pre-funded funeral insurance and annuity products in Canada and the United States. Pre-funded funeral insurance provides whole life insurance or annuity death benefits to fund the costs associated with pre-arranged funerals, which are planned and paid for in advance of death. The pre-funded funeral insurance products are typically structured as whole life insurance policies in the United States and offer limited pay (Preneed) or pay for life (Final Need) options. In Canada, pre-funded funeral insurance products are typically structured as limited pay annuity contracts. Product choices are based on the health and financial situation of the customer and the distribution channel.



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## Reasons To Buy:

- ▲ Shares of Assurant have outperformed the industry in the past year. We expect strong segmental performance along with a robust capital position to drive the stock in the near term.
- ▲ Assurant has been pursuing strategic initiatives to expand its housing and lifestyle businesses. The company intends to combine its e-commerce capabilities into its operations to strengthen its capabilities. To strengthen its capabilities in the housing market Assurant acquired American Title in 2016, which complemented Assurant's strategy to focus on risk management in the housing market as well as on expansion of fee-based business. The buyout expanded of its fee-based, capital-light offerings in mortgage solutions. Also, Assurant acquired The Warranty Group in May 2018 to strengthen its position as an industry-leading lifestyle provider, having substantial operating synergies in a more predictable and expanded earnings stream.

Strong franchise, consistent cash flow generation, moderate debt ratio and a robust Solutions, business restructuring, disciplined capital management strategy should drive growth going forward.

- ▲ The top line at Global Lifestyle has been growing over the past several quarters and the company projects the same to improve from growth at Connected Living and Global Automotive. The company anticipates net operating income to grow by at least 10% on average from 2019 to 2021, and continue to produce strong cash flows. Management planned to invest in mobile and auto in the third and fourth quarters for IT enhancements and program implementations to support continued growth and new opportunities.
- ▲ Pre-need is another important business for Solutions and remains a solid performer. The company remains focused on ramping up the Connected Living platform, deploying innovative products and services and adding new partnerships with leading brands like Comcast, Apple and KDDI in Japan. These initiatives are expected to double the margins in Connected Living to 8% over the long term. The company expects Global Preneed's earnings to decline owing to the one-time accounting adjustment. The company anticipates 13% operating ROE by 2021.
- ▲ While the company's Global Housing segment is facing headwinds related to lender-placed business, the segment is realigning its business in this segment with an eye on higher growth returns. The company expects net operating income for 2019 to be down modestly, excluding cat losses thanks to the increased small commercial losses incurred this year. Sustained revenue growth in multi-family housing will partially offset decrease in lender-placed. Moreover, implementation of different expense management initiatives across Global Housing will help the company reduce the headwinds in the near term. Additional savings from expense management efforts are to be realized in 2019.

The company is also focused on growing the fee-based capital-light businesses that presently consist of 52% segmental revenues. Management estimates the contribution to continue growing in double digits over the longer term. The expansion of the fee-based offerings will help the company to achieve the goal of 15% operating ROE by 2020.

- ▲ Assurant has a strong capital management policy in place. Traditionally, the company has been utilizing 50% of its free cash flow to repurchase shares. A solid capital position supports effective capital deployment. In November 2019, the board of directors also approved a dividend hike of 5%. However, the company's dividend yield of 1.9% is lower than the industry's average of 5.5%.

In 2019, the company plans to deploy capital, mainly to fund business growth, finance other investments and return capital to shareholders via share buybacks and dividends.

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## Reasons To Sell:

- ▼ Due to exposure to catastrophes, Assurant has been incurring at loss over a considerable period of time. Exposure to cat loss remains a concern as it results in earnings volatility.

The company has decided to place two-third of its 2019 catastrophe reinsurance program wherein it has significantly reduced its per event retention from \$120 million to \$80 million pretax. This change is expected to further protect the insurer's earnings and cash flows during an active cat year.

- ▼ Assurant has been experiencing an increase in expenses mainly on account of a rise in policyholder benefits, selling, underwriting, general and administrative expenses plus interest expense and loss on extinguishment of debt. The first nine months of 2019 witnessed 30.4% year-over-year increase in expenses. An increase in expenses weighs on the company's margins.
- ▼ Assurant is witnessing lower mortgage originations as well as the ongoing lender-placed insurance normalization, which are curbing growth in the Assurant Global Housing segment. The segment has been witnessing volatile results for the past few years.
- ▼ Moody's Investors Service downgraded Assurant's senior debt rating to Baa3 from Baa2 while for its P&C operating subsidiaries, the rating agency downgraded the insurance financial strength ratings to A3 from A2 and from A3 to Baa1 for its life insurance subsidiaries. The outlook for all the ratings remained stable. Due to The Warranty Group acquisition, Assurant's substantial deterioration in financial leverage together with higher levels of goodwill and intangibles are reflected by the ratings downgrade.

Global Housing accounting for about 60% of the company's earnings, is witnessing lower mortgage originations and drop in real estate owned volumes and declining placement rates, curbing growth.

## Last Earnings Report

### Assurant Q3 Earnings Meet, Revenues Miss Estimates

Assurant, Inc. reported third-quarter 2019 net operating income of \$1.69 per share, which met the Zacks Consensus Estimate. The bottom line increased 59% from the year-ago quarter.

The results reflected contributions from earnings expansion in Global Lifestyle and lower catastrophes in Global Housing.

Total revenues were up 9.6% year over year to \$2.5 billion, mainly attributable to higher premiums earned (up 8.7%) and net investment income (up 11.7%). However, the top line missed the Zacks Consensus Estimate by 1.9%.

Total benefits, loss and expenses escalated 15% to \$2.5 billion, mainly on account of an increase in policyholder benefits, selling, underwriting, general and administrative expenses plus interest expense.

### Segmental Performance

Net earned premiums, fees and others at Global Housing declined 2% year over year to \$510.3 million, primarily due to the sale of mortgage solutions.

Net operating income of \$41.6 million improved 114% year over year.

Net earned premiums, fees and others at Global Lifestyle increased 13% year over year to \$1.7 billion. This upside was primarily driven by increased contributions from Connected Living and higher trade-in volumes compared with the prior-year period.

Net operating income of \$102.1 million increased 35% year over year, driven by strong organic growth of mobile subscribers in Asia Pacific and North America, and improved operating performance in European mobile business.

Net earned premiums, fees and others at Global Preneed rose 6% year over year to \$50.8 million, primarily owing to growth in prefunded funeral policies in the United States as well as prior-period sales of the Final Need products.

Net operating income declined 56% year over year to \$7.4 million, mainly due to a charge relating to accounting adjustment.

Net operating loss at Corporate & Other was \$20.8 million, wider than the year-ago quarter's net operating loss of \$19 million, attributable to lower tax rate.

### 2019 Guidance

Assurant estimates net operating income (excluding reportable catastrophe loss) to grow between 6% and 10% from 2018 level, driven by profitability achieved in Global Lifestyle and share buybacks. This growth rate includes full-year impact of the 10.4 million shares issued for the Warranty Group buyout.

Consolidated effective tax rate is projected between 23% and 25%.

Double-digit earnings growth is likely to reflect full-year contributions from the Warranty Group that will include \$30 million after tax of additional synergy realization, modest organic growth across Connected Living, Global Automotive and multifamily housing, and ongoing expense management efforts. However, persistent declines in Global Financial Services might partially offset earnings growth.

Assurant expects full-year net operating loss to be around 2018 level at Corporate & Other. Additionally, interest expense is projected to be \$83 million and preferred dividends are anticipated to be \$19 million. Both these estimates include full-year financing cost associated with the buyout of Warranty Group.

Assurant anticipates Global Housing net operating income, excluding catastrophe losses, to modestly decline from 2018 level, due to elevated severity and frequency of claims in small commercial products.

Quarter Ending **09/2019**

Report Date	Nov 05, 2019
Sales Surprise	-1.91%
EPS Surprise	0.00%
Quarterly EPS	1.69
Annual EPS (TTM)	7.01

## Recent News

### Assurant Declares Quarterly Dividend — Jan 14, 2020

The board of directors of Assurant declared a quarterly dividend of 63 cents per share. The dividend will be paid out on Mar 16 to shareholders of record as of Feb 24. The board also declared a quarterly dividend \$1.6250 per share of 6.50% mandatory convertible preferred stock. The dividend will be paid out on Mar 16 to shareholders of record as of Mar 01.

### Assurant Hikes Dividend to Boost Shareholder Value – Nov 8, 2019

The board of directors approved a quarterly dividend hike of 5%. The company will pay out a quarterly dividend of 63 cents per share compared with 60 cents paid out on Sep 16, 2019. Shareholders of record as of Nov 25 will be paid with the dividend on Dec 16, 2019.

## Valuation

Assurant shares are up 38.4% over the trailing 12-month period. Over the past year, stocks in the Zacks sub-industry and the Zacks Finance sector are up 9.1% and 12.2%, respectively.

The S&P 500 index is up 25.3% in the past year.

The stock is currently trading at 1.4X trailing 12-month book value, which compares to 1.38X for the Zacks sub-industry, 2.84X for the Zacks sector and 4.54X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.44X and as low as 0.8X, with a 5-year median of 1.17X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$138 price target reflects 1.46X trailing 12-month book value.

The table below shows summary valuation data for AIZ

Valuation Multiples -AIZ					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	1.4	1.38	2.84	4.54
	5-Year High	1.44	1.98	2.89	4.55
	5-Year Low	0.8	0.94	1.83	2.85
	5-Year Median	1.17	1.46	2.51	3.61
P/S F12M	Current	0.76	1.34	6.53	3.56
	5-Year High	0.89	1.74	6.61	3.6
	5-Year Low	0.4	0.89	5.20	2.54
	5-Year Median	0.7	1.33	6.04	3.00
P/E F12M	Current	13.34	9.46	14.6	19.13
	5-Year High	27.23	12.61	16.21	19.34
	5-Year Low	9.19	8.4	12.01	15.17
	5-Year Median	12.72	10.22	13.98	17.44

As of 01/21/2020

## Industry Analysis Zacks Industry Rank: Bottom 33% (172 out of 255)



## Top Peers

Arch Capital Group Ltd. (ACGL)	Neutral
American Financial Group, Inc. (AFG)	Neutral
First American Financial Corporation (FAF)	Neutral
Everest Re Group, Ltd. (RE)	Neutral
RenaissanceRe Holdings Ltd. (RNR)	Neutral
Selective Insurance Group, Inc. (SIGI)	Neutral
The Travelers Companies, Inc. (TRV)	Neutral
Axis Capital Holdings Limited (AXS)	Underperform

Industry Comparison Industry: Insurance - Multi Line				Industry Peers		
	AIZ Neutral	X Industry	S&P 500	AFG Neutral	AXS Underperform	FAF Neutral
<b>VGM Score</b>	<b>A</b>	-	-	<b>B</b>	<b>D</b>	<b>A</b>
Market Cap	7.98 B	5.02 B	24.43 B	9.98 B	5.16 B	6.72 B
# of Analysts	2	2.5	13	3	3	2
Dividend Yield	1.92%	1.95%	1.75%	1.63%	2.67%	2.81%
<b>Value Score</b>	<b>B</b>	-	-	<b>A</b>	<b>C</b>	<b>A</b>
Cash/Price	0.25	0.21	0.04	0.28	0.24	0.25
EV/EBITDA	15.82	9.10	14.00	9.45	22.03	6.24
PEG Ratio	NA	1.16	2.06	2.28	2.46	NA
Price/Book (P/B)	1.41	1.17	3.39	1.58	1.07	1.58
Price/Cash Flow (P/CF)	19.65	10.51	13.69	10.18	12.50	9.96
P/E (F1)	13.42	11.32	19.00	12.40	12.28	11.76
Price/Sales (P/S)	0.81	1.07	2.68	1.28	1.01	1.14
Earnings Yield	7.44%	8.88%	5.26%	8.07%	8.14%	8.50%
Debt/Equity	0.35	0.21	0.72	0.23	0.33	0.00
Cash Flow (\$/share)	6.69	3.14	6.94	10.88	4.91	6.01
<b>Growth Score</b>	<b>A</b>	-	-	<b>C</b>	<b>F</b>	<b>B</b>
Hist. EPS Growth (3-5 yrs)	1.80%	4.22%	10.60%	13.41%	-23.80%	19.22%
Proj. EPS Growth (F1/F0)	13.00%	9.89%	7.57%	3.78%	85.53%	-5.39%
Curr. Cash Flow Growth	79.21%	8.34%	14.00%	39.71%	-541.78%	43.44%
Hist. Cash Flow Growth (3-5 yrs)	-6.30%	-0.76%	9.00%	13.00%	-13.32%	12.41%
Current Ratio	0.48	0.38	1.23	0.16	0.55	0.94
Debt/Capital	26.07%	17.26%	42.99%	18.38%	22.20%	0.00%
Net Margin	2.76%	6.85%	11.15%	8.43%	2.68%	9.76%
Return on Equity	8.09%	6.77%	17.16%	12.83%	2.02%	15.21%
Sales/Assets	0.23	0.23	0.55	0.12	0.20	0.52
Proj. Sales Growth (F1/F0)	5.33%	3.75%	4.05%	NA	1.30%	0.62%
<b>Momentum Score</b>	<b>D</b>	-	-	<b>C</b>	<b>D</b>	<b>C</b>
Daily Price Chg	-1.67%	-0.39%	-0.27%	-0.51%	0.67%	-0.27%
1 Week Price Chg	1.00%	0.91%	2.29%	1.46%	1.53%	2.25%
4 Week Price Chg	1.94%	0.00%	2.13%	1.49%	3.09%	3.49%
12 Week Price Chg	4.07%	2.35%	6.99%	7.10%	-0.92%	-2.38%
52 Week Price Chg	38.44%	11.55%	21.25%	16.19%	12.32%	25.62%
20 Day Average Volume	275,095	112,844	1,415,064	229,594	377,489	563,370
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-0.28%	-0.40%	0.00%
(F1) EPS Est 12 week change	0.62%	0.12%	-0.34%	-1.74%	-4.97%	0.59%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>B</b>
Growth Score	<b>A</b>
Momentum Score	<b>D</b>
VGM Score	<b>A</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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### Disclosures

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