

## Assurant Inc.(AIZ)

**\$107.58** (As of 07/29/20)

Price Target (6-12 Months): **\$113.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 02/17/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**4-Sell**

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: C

## Summary

Shares of Assurant have outperformed the industry in a year's time. The company'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. However, Global Housing is persistently weighed on by lower mortgage originations as well as the ongoing lender-placed insurance normalization. The company is also exposed to catastrophes, which induce earnings volatility. Also, escalating expenses due to higher policyholder benefits, administrative, selling and underwriting expenses tend to weigh on margins. Also, high debt level raises financial risk for the company.

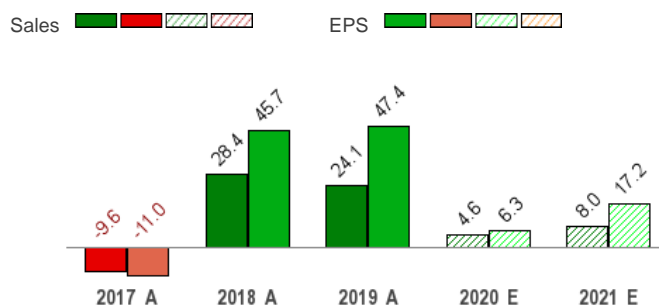
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	<b>\$142.61 - \$76.27</b>
20 Day Average Volume (sh)	<b>338,674</b>
Market Cap	<b>\$6.4 B</b>
YTD Price Change	<b>-17.9%</b>
Beta	<b>0.55</b>
Dividend / Div Yld	<b>\$2.52 / 2.3%</b>
Industry	<a href="#">Insurance - Multi line</a>
Zacks Industry Rank	<b>Bottom 26% (188 out of 253)</b>

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



Last EPS Surprise	<b>7.3%</b>
Last Sales Surprise	<b>4.4%</b>
EPS F1 Est- 4 week change	<b>-0.6%</b>
Expected Report Date	<b>08/04/2020</b>
Earnings ESP	<b>-1.1%</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,805 E	2,728 E	2,708 E	2,843 E	11,299 E
2020	2,657 A	2,577 E	2,553 E	2,670 E	10,466 E
2019	2,399 A	2,523 A	2,480 A	2,604 A	10,006 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.87 E	\$2.75 E	\$2.22 E	\$2.83 E	\$10.65 E
2020	\$2.64 A	\$2.23 E	\$1.87 E	\$2.36 E	\$9.09 E
2019	\$2.21 A	\$2.34 A	\$1.69 A	\$2.25 A	\$8.55 A

\*Quarterly figures may not add up to annual.

P/E TTM	<b>12.1</b>
P/E F1	<b>11.8</b>
PEG F1	<b>NA</b>
P/S TTM	<b>0.6</b>

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/29/2020. The reports text is as of 07/30/2020.

## 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 Lifestyle, Global Housing and Global Preneed**.

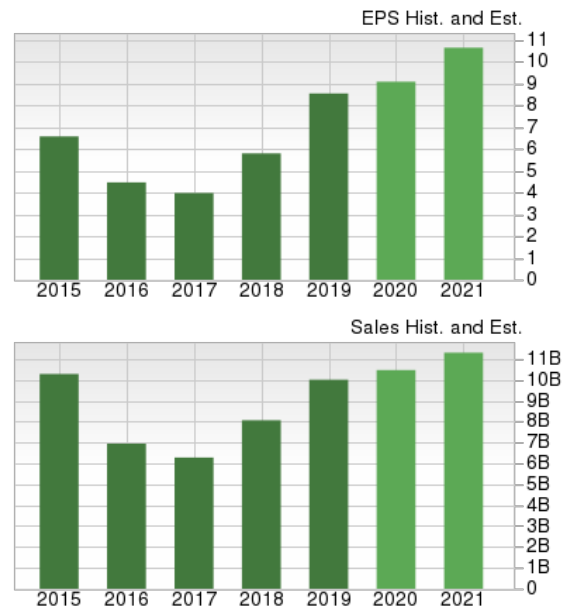
**Global Lifestyle segment (58% of 2019 operating earnings) )** provides mobile device protection products and related services and extended service products and related services for consumer electronics and appliances (referred to as Connected Living); vehicle protection and related services (referred 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 Housing segment (36%)** 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 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:

- ▲ The company's Global Lifestyle segment has been putting up an impressive performance, reflected by its 'net premium and fee and other income' CAGR of 24.2% from 2016 to 2019. In the first quarter of 2020, net earned premiums, fees and others rose 16% year over year to \$1.9 billion, driven by higher mobile trade-in volumes and continued subscriber growth from recently added protection programs. The company has adopted inorganic and organic growth strategies to boost this segment. The acquisition of The Warranty Group in May 2018 strengthened its position as an industry-leading lifestyle provider, having substantial operating synergies in a more predictable and expanded earnings stream. Buyout of American Financial & Automotive Services in April 2020 should help fortify market position and add scale. In the first quarter of 2020, net operating income of \$120.9 million improved 20% year over year, driven by an increase in mobile subscribers from new and existing programs, as well as higher income from Global Automotive. For 2020, the company expects growth in Global Lifestyle, driven primarily by Connected Living, and to a lesser extent by Global Automotive. This will be partially offset by continued decline in legacy Global Financial Services and investments to support growth.
- ▲ Pre-need is another important business for Assurant 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. In the first quarter of 2020, net earned premiums, fees and others at Global Preneed rose 9% year over year to \$53.4 million, owing to continued growth in the United States from prefunded funeral policies as well as prior period sales of the Final Need product. The company expects Global Preneed's earnings to decline owing to the one-time accounting adjustment.
- ▲ 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.
- ▲ 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%. In the first quarter, the company bought back shares for \$57 million. From Apr 1 through May 1, the company repurchased additional shares for \$18 million. It now has \$411 million remaining under its current share buyback authorization. However, the company's dividend yield of 2.3% is lower than the industry average of 2.7%. In 2020, the company plans to deploy capital, mainly to fund business growth, finance other investments and return capital to shareholders.
- ▲ Shares of Assurant have outperformed the industry in the past year. Shares have lost 5.1% as compared to the industry's loss of 23.4% in a year's time. We expect strong segmental performance along with a robust capital position to continue driving the stock in the near term.

Strong performing Global Lifestyle business, growing Service business, solid capital management should drive growth at the company.

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## Reasons To Sell:

- ▼ Revenues at Global Housing have been declining since 2017, which continued through 2019. This decline has been mainly due to decreasing premiums from Lender-placed insurance. With respect to the lender-placed market, placement rates have decreased as the housing market has improved resulting in lower net earned premiums. Placement rates are expected to decline in 2020, indicating the health of the overall housing market, which will further pressurize premiums from this line of business. Though the company will continue to implement expense management efforts to mitigate the impact on its bottom line, pressure from top line will remain.
- ▼ Assurant has been experiencing an increase in policyholder benefits, underwriting, general and administrative expenses and interest expense. Underwriting, general and administrative expenses consist of commissions, premium taxes, licenses, fees, general operating expenses and income taxes. Expenses increased at a two-year (2017 -2019) CAGR of 26.4%. In the first quarter of 2020, total benefits, loss and expenses grew 10.7% year over year to \$2.4 billion due to an increase in selling, underwriting, general and administrative expenses. An increase in expenses weighs on the company's margins.
- ▼ The company's debt-to-capital ratio has gone up from 24 in 2014 to 36 in 2019. The company's debt levels have been increasing over the past few years. As of Mar 31, 2020, the company's long-term debt was \$2.2 billion, up 10% from the 2019-end level. As of Mar 31, 2020, the company's total debt/total capital ratio was 29.1, higher than 26.1 at 2019-end. The company's cash and cash equivalents of \$2 billion as of Mar 31, 2020 are not sufficient for the company to meet its debt obligations. The company's times interest earned of 5.1 as on Mar 31, 2020 was poor when compared with the 2019-end figure of 6, implying that its earnings are not sufficient to cover interest obligations. Further, times interest earned of 5.1 compared unfavorably with the industry's measure of 10.3. The company's increased debt level and reduced interest servicing capability raise financial risk.

Global Housing is witnessing lower mortgage originations and drop in real estate owned volumes and declining placement rates, curbing growth. High debt, rising expenses are other headwinds.

## Last Earnings Report

### Assurant Q1 Earnings, Revenues Beat Estimates, Up Y/Y

Assurant, Inc. reported first-quarter 2020 net operating income of \$2.64 per share, which beat the Zacks Consensus Estimate by 7.3%. The bottom line increased 19.4% from the year-ago quarter.

The results reflect higher mobile trade-in volumes and income from Global Automotive. Global Lifestyle earnings improved remarkably. Global Housing and Global Preneed segments too delivered improved income.

Total revenues improved 10.7% year over year to \$2.6 billion, mainly attributable to higher premiums earned and fees and other income. Moreover, the top line exceeded the Zacks Consensus Estimate by 4.4%.

Net investment income was down 6.2% year over year to \$156 million.

Total benefits, loss and expenses escalated 10.7% to \$2.4 billion, mainly on account of a noticeable increase in selling, underwriting, general and administrative expenses.

### Segmental Performance

Net earned premiums, fees and others at **Global Housing** remained flat year over year at \$500 million.

Net operating income of \$74.2 million improved 2% year over year driven by favorable non-catastrophe loss experience, the absence of losses within the small commercial business, which is now in run-off, as well as higher premium rates in lender-placed. It was partially offset by a reduction in policies in-force, including policies from the previously disclosed financially insolvent client.

Net earned premiums, fees and others at **Global Lifestyle** rose 16% year over year to \$1.9 billion. This upside was primarily driven by higher mobile trade-in volumes and continued subscriber growth from recently added protection programs.

Net operating income of \$120.9 million improved 20% year over year, driven by an increase in mobile subscribers from new and existing programs, as well as higher income from Global Automotive. This was partially offset by lower margins from mobile trade-in programs, in part due to the impact of COVID-19 and unfavorable foreign exchange.

Net earned premiums, fees and others at **Global Preneed** rose 9% year over year to \$53.4 million, owing to continued growth in the United States from prefunded funeral policies as well as prior period sales of the Final Need product.

Net operating income increased 4% year over year to \$12.3 million.

Net operating loss at **Corporate & Other** was \$19.5 million, wider than the year-ago quarter's net operating loss of \$18.8 million due to lower investment income attributable to lower yielding and more liquid investable assets. It was partially offset by lower employee-related expenses, including travel.

### Financial Position

Liquidity was \$433 million as of Mar 31, 2020, about \$208 million higher than the company's current targeted minimum level of \$225 million.

Total assets decreased 2% to \$43.4 billion as of Mar 31, 2020 from 2019 end.

Total shareholders' equity came in at \$5.4 billion, down 5% year over year.

### Share Repurchase and Dividend Update

In the first quarter, the company bought back 0.5 million shares for \$57 million. From Apr 1 through May 1, the company repurchased additional 0.2 million shares for \$18 million. It now has \$411 million remaining under its current share buyback authorization.

The company's total dividends amounted to \$43 million in the quarter, including \$38 million in common stock dividends and \$5 million in preferred stock dividends.

### 2020 Guidance

Assurant suspended its 2020 outlook due to the uncertainty regarding the duration of the COVID-19 pandemic and its impact on the broader economy. The company will continue to monitor this evolving situation and take additional steps to sustain its strong financial position in the long term.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	4.41%
EPS Surprise	7.32%
Quarterly EPS	2.64
Annual EPS (TTM)	8.92

## Recent News

### Assurant Declares Quarterly Dividend – Jul 9, 2020

Assurant's board of directors declared a quarterly dividend of 63 cents per share. The dividend will be paid on Sep 22, 2020 to shareholders of record as on Aug 31. These moves reflect the company's robust capital position, which enables it to engage in prudent shareholder-friendly moves.

### Assurance and Units Receive Rating Action from AM Best – Jul 8, 2020

For majority of Assurant's U.S. property and casualty (P&C) subsidiaries, AM Best has affirmed the Financial Strength Rating (FSR) of A (Excellent) and the Long-Term Issuer Credit Ratings (Long Term ICR) of "a+". AM Best has affirmed the Long-Term Issuer Credit Ratings (Long-Term ICR) of "bbb+" and the Long- and Short-Term Issue Credit Ratings for Assurant as well. The credit rating agency has upgraded the Long-Term ICR to "a+" from "a" and affirmed the FSR of A (Excellent) of the company's P&C subsidiary — Virginia Surety Company, Inc. Also for Assurant's core U.S. life/health (L/H) subsidiaries, AM Best has affirmed the FSR of A- (Excellent) and the Long Term ICRs of "a-". The outlook of these ratings is stable.

### Assurant Reveals Property CAT Reinsurance Program for 2020 – Jun 29, 2020

Assurant announced its 2020 property catastrophe (CAT) reinsurance program worth \$1.15 billion. Assurant's premium for this reinsurance program is expected to be \$138 million pre-tax.

A portion of the 2020 CAT reinsurance program is on a per-occurrence basis, which will provide protection of up to \$930 million. This amount is in excess of \$80 million retention for the United States. The program thus includes coverage in the Caribbean of up to \$175 million in excess of \$20 million, and the extension of 2020 Latin America protection of up to \$170 million in excess of \$7 million. Given continued execution of its long-term strategy to lower less attractive risk exposure, the company has been doing away with businesses that do not meet its risk-return criteria. This in turn has enabled the company to lower overall tower limit by \$230 million.

### Assurant Outsources Portfolio Management to Voya Financial – Jun 1, 2020

Assurant, Inc. has chosen the asset management business of Voya Financial, Inc., Voya Investment Management for managing a \$6 billion tranche of its general account. The deal with Voya Investment Management will enable Assurant, a global provider of lifestyle and housing solutions, to meet the requirements and objectives of its long-term investment.

## Valuation

Assurant shares are down nearly 17.9% in the year-to-date period and 5.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 24.4% and 17.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 23.4% and 12.4%, respectively.

The S&P 500 index are up 0.1% in the year-to-date period and up 7.3% in the past year.

The stock is currently trading at 1.19x trailing 12-month book value, which compares to 1.02x for the Zacks sub-industry, 2.42x for the Zacks sector and 4.46x for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.52x and as low as 0.86x, with a 5-year median of 1.18x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$113 price target reflects 1.25x 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	1.19	1.02	2.42	4.46
	5-Year High	1.52	1.98	2.91	4.56
	5-Year Low	0.86	0.85	1.72	2.83
	5-Year Median	1.18	1.48	2.53	3.71
P/S F12M	Current	0.59	0.81	6.04	3.54
	5-Year High	0.89	1.74	6.66	3.54
	5-Year Low	0.45	0.81	4.96	2.53
	5-Year Median	0.73	1.26	6.06	3.02
P/E F12M	Current	10.77	8.09	16.31	22.44
	5-Year High	27.23	12.61	16.31	22.44
	5-Year Low	8.28	6.62	11.59	15.25
	5-Year Median	12.75	9.99	14.16	17.52

As of 07/29/2020

## Industry Analysis Zacks Industry Rank: Bottom 26% (188 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Arch Capital Group Ltd. (ACGL)	Neutral	3
American Financial Group, Inc. (AFG)	Neutral	3
Axis Capital Holdings Limited (AXS)	Neutral	3
First American Financial Corporation (FAF)	Neutral	2
Everest Re Group, Ltd. (RE)	Neutral	3
Selective Insurance Group, Inc. (SIGI)	Neutral	3
The Travelers Companies, Inc. (TRV)	Neutral	4
RenaissanceRe Holdings Ltd. (RNR)	Underperform	4

Industry Comparison Industry: Insurance - Multi Line				Industry Peers		
	AIZ	X Industry	S&P 500	AFG	AXS	FAF
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	2
VGM Score	D	-	-	A	F	A
Market Cap	6.42 B	3.08 B	22.69 B	5.56 B	3.52 B	5.91 B
# of Analysts	2	3	14	2	3	2
Dividend Yield	2.34%	2.45%	1.8%	2.91%	3.93%	3.32%
Value Score	B	-	-	A	C	A
Cash/Price	0.35	0.36	0.07	0.32	0.36	0.25
EV/EBITDA	8.25	4.22	13.11	3.67	8.80	3.96
PEG Ratio	NA	1.26	3.05	NA	20.18	NA
Price/Book (P/B)	1.20	0.80	3.15	1.10	0.74	1.29
Price/Cash Flow (P/CF)	10.12	7.38	12.28	5.35	9.34	7.35
P/E (F1)	11.60	10.09	22.27	8.93	100.91	13.69
Price/Sales (P/S)	0.63	0.79	2.46	0.74	0.71	0.92
Earnings Yield	8.45%	9.66%	4.25%	11.19%	0.98%	7.32%
Debt/Equity	0.41	0.25	0.75	0.29	0.38	0.00
Cash Flow (\$/share)	10.63	3.45	6.94	11.57	4.47	7.22
Growth Score	F	-	-	B	F	C
Hist. EPS Growth (3-5 yrs)	8.60%	9.41%	10.85%	12.92%	-22.09%	19.69%
Proj. EPS Growth (F1/F0)	6.32%	-4.49%	-7.70%	-19.55%	-83.60%	-32.73%
Curr. Cash Flow Growth	55.15%	7.19%	5.31%	7.42%	-8.72%	20.75%
Hist. Cash Flow Growth (3-5 yrs)	2.39%	1.69%	8.55%	12.34%	-11.78%	18.51%
Current Ratio	0.48	0.48	1.31	0.14	0.59	0.85
Debt/Capital	29.07%	21.55%	44.23%	22.59%	25.37%	0.00%
Net Margin	3.59%	5.09%	10.45%	3.57%	-0.41%	10.05%
Return on Equity	10.03%	6.71%	14.99%	12.99%	-1.85%	14.27%
Sales/Assets	0.23	0.20	0.53	0.11	0.19	0.54
Proj. Sales Growth (F1/F0)	4.60%	0.00%	-1.97%	-31.58%	-5.88%	3.56%
Momentum Score	C	-	-	C	F	A
Daily Price Chg	1.51%	1.41%	1.52%	3.79%	2.23%	1.32%
1 Week Price Chg	2.52%	0.00%	0.37%	-0.10%	0.17%	0.41%
4 Week Price Chg	6.44%	4.96%	5.44%	1.89%	4.80%	12.64%
12 Week Price Chg	9.87%	15.16%	15.38%	5.86%	14.81%	19.49%
52 Week Price Chg	-5.10%	-18.30%	-1.61%	-39.51%	-34.49%	-8.27%
20 Day Average Volume	338,674	146,642	1,846,377	446,944	882,343	863,412
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	3.33%
(F1) EPS Est 4 week change	-0.60%	0.00%	0.27%	7.35%	-50.00%	8.39%
(F1) EPS Est 12 week change	-3.40%	-5.19%	-0.85%	-7.94%	-55.32%	-14.93%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.13%	-14.46%	-41.15%	21.18%



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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>F</b>
Momentum Score	<b>C</b>
VGM Score	<b>D</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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