

Globe Life (GL)

\$107.29 (As of 01/30/20)

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

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 08/15/19)

Prior Recommendation: NA

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: C

Growth: D

Momentum: D

Summary

Shares of Global Life have outperformed the industry in a year's time. It's niche market focus, strength at distribution channels, steady capital deployment and strong operating fundamentals should drive long-term growth. Improved life premium at American Income, Liberty National and growth of operations at Global Life Direct Response is driving the revenues. The company remains focused on expanding margins instead of increasing sales as a percentage of premium. A strong capital position and capital management enable the company to deploy the capital effectively through share repurchases. However, higher administrative expense which include higher pension costs have increased over the years. Also, increased debt level raises the financial risks. Apart from that, lower interest coverage ratio is also likely to be a drag on earnings.

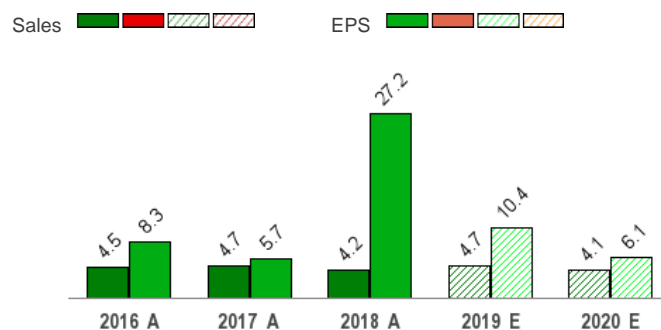
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$107.37 - \$79.70
20 Day Average Volume (sh)	399,853
Market Cap	\$11.6 B
YTD Price Change	1.9%
Beta	0.96
Dividend / Div Yld	\$0.69 / 0.6%
Industry	Financial - Miscellaneous Services
Zacks Industry Rank	Bottom 17% (212 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.8%
Last Sales Surprise	0.5%
EPS F1 Est- 4 week change	-0.0%
Expected Report Date	02/04/2020
Earnings ESP	0.0%
P/E TTM	16.3
P/E F1	14.9
PEG F1	2.0
P/S TTM	2.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	1,171 E	1,166 E	1,166 E	1,173 E	4,694 E
2019	1,118 A	1,125 A	1,129 A	1,130 E	4,508 E
2018	1,068 A	1,073 A	1,083 A	1,081 A	4,306 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$1.75 E	\$1.79 E	\$1.81 E	\$1.82 E	\$7.18 E
2019	\$1.64 A	\$1.67 A	\$1.73 A	\$1.72 E	\$6.77 E
2018	\$1.49 A	\$1.51 A	\$1.59 A	\$1.56 A	\$6.13 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 01/30/2020. The reports text is as of 01/31/2020.

Overview

Incorporated in 1979 and based in McKinney, TX, Globe Life Inc. (formerly known as Torchmark Corporation), through its subsidiaries, provides various life and supplemental health insurance products and annuities to lower middle to middle income households in the United States.

The company also offers term life, whole life, children's life, senior life, and family life insurance products; accidental benefits insurance; mortgage protection insurance; and Medicare supplement plans.

Torchmark's name was changed to Globe Life Inc. effective Aug 8, 2019. It is now listed on the New York Stock Exchange as GL. The name change reflects its commitment to an enterprise-wide brand alignment to enhance sales and recruitment to improve name recognition.

Globe Life's operation is organized in four segments: Life Insurance, Supplemental Health Insurance, Annuities, and Investments. The company also has other administrative expenses reported in Corporate & Other.

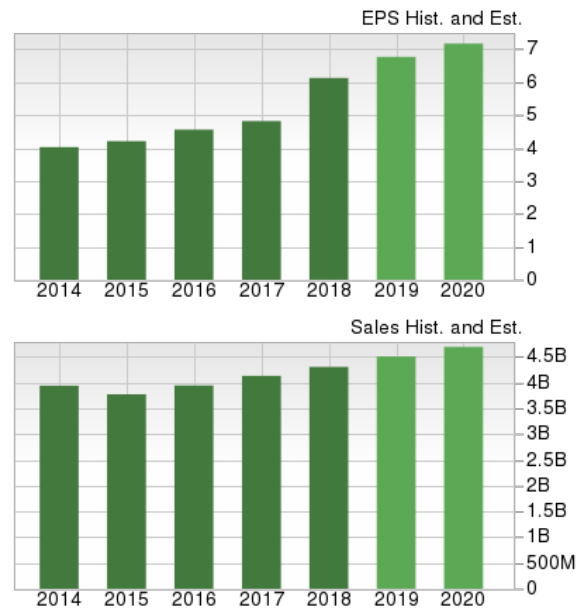
Life Insurance (70% of 2018 Premium Revenue) products include traditional and interest sensitive whole life insurance and term life insurance.

Supplemental Health Insurance (29.7%) products are generally guaranteed-renewable and include Medicare supplement, critical illness, accident and limited-benefit supplemental hospital and surgical coverage.

Annuities (0.3%) include fixed benefit contracts.

Investment segment manages the investment portfolio, debt and cash flow for insurance segments and corporate function.

Globe Life markets its insurance products through distribution channels – **American Income Exclusive, Direct Response, Liberty National Exclusive, United American Independent, Family Heritage Exclusive and Other.**



Reasons To Buy:

- ▲ **Share Price Movement** – Shares of Globe Life have gained 27.7% in a year's time, outperforming the industry's increase of 13%. Strong performance across its distribution channels and improved outlook should help the stock retain the momentum.
- ▲ **Improved Guidance** – Globe Life estimates net operating income per share to be between \$6.71 and \$6.77 for 2019 and \$7.00 to \$7.30 for 2020.
- ▲ **Continued Superior Performance at American Income** – Globe Life's most important distribution channel – American Income Exclusive Agency – has been the largest contributor to life premium and net sales. Life premiums for this agency have been witnessing consistent improvement over a considerable period of time with the momentum continuing through the first nine months of 2019. In the third-quarter of 2019, Life underwriting margin, Life premiums, health premiums and life net sales increased 9%, 7%, 7% and 9% year over year at American Income Exclusive Agency.

Globe Life's niche market focus, superior performance at Global Life and American Income, growing investment income, agent count increase and strong capital management bode well for growth.

Continued improvement in product sales is largely dependent on agent count increase, which has been showing improvement. For the third quarter of 2018, the average producing agent count was 7,578, up 7% from the year-ago quarter. Management's primary objective is to grow middle management in the agency to ensure sustainable growth. To this end, the company is focusing largely on agent training programs and financial incentives that appropriately reward agents at all levels, for helping in development and training personnel. We believe these initiatives will continue to promote the field and drive increases in agent retention and sales activity, consequently driving premium increase.

- ▲ **Consistent Operations at Global Life** – Global Life is largely benefited by low competition as it operates in a relatively non-competitive market – selling basic life insurance products to middle and lower middle-income households. Global Life also enjoys competitive advantages like an experienced group of people, cost control etc., which give it an edge over competitors. The direct response operations at Global Life have also consistently grown with Life premiums improving over the last several years. The company is focusing on expanding margins rather than increasing sales or sales levels or margins as a percentage of premiums. In the third quarter of 2019, life net sales increased 6% from the year-ago quarter. While direct response operations continue to benefit traditional direct mail and insert media distribution, management is also trying to develop new distribution platforms like the Internet and social networking sites.
- ▲ **Acquisition of Family Heritage** – The acquisition of Family Heritage Life Insurance Company in 2012 was deemed as the best fit for Globe Life since it was aiming to grow in the supplemental health insurance line of business, with a return-of-premium feature, which provides a higher margin. Net health sales have been improving since 2017. In the third quarter, Net Health Sales increased 16% from the year-ago quarter. Globe Life remains optimistic about the Family Heritage's performance, going forward. For the third-quarter of 2018, the average producing agent count was 1,135, up 5% from the year-ago quarter.
- ▲ **Growth at Liberty National** – The company continues to witness a substantial improvement in life premiums, which raises optimism for life premium growth in the future. Management will continue with its growth initiatives going forward. In the third quarter, Life net sales increased from the year-ago quarter by 12%. Health net sales increased from the year-ago quarter by 8% at Liberty National Exclusive Agency. For the third-quarter of 2018, the average producing agent count was 2,398, up 10% from the year-ago quarter.
- ▲ **Excess Investment Income** – Excess investment income had been negatively impacted by Part for several quarters. In the third quarter of 2019, excess investment income grew 7% from the year-ago quarter on a per share basis.
- ▲ **Intelligent Capital Management** – Globe Life can be considered a shareholder-friendly company as it has been actively increasing shareholders' wealth through an ongoing buyback program that began in 1986. The company has also been generating free cash flow consistently. Riding on the strength of solid cash flow, the company engages in share buybacks. It bought shares worth \$273 million in the first nine of 2019. We expect this continued buyback activity to be well supported by the availability of cash in abundance. This apart, Globe Life has continuously been increasing its dividend, growing the same at a five-year (2013-2018) CAGR of 4.7%. By virtue of its intelligent capital management strategy, the company has generated more than 80% returns for its investors over the past 10 years.

Reasons To Sell:

- ▼ **Higher Administrative Expenses** – Globe Life has been incurring high administrative expenses over the years. While administrative expenses increased 8.5% year over year in the third quarter of 2019, as a percentage of premiums, it rose 6.7%, up from 6.5% in the year-ago quarter. For 2019, the company estimates administrative expenses to be up 6% and hover around 6.6% to 6.7% of premiums, up from 6.5% in 2018. The primary reasons for the increase in administrative expenses are higher pension costs due to the required implementation of a new mortality table and further investments in IT systems. Higher administrative expenses might affect the bottom line.
- ▼ **High Debt Level** - A high debt level has been inducing higher interest expenses, which have increased 18% in the last five years (2013-2018). However, in the third-quarter of 2019, the interest expenses declined nearly 6% from the year-ago quarter. Also, times interest earned, a ratio that measures the company's ability to pay its interest expenses is 11.4%, higher than the industry average of 5.8%. An increase in leverage raises financial risk.
- ▼ **Profitability** – Globe Life's return on equity is 11.6%, lower than the industry average of 22.4%. Return on equity is a profitability measure that identifies the company's inefficiency in utilizing its shareholders' funds.

Higher administrative expenses attributable to escalated pension costs, increased debt level inducing higher interest expenses, low times interest earned are some of the headwinds facing the company.

Last Earnings Report

Globe Life Q3 Earnings Beat Estimates, Improve Y/Y

Globe Life's third-quarter 2019 net operating income of \$1.73 per share beat the Zacks Consensus Estimate by 1.76%. The bottom line also improved 8.8% year over year on the back of higher premiums from Life and Health segments and Insurance underwriting income.

Behind the Headlines

Globe Life reported total premium revenues of \$900 million, up 5% year over year. This upside was primarily driven by higher premiums from Life, Health and Annuity Insurance businesses.

Net investment income increased 3% year over year to \$228.9 million.

The company's operating revenues of \$1.1 billion grew 4.2% from the year-ago quarter. This top-line improvement was driven by growth in Life and Health Insurance premiums along with higher net investment income. Additionally, the top line beat the Zacks Consensus Estimate by 0.45%.

Excess investment income, a measure of profitability, climbed 5% year over year to \$64.8 million.

Total insurance underwriting income grew 5% year over year to \$184.6 million. Improvement in Life Insurance underwriting margins resulted in this uptrend. However, higher administrative expenses partially offset this upside.

Administrative expenses were up 8.5% year over year to \$61 million.

Total benefits and expenses rose 3.5% year over year to \$894 million.

Segmental Update

Premium revenues at Life Insurance operations increased 4.1% year over year to \$630.8 million, driven by higher premiums written by distribution channels like American Income Agency, Global Life Direct Response and Liberty National Exclusive (LNL) Agency. While American Income Agency grew 7%, Global Life Direct Response was up 2% and LNL Agency inched up 2%.

Life Insurance underwriting income improved 7.6% year over year to \$181 million. Net sales of 105.6 million were 6% higher on a year-over-year basis.

Health insurance premium revenues rose 5% year over year to \$269.2 million. Underwriting income of \$60.9 million increased 1.1% year over year. Net health sales grew 16% year over year to \$44.7 million.

Annuity underwriting margins declined 8.3% year over year to \$2.3 million.

Financial Update

Adjusted shareholders' equity as of Sep 30, 2019 increased 6% year over year to \$5.2 billion.

Globe Life reported book value per share (excluding net unrealized gains on fixed maturities) of \$47.58, up 10.4% year over year.

As of Sep 30, 2019, operating return on equity (excluding net unrealized gains on fixed maturities) was 14.7%, unchanged year over year.

Business Update

Globe Life was earlier called Torchmark. The change in company name came into effect on Aug 8, 2019.

Share Repurchase Update

In the third quarter, Globe Life repurchased shares for a total cost of \$83 million.

Guidance Update

Globe Life projects net operating income per share to be in the range of \$6.71 to \$6.77 for the year ending Dec 31, 2019 and \$7.00 to \$7.30 for the year ending Dec 31, 2020.

Quarter Ending 09/2019

Report Date	Oct 23, 2019
Sales Surprise	0.45%
EPS Surprise	1.76%
Quarterly EPS	1.73
Annual EPS (TTM)	6.60

Recent News

Globe Life Declares Quarterly Dividend - Nov 18, 2019

The board of directors of Globe Life declared quarterly dividend of 17.25 cents per share to shareholders of record on Jan 3. The dividend will be paid out on Jan 31, 2020.

Globe Life Announces Dividend - Sep 3, 2019

The board of directors approved a quarterly dividend of 17.25 per share to the shareholders of record on Oct 4. The dividend will be paid on Nov 1.

Torchmark Changes Name to Globe Life - Aug 9, 2019

Torchmark announced that its name changed to Globe Life Inc. effective Aug 8, 2019. It is now listed on the New York Stock Exchange as GL and started trading under the ticker symbol effective Aug 9, 2019.

Valuation

Globe Life shares are up 27.7% over the trailing 12-month period. Over the past year, the Zacks sub-industry and sector are up 13% and 8%, respectively.

The S&P 500 index are up 20.1% in the past year.

The stock is currently trading at 1.59X trailing 12-month book value, which compares to 2.03X for the Zacks sub-industry, 2.79X for the Zacks sector and 4.48X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.05X and as low as 1.37X, with a 5-year median of 1.67X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$113 price target reflects 1.67X trailing 12-month book value.

The table below shows summary valuation data for GL

Valuation Multiples - GL					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	1.59	2.03	2.79	4.48
	5-Year High	2.05	2.54	2.89	4.55
	5-Year Low	1.37	1.58	1.83	2.85
	5-Year Median	1.67	2.05	2.51	3.62
P/S F12M	Current	2.47	1.11	6.53	3.49
	5-Year High	2.53	1.92	6.61	3.49
	5-Year Low	1.49	1.05	5.2	2.54
	5-Year Median	2.11	1.42	6.03	3
P/E F12M	Current	14.9	11.72	14.65	18.8
	5-Year High	18.89	14.15	16.21	19.34
	5-Year Low	10.69	8.7	12.01	15.17
	5-Year Median	13.49	11.72	13.98	17.45

As of 01/30/2020

Industry Analysis Zacks Industry Rank: Bottom 17% (212 out of 255)



Top Peers

Reinsurance Group of America, Incorporated (RGA)	Outperform
Athene Holding Ltd. (ATH)	Neutral
Brighthouse Financial, Inc. (BHF)	Neutral
Manulife Financial Corp (MFC)	Neutral
Primerica, Inc. (PRI)	Neutral
Voya Financial, Inc. (VOYA)	Neutral
FGL Holdings (FG)	Underperform
Health Insurance Innovations, Inc. (HIIQ)	Underperform

Industry Comparison Industry: Financial - Miscellaneous Services				Industry Peers		
	GL Neutral	X Industry	S&P 500	BHF Neutral	PRI Neutral	RGA Outperform
VGM Score	D	-	-	B	B	A
Market Cap	11.62 B	296.02 M	23.94 B	4.27 B	5.02 B	9.19 B
# of Analysts	4	3	13	3	2	2
Dividend Yield	0.64%	0.00%	1.77%	0.00%	1.12%	1.91%
Value Score	C	-	-	A	B	A
Cash/Price	0.01	0.22	0.04	1.43	0.05	0.28
EV/EBITDA	8.72	5.71	14.14	3.18	6.94	9.61
PEG Ratio	1.94	1.94	2.01	0.35	NA	NA
Price/Book (P/B)	1.60	1.22	3.25	0.25	3.16	0.79
Price/Cash Flow (P/CF)	9.78	9.63	13.56	7.26	9.07	11.86
P/E (F1)	14.77	11.56	18.90	3.95	13.05	10.43
Price/Sales (P/S)	2.61	1.60	2.64	0.42	2.50	0.64
Earnings Yield	6.69%	8.11%	5.28%	25.34%	7.66%	9.59%
Debt/Equity	0.18	0.42	0.72	0.25	0.03	0.26
Cash Flow (\$/share)	10.97	0.55	6.92	5.45	13.38	12.37
Growth Score	D	-	-	F	B	B
Hist. EPS Growth (3-5 yrs)	11.63%	9.27%	10.68%	NA	22.95%	9.68%
Proj. EPS Growth (F1/F0)	5.98%	9.30%	7.59%	99.64%	11.58%	5.47%
Curr. Cash Flow Growth	15.00%	8.09%	10.81%	-201.41%	20.90%	17.65%
Hist. Cash Flow Growth (3-5 yrs)	5.61%	9.91%	8.78%	NA	13.40%	24.19%
Current Ratio	0.05	1.26	1.22	0.54	0.54	0.10
Debt/Capital	15.60%	39.26%	42.99%	19.73%	3.29%	20.44%
Net Margin	16.57%	14.07%	11.69%	17.25%	17.90%	6.08%
Return on Equity	11.61%	9.25%	17.33%	6.21%	22.88%	7.85%
Sales/Assets	0.18	0.22	0.55	0.05	0.15	0.20
Proj. Sales Growth (F1/F0)	4.12%	4.12%	4.12%	1.96%	7.37%	3.33%
Momentum Score	D	-	-	B	C	A
Daily Price Chg	1.26%	0.00%	0.36%	-0.70%	1.15%	0.41%
1 Week Price Chg	0.33%	-1.05%	-1.09%	-0.59%	-4.59%	-3.35%
4 Week Price Chg	1.64%	0.00%	-0.22%	0.82%	-7.93%	-10.84%
12 Week Price Chg	8.44%	1.77%	4.08%	-5.90%	-5.91%	-12.78%
52 Week Price Chg	28.09%	3.12%	16.06%	5.89%	8.01%	1.63%
20 Day Average Volume	399,853	61,809	1,808,632	865,795	161,335	419,249
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.71%
(F1) EPS Est 4 week change	-0.03%	0.00%	0.00%	1.90%	0.00%	0.50%
(F1) EPS Est 12 week change	-0.03%	-0.96%	-0.09%	2.16%	1.47%	0.50%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.83%	0.00%	-10.34%

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.

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	C
Growth Score	D
Momentum Score	D
VGM Score	D

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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