

Loews Corporation(L)

\$55.81 (As of 02/10/20)

Price Target (6-12 Months): **\$59.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 07/25/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: C

Momentum: D

Summary

Loews' earnings of 73 cents per share beat the Zacks Consensus Estimate by 1.4% led by better net investment income at CNA Financial, partly offset by poor performances at Boardwalk Pipelines and Loews Hotels & Co. CNA Financial is focused on delivering stellar results, riding on its core competency. Boardwalk unit is poised to capitalize on rising exports of natural gas as well as high industrial demand for natural gas and liquids. Loews Hotels is on growth track as most properties continue to post solid operational results. Shares of the company have outperformed the industry in the past year. However, soft ultra-deepwater and deepwater markets continue to weigh on Diamond Offshore results. Nonetheless, with new drilling rigs contracted through 2019 and demand for oil rising, Loews is optimistic about its medium and long-term progress.

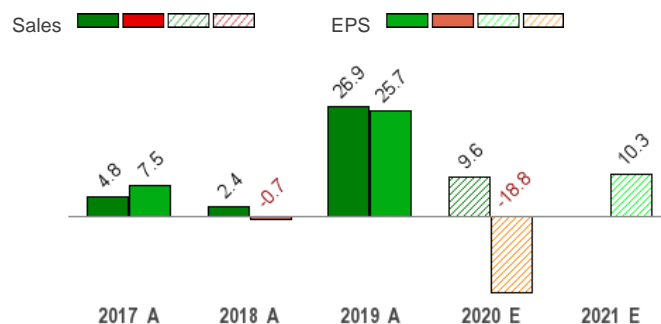
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$56.88 - \$44.73
20 Day Average Volume (sh)	867,438
Market Cap	\$16.6 B
YTD Price Change	6.3%
Beta	0.64
Dividend / Div Yld	\$0.25 / 0.4%
Industry	Insurance - Multi line
Zacks Industry Rank	Top 44% (112 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.4%
Last Sales Surprise	NA
EPS F1 Est- 4 week change	-1.7%
Expected Report Date	05/04/2020
Earnings ESP	0.0%
P/E TTM	15.7
P/E F1	19.2
PEG F1	NA
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					
2020					19,566 E
2019	3,757 A	3,623 A	3,675 A	3,876 A	14,931 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.95 E	\$0.83 E	\$0.63 E	\$0.81 E	\$3.20 E
2020	\$0.87 E	\$0.76 E	\$0.54 E	\$0.74 E	\$2.90 E
2019	\$1.27 A	\$0.82 A	\$0.74 A	\$0.73 A	\$3.57 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 02/10/2020. The reports text is as of 02/11/2020.

Overview

Based in New York, Loews Corporation, a diversified holding company, was incorporated in 1969. Loews' principal subsidiaries are:

CNA Financial Corporation, which is the 14th largest property-casualty insurer in the United States. CNA's property and casualty and remaining life and group insurance operations are primarily conducted by Continental Casualty Company (CCC), The Continental Insurance Company, Western Surety Company, CNA Insurance Company Limited and Hardy Underwriting Bermuda Limited and its subsidiaries (Hardy). CNA's insurance products primarily include commercial property and casualty coverages, including surety. CNA's services include warranty, risk management, information services, and claims administration. About 89% of CNA is owned by Loews.

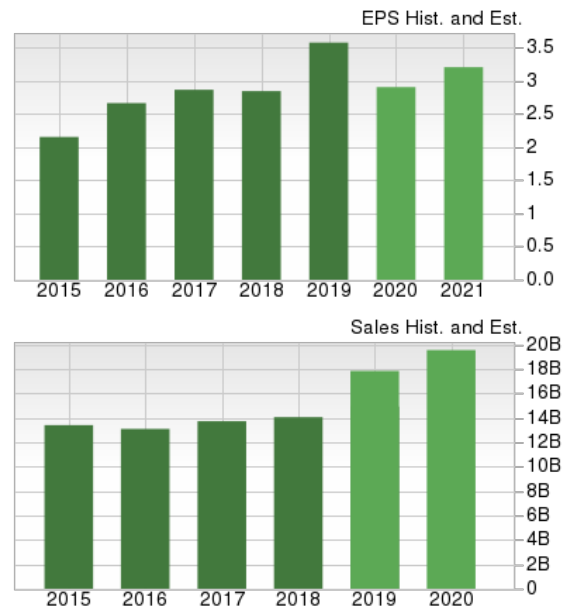
Diamond Offshore Drilling Inc. provides contract drilling services to the energy industry around the world with a fleet of 17 offshore drilling rigs consisting of four drillships and 13 semisubmersible rigs. Loews currently owns 53% stake in DO.

Boardwalk Pipeline Partners is wholly owned by Loews. Through its subsidiaries, Boardwalk Pipeline is engaged in the operation of interstate natural gas pipeline systems. Boardwalk Pipeline conducts all of operations through three operating subsidiaries – Gulf Crossing Pipeline Company LLC, Gulf South Pipeline Company LP and Texas Gas Transmission LLC. In July 2018, Loews bought 100% of Boardwalk Pipeline for a total cost of \$1.5 billion.

Loews Hotels Holding Corporation (together with its subsidiaries, Loews Hotels & Co) operates a chain of 24 deluxe and luxury hotels. Thirteen of these hotels are owned by Loews Hotels & Co, eight are owned by joint ventures in which Loews Hotels & Co has equity interests and three are managed for unaffiliated owners. Loews Hotels Holding Corporation is a wholly owned subsidiary of Loews.

Consolidated Container Company LLC, a 99% owned subsidiary of Loews, is a manufacturer of rigid plastic packaging solution.

The company has five reportable segments namely CNA Financial Corporation (72% of 2019 revenues), Diamond Offshore Drilling, Inc. (7.8%), Boardwalk Pipeline Partners, LP (8.7%), Loews Hotels Holding Corporation (5.4%) and Corporate (6.1%).



Reasons To Buy:

- ▲ Shares of Loews have rallied 21.5% in the past year, outperforming the industry's increase of 9.9%. Nevertheless, solid performance at hotel business and strong performing CNA Financial as well as Boardwalk Pipeline should continue to drive shares
- ▲ Loews aims to strengthen its hotel business – under the name of Loews Hotels and Resorts that is also its smallest business unit. With capital at its disposal to acquire and develop properties, the company is seeking to develop hotel in highly profitable and upscale market. Loews hotels have more than tripled its adjusted EBITDA, from \$68 million in 2013 to \$227 million in 2019. This year, the company has three new hotel openings in St. Louis, Orlando and Kansas City. These hotels represent more than 3,000 new keys for the company. We believe strong performances at existing properties as well as expansions continue to drive solid results at Loews Hotels.
- ▲ CNA Financial has evolved to become a commercial property casualty insurance company, focusing on its core competency. In this process, the company divested reinsurance, personal automobile insurance, life insurance and group health business as well as reinsured its asbestos and pollution liabilities to reduce balance sheet risk. CNA Financial has been delivering solid underwriting results in the last several quarters. CNA Financial largely benefited from new business development as well as improved pricing across a number of business lines. It has also been investing in information technology to boost its underwriting capabilities. Though these are expected to put pressure on the margins, the company stands to gain over the longer term.
- ▲ In its efforts to boost and diversify its operations as well as strengthen its network of manufacturing locations throughout the U.S., Loews acquired plastic packaging manufacturer Consolidated Container Company LLC (CCC) in May 2017. Recently, the company changed the name of CCC, to Altium, in order to reflect more clearly its broad product lines and capabilities. A number of acquisitions made by this unit expanded its footprint and business portfolio. These acquisitions should drive growth.
- ▲ Loews possesses a strong balance sheet. Riding on the strength of a strong liquidity, Loews engages in regular buybacks, which it considers one of the main drivers of shareholder value. The company also stated that share repurchases have contributed to the significant long-term outperformance of the stock versus the S&P 500. The company's liquidity is being supported by dividend contributions from its subsidiaries.

Loews is well poised to grow on strength of its hotel business, strong performing CNA Financial, strengthening its network of manufacturing locations and sturdy balance sheet aiding capital deployment.

Reasons To Sell:

- ▼ A challenging offshore drilling market is putting pressure on Diamond Offshore. The industry remains afflicted by reduction in exploration and production budget, as well as a wave of new rig deliveries. These, in turn, are weighing on offshore drilling rig-day rates, resulting in the idling of rigs. An oversupply of floaters due to new-build rig deliveries and established rigs released off contract also led to lower contracted dayrates, shorter-term contracts and idling of rigs. The market conditions for deepwater is soft while that for ultra-deepwater and deepwater floaters are expected to remain depressed due to the influx of new-builds and established rigs into the market. Decline in contract drilling revenues and increase in drilling expenses led the segment to incur loss of \$175 million in 2019, which is worse than \$112 million of loss incurred in 2018.
- ▼ The company's property and casualty business carried out via CNA Financial Corporation remains exposed to catastrophe activities. Catastrophe losses incurred in this business continues to weigh on the units' underwriting margins.
- ▼ Loews' trailing 12-month return on equity (ROE) undermines its growth potential. The company's ROE of 4.9% is lower than the industry's average of 8.1%, reflecting its inefficiency in using shareholders' funds.

Soft ultra-deepwater and deepwater markets weighing on offshore drilling rig-day rates, idling of rigs, lower contract drilling revenues and average daily revenue per working rig will affect results.

Last Earnings Report

Loews Q4 Earnings Beat Estimates, Revenues Rise Y/Y

Loews Corporation reported fourth-quarter 2019 earnings of 73 cents per share, beating the Zacks Consensus Estimate by 1.4%. The bottom line came against the year-ago loss of 53 cents per share.

This upside was largely driven by better net investment income at CNA Financial (CNA - Free Report) and the parent company. However, the same was partly offset by poor performances at Boardwalk Pipelines and Loews Hotels & Co.

Quarter Ending **12/2019**

Report Date	Feb 10, 2020
Sales Surprise	NA
EPS Surprise	1.39%
Quarterly EPS	0.73
Annual EPS (TTM)	3.56

Behind the Headlines

Operating revenues of \$3.8 billion increased 17.9% year over year. Higher insurance premiums, net investment income and investment gains aided the top line.

Total expenses inched up 2.3% year over year to \$3.6 billion on higher operating expenses.

Book value excluding accumulated other comprehensive income as of Dec 31, 2019 was \$65.94 per share, up 6.1% from \$62.16 as of Dec 31, 2018.

Segmental Details

CNA Financial's revenues rose 15.6% from the prior-year quarter to \$2.8 billion. Its reported net income attributable to Loews Corp. was \$244 million against the year-ago quarter's loss of \$75 million.

Earnings improved on the back of higher net investment income, net investment gains and higher current underwriting income, driven mainly by lower catastrophe losses for the Property & Casualty (P&C) business.

Boardwalk Pipeline's revenues improved 1.5% year over year to \$331 million. Net income declined 12.7% year over year to \$48 million due to a favorable tax adjustment in 2018. The company witnessed higher earnings from better firm transportation revenues, stemming from growth projects recently placed into service.

Loews Hotels' revenues decreased 6.1% year over year to \$170 million. Net loss from Loews Hotels & Co was \$59 million against the year-ago quarterly gain of \$7 million. Performance suffered due to impairment charges related to the carrying value of hotel properties.

Diamond Offshore's revenues grew 18.4% year over year to \$277 million. Net loss attributable to Loews Corp. was \$38 million, narrower than \$58 million loss incurred in the year-earlier quarter. This upside was due to higher contract drilling revenues as a result of a contractual margin commitment from a customer.

Share Repurchase Update

The company bought back 3 shares for \$417 million in the fourth quarter. For the full year, it repurchased stock worth \$1.1 billion. As of Dec 31, 2019, the company had 291 million shares remaining under its plan.

Full-Year Update

The company reported annual net income of \$3.07 per share, up 54.2% year over year. Revenues for the period totaled \$14.9 billion, up 6.1% year over year.

Recent News

Loews Declares Quarterly Dividend — Nov 12, 2019

Loews recently declared a quarterly dividend of 6.25 cents per share. The dividend will be paid out on Dec 10 to shareholders of record as of Nov 27.

Valuation

Loews shares are up 21.5% over the trailing 12-month period. Over the past year, stocks in the Zacks sub-industry and the Zacks Finance sector are up 9.9% and 9.5%, respectively.

The S&P 500 index is up 21.2% in the past year.

The stock is currently trading at 0.75X trailing 12-month book value, which compares to 1.4X for the Zacks sub-industry, 2.84X for the Zacks sector and 4.32X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.75X and as low as 0.53X, with a 5-year median of 0.67X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$59 price target reflects 0.79X trailing 12- month book value.

The table below shows summary valuation data for L

Valuation Multiples - L					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	0.75	1.4	2.84	4.32
	5-Year High	0.75	1.98	2.89	4.42
	5-Year Low	0.53	0.94	1.83	2.85
	5-Year Median	0.67	1.46	2.51	3.62
P/S F12M	Current	1.19	1.34	6.55	3.55
	5-Year High	1.34	1.74	6.65	3.55
	5-Year Low	0.93	0.89	5.39	2.54
	5-Year Median	1.13	1.33	6.04	3
P/E F12M	Current	19.02	9.96	14.92	19.2
	5-Year High	19.02	12.61	16.21	19.34
	5-Year Low	11.45	8.4	12.01	15.17
	5-Year Median	14.19	10.22	14.15	17.44

As of 02/10/2020

Industry Analysis Zacks Industry Rank: Top 44% (112 out of 255)



Top Peers

Cincinnati Financial Corporation (CINF)	Outperform
Markel Corporation (MKL)	Outperform
W.R. Berkley Corporation (WRB)	Outperform
Arch Capital Group Ltd. (ACGL)	Neutral
American Financial Group, Inc. (AFG)	Neutral
Chubb Limited (CB)	Neutral
Fidelity National Financial, Inc. (FNF)	Neutral
Everest Re Group, Ltd. (RE)	Neutral

Industry Comparison Industry: Insurance - Multi Line				Industry Peers		
	L Neutral	X Industry	S&P 500	CB Neutral	CINF Outperform	RE Neutral
VGM Score	B	-	-	B	D	B
Market Cap	16.60 B	4.96 B	24.17 B	74.03 B	18.64 B	11.66 B
# of Analysts	1	2	13	8	3	3
Dividend Yield	0.45%	1.94%	1.77%	1.84%	1.96%	2.17%
Value Score	B	-	-	C	D	C
Cash/Price	0.32	0.24	0.04	0.02	0.04	0.10
EV/EBITDA	10.21	7.51	13.89	13.77	51.11	-66.90
PEG Ratio	NA	1.19	2.05	1.49	NA	1.19
Price/Book (P/B)	0.75	1.11	3.27	1.34	1.89	1.30
Price/Cash Flow (P/CF)	10.01	10.32	13.60	14.97	30.33	52.83
P/E (F1)	19.08	10.87	19.00	14.88	29.76	11.93
Price/Sales (P/S)	1.11	1.07	2.66	2.10	2.35	1.42
Earnings Yield	5.20%	9.03%	5.26%	6.72%	3.36%	8.38%
Debt/Equity	0.51	0.21	0.71	0.24	0.09	0.07
Cash Flow (\$/share)	5.57	3.07	6.89	10.91	3.76	5.41
Growth Score	C	-	-	C	D	A
Hist. EPS Growth (3-5 yrs)	10.37%	4.33%	10.85%	-0.89%	3.06%	-26.70%
Proj. EPS Growth (F1/F0)	-18.77%	8.84%	7.22%	8.58%	-8.73%	12.32%
Curr. Cash Flow Growth	-2.61%	9.66%	8.88%	-7.34%	20.00%	-47.78%
Hist. Cash Flow Growth (3-5 yrs)	-8.69%	-0.63%	8.36%	7.11%	3.59%	-27.90%
Current Ratio	0.33	0.40	1.22	0.34	0.29	0.35
Debt/Capital	33.86%	17.89%	42.90%	19.94%	8.23%	6.59%
Net Margin	6.24%	7.08%	11.81%	12.61%	25.20%	12.31%
Return on Equity	4.88%	6.77%	16.98%	8.59%	7.50%	9.95%
Sales/Assets	0.18	0.23	0.54	0.20	0.32	0.31
Proj. Sales Growth (F1/F0)	0.00%	2.93%	4.06%	2.18%	2.68%	10.73%
Momentum Score	D	-	-	B	B	C
Daily Price Chg	4.81%	0.24%	0.45%	0.38%	1.11%	1.17%
1 Week Price Chg	3.50%	2.40%	2.47%	7.07%	7.51%	2.17%
4 Week Price Chg	7.12%	0.73%	0.95%	8.25%	8.55%	3.59%
12 Week Price Chg	11.02%	1.59%	5.05%	6.89%	5.77%	6.89%
52 Week Price Chg	25.25%	12.12%	16.18%	25.10%	35.71%	29.72%
20 Day Average Volume	867,438	128,494	1,999,386	1,672,062	546,332	268,650
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.25%	0.44%	0.00%
(F1) EPS Est 4 week change	-1.69%	-0.15%	0.00%	0.06%	0.44%	-0.15%
(F1) EPS Est 12 week change	-1.69%	-0.78%	-0.18%	-0.80%	2.91%	0.93%
(Q1) EPS Est Mthly Chg	0.00%	-0.38%	0.00%	0.96%	0.95%	-0.10%

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
Growth Score	C
Momentum Score	D
VGM Score	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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