

Loews Corporation(L)

\$52.39 (As of 01/17/20)

Price Target (6-12 Months): **\$55.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 07/25/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:C

Value: B

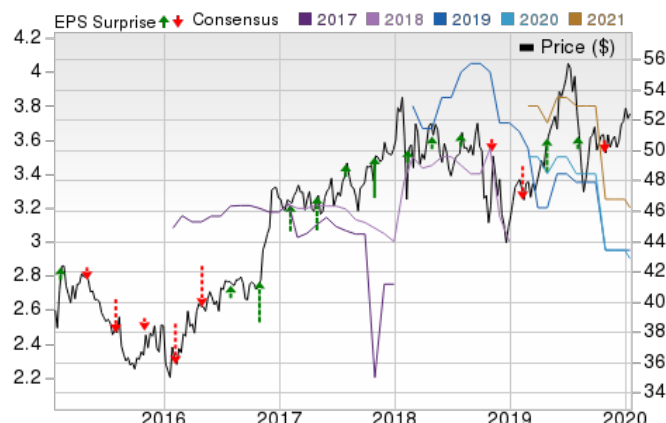
Growth: F

Momentum: C

Summary

Loews Corporation's unit, CNA Financial remains focused on delivering stellar results, riding on its core competency and reduce balance sheet risk. Boardwalk unit is poised to capitalize on rising exports of natural gas and pipeline exports to Mexico 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. Lower return on equity poses financial risk. Also, elevated expenses due to higher claims, operating expenses weigh on margin. Nonetheless, with new drilling rigs contracted through 2019 and demand for oil rising, Loews is optimistic about its medium and long-term progress.

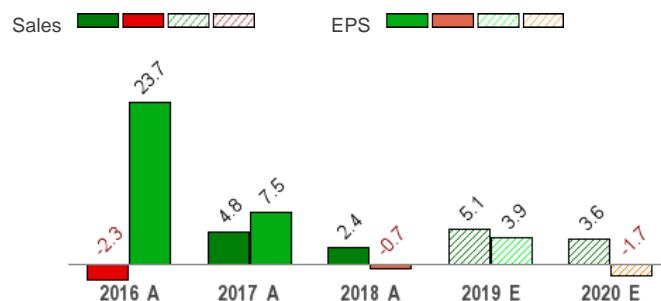
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$56.20 - \$44.17
20 Day Average Volume (sh)	761,073
Market Cap	\$15.6 B
YTD Price Change	-0.2%
Beta	0.68
Dividend / Div Yld	\$0.25 / 0.5%
Industry	Insurance - Multi line
Zacks Industry Rank	Top 34% (87 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-1.3%
Last Sales Surprise	NA
EPS F1 Est- 4 week change	-1.7%
Expected Report Date	02/10/2020
Earnings ESP	0.0%
P/E TTM	16.4
P/E F1	18.1
PEG F1	NA
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020					15,323 E
2019	3,757 A	3,623 A	3,675 A		14,785 E
2018	3,581 A	3,590 A	3,608 A	3,287 A	14,066 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
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	\$0.72 E	\$2.95 E
2018	\$0.89 A	\$0.76 A	\$0.88 A	\$0.36 A	\$2.84 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 01/17/2020. The reports text is as of 01/20/2020.

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.

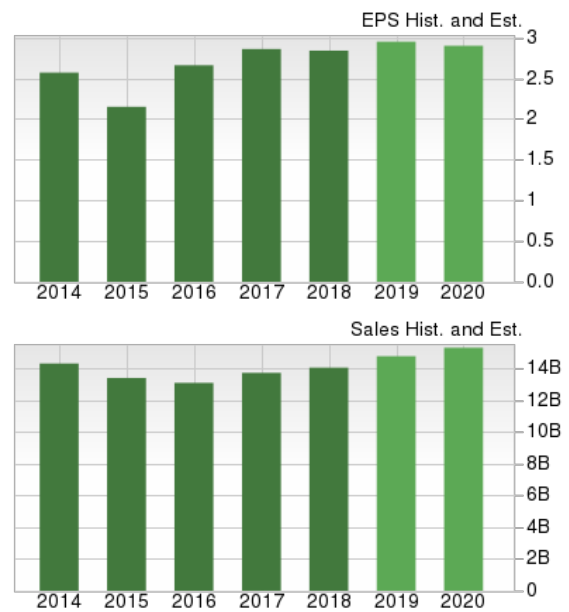
Diamond Offshore Drilling Inc. provides contract drilling services to the energy industry around the world with a fleet of 17 offshore drilling rigs consisting of four drillships and 13 semisubmersible rigs. Loews currently owns 53% stake in DO.

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 2018 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 10.2% in the past year, outperforming the industry's increase of 9.2%. 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 will seek similar opportunities in Boston, Chicago, San Francisco, Washington, D.C., New York City, Dallas, Toronto and Seattle to enrich its portfolio and cater to a larger customer base. To ramp up its growth profile and weather challenges in hospitality industry, Loews is intensifying focus on highly profitable and distinguished hotels in the upscale market. Adjusted earnings before interest tax, depreciation and amortizations almost doubled since 2014. Strong performances at its 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.
- ▲ Boardwalk Pipeline formed a joint venture with Boardwalk Pipeline Partners LP, to foray into the natural gas liquids business. The acquisition of Boardwalk Louisiana Midstream (PL Midstream renamed Boardwalk Louisiana Midstream post the joint venture mentioned earlier), along with organic growth projects (the Southeast market expansion and the Eagle Ford expansion projects), is expected to create new assets worth \$1.2 billion for Boardwalk. The company is benefitting from higher revenues from the Gulf South rate case, the Evangeline ethylene pipeline back in service and growth projects placed into service in 2015. Also, the company believes that demand for U.S. natural gas will gain traction and notes that exports of natural gas are increasing in addition to pipeline exports to Mexico. The company notes that the growth of industrial demand for natural gas and liquids is fueled by petrochemical production. In fact, Boardwalk Pipeline's contribution to net income more than doubled year over year largely due to Loews's 100% ownership in the company.
- ▲ 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. The packaging industry is highly fragmented with no major players with CCC serving stable end markets and scope for a solid cash flow generation. CCC's buyout of Tri State Distribution expanded its footprint in the pharmaceutical packaging space, supporting Loews' strategy to grow business through organic growth and bolt-on acquisitions. Since May 2017, CCC has made six tuck-in acquisitions for \$300 million, added scale at post-synergy multiples and widened CCC's presence in specialty segments.
- ▲ 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. With new drilling rigs that are contracted through 2019, new contracts for two of its drill ships with Woodside Petroleum, a major Australian E&P company, and demand for oil growing, the company remains optimistic about the medium and long term.
- ▼ Loews has been experiencing an increase in expenses on higher insurance claims and policyholders' benefits and rising operating expenses. The first nine months of 2019 witnessed 5.1% year-over-year increase in expenses. An increase in expenses weighs on the company's margins.
- ▼ Loews' trailing 12-month return on equity (ROE) undermines its growth potential. The company's ROE of 4.5% is lower than the industry's average of 8.1%, reflecting its tactical 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 Q3 Earnings Miss Estimates, Revenues Rise Y/Y

Loews Corporation reported third-quarter 2019 earnings of 74 cents per share, which missed the Zacks Consensus Estimate by 1.3% and decreased 15.9% year over year.

The decline was largely attributable to soft results at CNA and Diamond Offshore, partially offset by higher parent company net investment income.

Behind the Headlines

Operating revenues of \$3.7 billion increased 1.9% year over year. Higher insurance premiums and operating revenues and other aided the top line.

Total expenses increased 11.1% year over year to \$3.6 billion on higher insurance claims and policyholders' benefits as well as higher operating expenses.

Book value excluding accumulated other comprehensive income as of Sep 30, 2019 was \$64.85 per share, up 4.3% from \$62.16 as of Dec 31, 2018.

Segment Details

CNA Financial's revenues increased 2.4% from the prior-year quarter to \$2.7 billion. Its reported net income attributable to Loews Corp. was \$96 million, down 68% year over year. Earnings declined largely on account of unfavorable net prior year development in the Property & Casualty business compared with favorable net prior year development in 2018, partially offset by lower catastrophe losses in 2019.

Boardwalk Pipeline's revenues increased 6.1% year over year to \$296 million. Net income increased 3.6% year over year to \$29 million. The company witnessed higher earnings from transportation revenues, stemming from growth projects recently placed into service, which mostly offset the negative revenue impact of contract restructurings and expirations.

Loews Hotels' revenues declined 17.9% year over year to \$156 million. Income from Loews Corp. was \$3 million, down 72.7% year over year. Earnings declined largely due to lower earnings from its properties in Florida as the threat of Hurricane Dorian negatively impacted results. Pre-opening and other non-recurring expenses related to properties under development resulted in the decline.

Diamond Offshore's revenues plunged 13.1% year over year to \$251 million. Net loss attributable to Loews Corp. was \$48 million, wider than \$27 million loss incurred in the year-earlier quarter. This downside was due to continuing challenging market conditions, lower contract drilling revenues and higher contract drilling expense, partially offset by the absence of a legal settlement charge in 2018.

Share Repurchase Update

The company bought back 3.4 million shares for \$168 million in the third quarter. Subsequently, through Oct 25, 2019, it repurchased another 1.8 million shares for \$90 million.

Quarter Ending **09/2019**

Report Date	Oct 28, 2019
Sales Surprise	NA
EPS Surprise	-1.33%
Quarterly EPS	0.74
Annual EPS (TTM)	3.19

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 10.2% in the year-to-date period and 13.3% over the trailing 12-month period. Over the past year, stocks in the Zacks sub-industry and the Zacks Finance sector are up 9.2% and 11.7%, respectively.

The S&P 500 index is up 23.8% in the past year.

The stock is currently trading at 0.7X trailing 12-month book value, which compares to 1.4X for the Zacks sub-industry, 2.86X for the Zacks sector and 4.55X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.76X 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 \$55 price target reflects 0.73X 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	0.7	1.4	2.86	4.55
	5-Year High	0.76	1.98	2.89	4.55
	5-Year Low	0.53	0.94	1.83	2.85
	5-Year Median	0.67	1.46	2.51	3.61
P/S F12M	Current	1.12	1.34	6.53	3.57
	5-Year High	1.34	1.74	6.61	3.57
	5-Year Low	0.93	0.89	5.2	2.54
	5-Year Median	1.13	1.33	6.04	3
P/E F12M	Current	17.97	9.59	14.73	19.2
	5-Year High	18.43	12.61	16.21	19.34
	5-Year Low	11.45	8.4	12.01	15.17
	5-Year Median	14.14	10.22	13.98	17.44

As of 01/17/2020

Industry Analysis Zacks Industry Rank: Top 34% (87 out of 254)



Top Peers

Fidelity National Financial, Inc. (FNF)	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
Cincinnati Financial Corporation (CINF)	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 Neutral	RE Neutral
VGM Score	C	-	-	B	C	B
Market Cap	15.58 B	5.05 B	24.65 B	69.65 B	17.53 B	11.42 B
# of Analysts	1	2.5	13	8	3	3
Dividend Yield	0.48%	1.92%	1.73%	1.95%	2.09%	2.21%
Value Score	B	-	-	B	D	C
Cash/Price	0.32	0.22	0.04	0.06	0.05	0.10
EV/EBITDA	9.76	9.20	14.11	12.60	48.04	-65.45
PEG Ratio	NA	1.18	2.08	1.40	NA	1.17
Price/Book (P/B)	0.70	1.12	3.39	1.28	1.87	1.27
Price/Cash Flow (P/CF)	9.40	10.42	13.81	13.27	28.53	51.73
P/E (F1)	18.07	11.36	19.19	13.96	28.12	11.65
Price/Sales (P/S)	1.09	1.09	2.69	2.01	2.70	1.46
Earnings Yield	5.54%	8.86%	5.21%	7.16%	3.56%	8.58%
Debt/Equity	0.51	0.21	0.72	0.24	0.09	0.07
Cash Flow (\$/share)	5.57	3.14	6.94	11.58	3.76	5.41
Growth Score	F	-	-	B	C	B
Hist. EPS Growth (3-5 yrs)	10.37%	4.22%	10.56%	-1.51%	2.58%	-26.70%
Proj. EPS Growth (F1/F0)	-1.69%	9.89%	7.57%	9.63%	-6.53%	5.72%
Curr. Cash Flow Growth	-2.61%	8.34%	14.73%	12.66%	20.00%	-47.78%
Hist. Cash Flow Growth (3-5 yrs)	-8.69%	-0.76%	9.00%	8.90%	3.59%	-27.90%
Current Ratio	0.33	0.38	1.24	0.31	0.29	0.35
Debt/Capital	33.86%	17.26%	42.99%	19.94%	8.63%	6.59%
Net Margin	3.83%	6.85%	11.14%	10.48%	14.18%	5.30%
Return on Equity	4.45%	6.77%	17.16%	8.60%	7.44%	5.90%
Sales/Assets	0.18	0.23	0.55	0.20	0.27	0.30
Proj. Sales Growth (F1/F0)	%	3.72%	4.16%	4.69%	1.05%	9.80%
Momentum Score	C	-	-	A	A	B
Daily Price Chg	0.48%	0.15%	0.27%	0.67%	1.69%	0.92%
1 Week Price Chg	-1.31%	-0.60%	0.39%	-3.07%	-1.69%	-0.87%
4 Week Price Chg	2.38%	0.00%	2.95%	-0.52%	3.89%	1.60%
12 Week Price Chg	3.05%	2.60%	7.76%	1.70%	-6.91%	12.14%
52 Week Price Chg	11.94%	12.37%	22.29%	15.68%	37.26%	30.02%
20 Day Average Volume	761,073	124,577	1,536,375	1,294,852	495,108	184,314
(F1) EPS Est 1 week change	-1.69%	0.00%	0.00%	0.32%	0.00%	0.07%
(F1) EPS Est 4 week change	-1.69%	0.00%	0.00%	0.02%	2.46%	-0.21%
(F1) EPS Est 12 week change	-10.77%	0.00%	-0.40%	-0.90%	3.85%	0.87%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.34%	0.48%	0.05%

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	B
Growth Score	F
Momentum Score	C
VGM Score	C

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.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.