

Everest Re Ltd. (RE)

\$162.82 (As of 05/04/20)

Price Target (6-12 Months): **\$171.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/26/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: D

Summary

Everest Re Group's global presence, product diversification, capital adequacy, financial flexibility and traditional risk management capabilities are expected to drive growth. Operations on the Lloyds platform have gained pace. The company's consistent rise in premiums earned at its Insurance segment will likely improve expense ratio and loss ratio, going forward. Its Reinsurance segment remains well-poised for leveraging opportunities, stemming from the continued disruption and evolution of the reinsurance market. Capital adequacy, financial flexibility, long-term operating performance and traditional risk management capabilities bode well for Everest Re. Its shares have underperformed the industry in the past year. However, its exposure to catastrophe events induces underwriting volatility. A competitive reinsurance market concerns us.

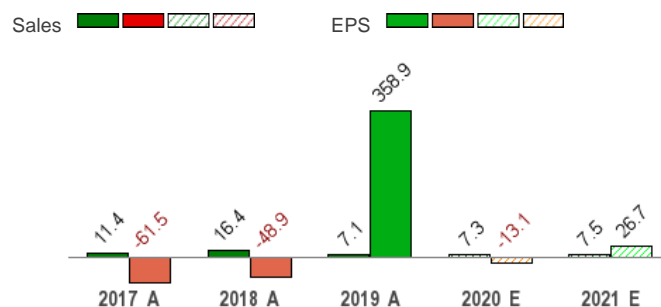
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$294.31 - \$159.73
20 Day Average Volume (sh)	340,977
Market Cap	\$8.2 B
YTD Price Change	-41.2%
Beta	0.40
Dividend / Div Yld	\$6.20 / 3.8%
Industry	Insurance - Property and Casualty
Zacks Industry Rank	Top 29% (74 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	35.0%
Last Sales Surprise	0.4%
EPS F1 Est- 4 week change	-12.3%
Expected Report Date	05/06/2020
Earnings ESP	0.0%
P/E TTM	7.6
P/E F1	8.8
PEG F1	0.9
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,189 E	2,169 E	2,233 E	2,288 E	9,268 E
2020	2,131 E	2,024 E	2,132 E	2,162 E	8,625 E
2019	1,865 A	1,988 A	2,056 A	2,136 A	8,040 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$6.59 E	\$6.27 E	\$3.41 E	\$7.24 E	\$23.51 E
2020	\$3.77 E	\$4.84 E	\$3.28 E	\$7.18 E	\$18.55 E
2019	\$6.91 A	\$7.85 A	\$3.39 A	\$3.20 A	\$21.34 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 05/04/2020. The reports text is as of 05/05/2020.

Overview

Founded in 1973 and based in Hamilton, Bermuda, Everest Re Group Ltd. writes property and casualty, reinsurance and insurance in the U.S., Bermuda and international markets. The company also offers other innovative products like excess and surplus lines of insurance. Everest Re virtually underwrites all classes and categories of business in treaty, facultative, and specialty lines both through brokers and directly with ceding companies.

On Dec 30, 2008, Everest Re Group, Ltd contributed Everest Reinsurance Holdings, Inc. to its recently established Irish holding company, Everest Underwriting Group (Ireland) Limited.

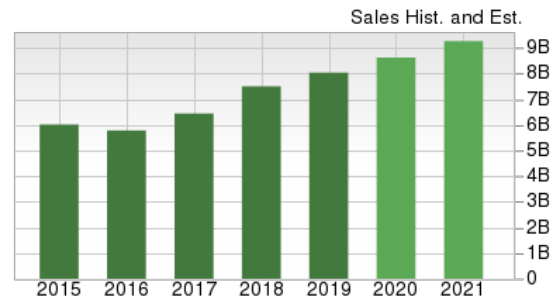
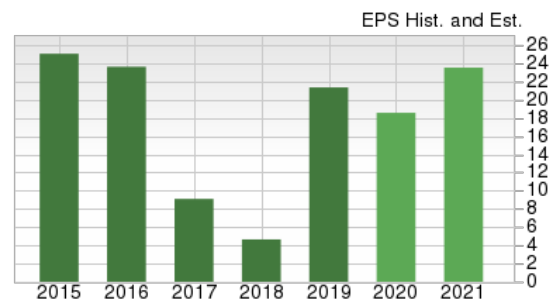
The company's operating subsidiaries are Everest Re, Everest National Insurance Company, Everest Indemnity Insurance Company, Everest Security Insurance Company, Everest Denali Insurance Company, Everest Premier Insurance Company, Everest International Assurance, Ltd. and Heartland Crop Insurance Company. Operating subsidiaries are each rated A+ (Superior) by A.M. Best Company (A.M. Best).

The company reports through the following segments:

Reinsurance (61.13% of 2019 Net Written Premium) – This segment writes property and casualty reinsurance on both a treaty and a facultative basis, through reinsurance brokers as well as directly with ceding companies within the U.S. It also includes marine, aviation as well as surety business within the U.S. and worldwide through brokers and directly with ceding companies.

Insurance (22.33%) – This segment writes property and casualty insurance primarily through general agents and surplus lines brokers within the U.S. One-third of this business comprises short-tail specialty components led by Heartland, its Crop Insurance Company. Another third of the business is workers' compensation, mostly for California workers. Approximately 15% of the U.S insurance segment comprises Director's & Officer's insurance written out of New York and Canada, while 20% of the segment's book is general casualty. It also includes accident and health (A&H) business.

International (16.54%) – The International operation writes non-U.S. property and casualty reinsurance through Everest Re's branches in Canada, Singapore and through offices in Brazil, Miami and New Jersey.



Reasons To Buy:

- ▲ Shares of Everest Re have lost 31.5% in a year's time, compared to the industry's loss of 18.7%. Nevertheless, the company's strong fundamentals should drive the shares going forward.
- ▲ Everest Re's Insurance segment has maintained a steady performance in the past few years. Growth has come on the back of initiatives undertaken like product diversification, staffing up underwriting operations as well as expanding the relationship between property and casualty, increasing the property insurance geographic footprint, international insurance expansion, growth of the existing Canadian platform, forming Everest Syndicate 2786 and building new product distribution and strategic relationships within its specialty insurance operations both in the U.S. and internationally. The company opened a European operating platform to expand global underwriting operation. Operations in the Lloyds platform have also gained pace. We expect the company to continue reaping benefits from these developments going forward. The company expects expense ratio and loss ratio to improve going forward with improvement in premiums earned. Gross written premiums increased 23.4% in the year 2019.
- ▲ The Reinsurance segment of Everest Re has managed to outperform the broader market Mt. Logan Re and Kilimanjaro Re Ltd. are key growth drivers for the company and remains the fastest growing capital market vehicle. This is also an integral part of the company's long-term capital management and business strategy. Wide product offering and distribution capabilities along with industry-leading expense advantage and advanced capital and hedging abilities are anticipated to further enhance the growing global reinsurance franchise. Moreover, these positives will help the company maximize opportunities stemming from the continued disruption and evolution of the reinsurance market. Addition and development of strategic partnerships across the company will further improve growth in this segment. Gross written premiums at this segment increased 2.1% in 2019.
- ▲ The company has been witnessing a rise in investment income over the past couple of years owing to improvements in limited partnership investments, a well-balanced portfolio and a rising interest rate environment. In 2019, the company witnessed 11% improvement in investment income, driven by higher yields on fixed income portfolio coupled with an increase in limited partnership income, higher fixed maturities. The gradual rise in new money yields is expected to boost the company's investment income in the future. Therefore, its efforts in slowly lowering exposure to high-yield debt and public equity and focusing more on limited partnership investment are bearing fruits.
- ▲ We expect Everest Re to benefit from its capital adequacy, financial flexibility, long-term operating performance and traditional risk management capabilities. Since its IPO in 1995, the company's compound annual growth rate of book value per share has grown by 12%. Its current dividend yield is 3.8%, which compares favorably with the industry average of 0.5%. While the company approved quarterly dividend of \$1.55 per share on Nov 20, 2019, representing a hike of 11%, the insurer has been increasing its dividends over a considerable period of time with a five-year CAGR (2014-2019) of 15.6%. Also, Everest Re's consistent share buyback has been boosting its bottom line. We expect the company to make consistent payouts along with buybacks, given its disciplined capital management strategy and a strong capital balance. Moreover, a solid capital position gives enough support to the company for pursuing business opportunities.
- ▲ Everest Re's return on equity, measuring how efficiently the company is utilizing its shareholders fund, is 9.9%, which compares favorably with the industry average of 6.4%.
- ▲ Everest Re's debt levels have remained relatively stable in the past few years. As of Dec 31, 2019, the company's long-term debt came in at \$634 million, which remained flat with the third quarter end. Moreover, as of Dec 31, 2019 the company's total debt/ total capital of 6.5 is lower than its figure of 6.6 at third quarter end. The company's cash and cash equivalents of \$1223 million as of Dec 31, 2019 are sufficient for the company to meet its debt obligations. Also, long-term debt to capital of 6.4% compares favorably with the industry's measure of 19.5%. The company's times interest earned of 35.7 as on Dec 31, 2019 is better when compared with the third quarter end figure of 6.5, implying that its earnings are sufficient to cover debt obligations. Further, times interest earned of 35.6 compares favorably with the industry's measure of 25.8.

Everest Re has a huge market share in insurance and reinsurance market. It is expected to benefit from capital adequacy, financial flexibility and traditional risk management capabilities.

Reasons To Sell:

- ▼ The reinsurance market remains challenged by average market rates, depending on the line of business, product type and territory. Competitive conditions in the reinsurance segment continue to push rates lower and commissions higher. While foreign exchange and rates continue to put pressure on performance, efforts taken by the company such as maintaining expense ratio and a focus on growth could help the company.
- ▼ Everest Re remains exposed to catastrophe losses, which causes earnings to fluctuate. Although the company has an active catastrophe management process that deploys modeling and establishes risk limits to control catastrophic exposures on both a probable maximum loss and aggregate basis, catastrophe losses have traditionally impacted earnings and are expected to continue doing so in the future. Catastrophe loss for the year 2019 was \$550 million. Irrespective of catastrophe mitigation techniques deployed by the company, exposure to weather-related calamities makes its earnings volatile.
- ▼ Everest Re has been experiencing an increase in expenses due to higher Incurred losses and loss adjustment expenses, commission, brokerage, taxes and fees and other underwriting expenses. Total claims and expenses witnessed a two-year CAGR (2017-2019) of 47%. However, in 2019, expenses decreased 6.2% due to lower incurred losses and loss adjustment expenses. Therefore, the company should strive to ensure that growth in total revenues outpaces the rise in expenses.

A competitive reinsurance market challenged by average market rates, depending on the line of business, product type and territory and exposure to cat events inducing volatility are headwinds.

Last Earnings Report

Everest Re Q4 Earnings Beat Estimates, Improve Y/Y

Everest Re Group, Ltd. delivered fourth-quarter 2019 operating net income per share of \$3.20, beating the Zacks Consensus Estimate by 35%. The bottom line came in against the year-ago loss of \$5.89 per share.

Both its reinsurance and insurance businesses witnessed growth in the reported quarter.

Operational Update

Everest Re's total operating revenues of \$2.1 billion increased 8.3% year over year. Also, the top line beat the Zacks Consensus Estimate by 0.4%.

Gross written premiums improved 7% year over year to \$2.4 billion. The company's worldwide reinsurance premiums increased 4% year over year. Direct insurance premiums surged 30% to \$758.7 million.

Net investment income came in at \$146.1 million in the quarter under review, up 4.2% year over year.

Total claims and expenses declined 20.1% to \$1.9 billion, mainly on the back of lower incurred losses and loss adjustment expenses, and interest, fees and bond issue cost amortization expense.

Combined ratio contracted 3260 basis points to 101.5%.

Financial Update

Everest Re exited the quarter with total investments and cash worth \$20.7 billion, up 12.6% from the 2018-end level. Shareholder equity at the end of the reported quarter increased 16.2% from the figure at 2018 end to \$9.1 billion.

Annualized net income return on equity was 12% in 2019.

Everest Re's cash flow from operations was \$1.9 billion in 2019, up from the recorded 2018-level of \$610.1 million.

The company bought back shares worth \$24.6 million in 2019. The company still has 1.3 million shares remaining under its authorization.

Full-Year Update

For the full year, gross written premiums were \$9.1 billion, up 8% year over year. For 2019, Everest Re delivered operating income of \$21.34 per share, skyrocketing 358.9% year over year.

Quarter Ending **12/2019**

Report Date	Feb 10, 2020
Sales Surprise	0.36%
EPS Surprise	35.02%
Quarterly EPS	3.20
Annual EPS (TTM)	21.35

Recent News

Everest Re Approves Quarterly Dividend – Feb 26, 2020

Everest Re Group, Ltd.'s board of directors has approved its quarterly dividend payout of \$1.55 per share. Shareholders of record as of Mar 11 was rewarded with this dividend on or before Mar 30, 2019.

Valuation

Everest Re shares are down 41.2% in the year-to-date period and 31.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 22.9% and 26.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 18.7% and 22.5%, respectively.

The S&P 500 index is down nearly 11.7% in the year-to-date period and 3.3% in the past year.

The stock is currently trading at 0.73x trailing 12-month book value, which compares to 1.02x for the Zacks sub-industry, 2.07x for the Zacks sector and 3.77x for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.52x and as low as 0.73x, with a 5-year median of 1.12x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$171 price target reflects 0.76x book value.

The table below shows summary valuation data for RE

Valuation Multiples - RE					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	0.73	1.02	2.07	3.77
	5-Year High	1.52	1.67	2.90	4.55
	5-Year Low	0.73	0.93	1.71	2.84
	5-Year Median	1.12	1.46	2.53	3.64
P/S F12M	Current	0.93	1.62	4.98	3.20
	5-Year High	1.97	11.26	6.70	3.4
	5-Year Low	0.78	1.55	4.98	2.54
	5-Year Median	1.35	1.88	6.06	3.01
P/E F12M	Current	7.6	21.7	14.8	20.38
	5-Year High	166.89	31.55	16.18	20.38
	5-Year Low	6.98	21.07	11.24	15.19
	5-Year Median	10.41	25.55	13.94	17.44

As of 05/04/2020

Industry Analysis Zacks Industry Rank: Top 29% (74 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
National General Holdings Corp (NGHC)	Outperform	1
American Financial Group, Inc. (AFG)	Neutral	3
Axis Capital Holdings Limited (AXS)	Neutral	3
CNA Financial Corporation (CNA)	Neutral	4
First American Financial Corporation (FAF)	Neutral	3
RenaissanceRe Holdings Ltd. (RNR)	Neutral	4
W.R. Berkley Corporation (WRB)	Neutral	3
Alleghany Corporation (Y)	Underperform	4

Industry Comparison Industry: Insurance - Property And Casualty				Industry Peers		
	RE	X Industry	S&P 500	AXS	RNR	Y
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	4	4
VGM Score	C	-	-	F	B	A
Market Cap	8.19 B	1.13 B	19.65 B	2.97 B	6.27 B	7.17 B
# of Analysts	2	2	14	2	3	2
Dividend Yield	3.81%	1.26%	2.19%	4.63%	0.99%	0.00%
Value Score	C	-	-	C	D	C
Cash/Price	0.15	0.27	0.06	0.54	2.75	0.29
EV/EBITDA	6.54	4.94	11.76	7.85	-9.12	5.08
PEG Ratio	0.92	1.64	2.48	NA	NA	NA
Price/Book (P/B)	0.73	0.91	2.63	0.62	1.18	0.82
Price/Cash Flow (P/CF)	7.35	8.43	10.38	7.93	16.46	15.50
P/E (F1)	9.23	11.12	18.81	38.28	9.80	13.36
Price/Sales (P/S)	0.99	0.71	2.02	0.59	1.49	0.79
Earnings Yield	11.39%	8.82%	5.07%	2.63%	10.20%	7.49%
Debt/Equity	0.07	0.23	0.73	0.41	0.26	0.20
Cash Flow (\$/share)	22.15	3.12	7.01	4.47	8.62	32.24
Growth Score	C	-	-	F	A	B
Hist. EPS Growth (3-5 yrs)	-22.54%	3.85%	10.87%	-22.01%	-3.39%	-18.81%
Proj. EPS Growth (F1/F0)	-13.07%	5.40%	-8.14%	-63.29%	58.63%	57.45%
Curr. Cash Flow Growth	310.65%	5.61%	5.88%	-8.72%	3.81%	25.33%
Hist. Cash Flow Growth (3-5 yrs)	-5.41%	7.31%	8.55%	-11.78%	-6.72%	-8.44%
Current Ratio	0.33	0.43	1.25	0.57	1.59	0.33
Debt/Capital	6.49%	19.03%	44.07%	26.09%	42.73%	18.22%
Net Margin	12.31%	6.20%	11.00%	0.73%	17.82%	9.49%
Return on Equity	9.85%	8.26%	16.43%	-0.37%	8.46%	3.99%
Sales/Assets	0.31	0.32	0.55	0.20	0.16	0.34
Proj. Sales Growth (F1/F0)	7.22%	0.00%	-1.76%	-6.67%	8.14%	0.00%
Momentum Score	D	-	-	F	A	A
Daily Price Chg	-1.33%	-0.09%	-0.01%	1.37%	0.75%	-1.37%
1 Week Price Chg	-3.40%	-1.56%	0.53%	2.43%	-0.15%	-3.45%
4 Week Price Chg	-14.27%	-2.29%	6.66%	-6.07%	-5.86%	-7.30%
12 Week Price Chg	-43.05%	-25.26%	-20.38%	-45.66%	-28.81%	-39.00%
52 Week Price Chg	-31.53%	-26.15%	-13.44%	-37.90%	-8.26%	-24.97%
20 Day Average Volume	340,977	128,048	2,567,149	957,525	313,105	54,442
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-78.59%	0.00%	0.00%
(F1) EPS Est 4 week change	-12.26%	-6.51%	-6.96%	-80.17%	-2.84%	-8.05%
(F1) EPS Est 12 week change	-15.20%	-9.48%	-13.90%	-81.97%	-3.30%	-18.02%
(Q1) EPS Est Mthly Chg	-17.96%	-7.71%	-13.62%	-32.86%	-10.91%	-0.23%

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	C
Momentum Score	D
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.

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