

Voya Financial, Inc.(VOYA)

\$40.77 (As of 05/15/20)

Price Target (6-12 Months): **\$45.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/15/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: C

Summary

Voya's core businesses are expected to drive its earnings. These businesses are higher-growth, higher-return, capital-light businesses, boasting a solid presence. Banking on organic growth, cost savings and capital deployment, Voya is well poised for growth. Expansion of distribution network and achievement of efficiencies through automation should drive performance. Shares of Voya have underperformed its industry in the past year. Yet, its cost-cutting initiatives on strategic efforts should aid margin expansion. However, continued weakness in Individual Life resulted in its discontinuation. Sales are expected to slow down due to the pandemic. High leverage due to high debt level and lower interest coverage ratio concern. First-quarter 2020 bottom line beat estimates on solid Employee Benefits results and share buybacks.

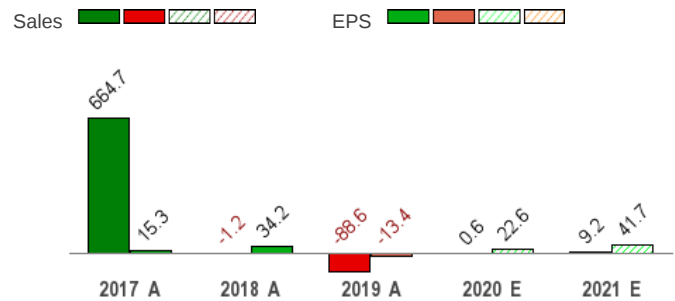
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$63.81 - \$29.75
20 Day Average Volume (sh)	1,300,116
Market Cap	\$5.1 B
YTD Price Change	-33.1%
Beta	1.44
Dividend / Div Yld	\$0.60 / 1.5%
Industry	Insurance - Life Insurance
Zacks Industry Rank	Bottom 39% (156 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	26.4%
Last Sales Surprise	0.4%
EPS F1 Est- 4 week change	-1.8%
Expected Report Date	NA
Earnings ESP	-6.9%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	239 E	270 E	272 E	280 E	1,063 E
2020	225 A	235 E	252 E	262 E	973 E
2019	249 A	317 A	187 A	276 A	967 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.21 E	\$1.55 E	\$1.56 E	\$1.77 E	\$6.08 E
2020	\$1.10 A	\$1.01 E	\$1.12 E	\$1.33 E	\$4.29 E
2019	\$1.07 A	\$1.52 A	\$1.36 A	\$1.19 A	\$3.50 A

*Quarterly figures may not add up to annual.

P/E TTM	7.9
P/E F1	9.5
PEG F1	0.4
P/S TTM	0.6

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/15/2020. The reports text is as of 05/18/2020.

Overview

Incorporated in 1999 and is based in New York, Voya Financial, Inc. operates as a retirement, investment, and employee benefits company in the United States.

The company was formerly known as ING U.S., Inc. and changed its name to Voya Financial, Inc. in April 2014.

Through its complementary set of businesses, Voya Financial help customers save, grow, protect and enjoy their wealth to and through retirement. The company offers products and services through a broad group of financial intermediaries, independent producers, affiliated advisors and dedicated sales specialists throughout the United States.

As of Dec 31, 2019, the company had \$602.8 billion in asset under management, asset under administration and total shareholders' equity, excluding accumulated other comprehensive income/loss ("AOCI"), of \$6.1 billion.

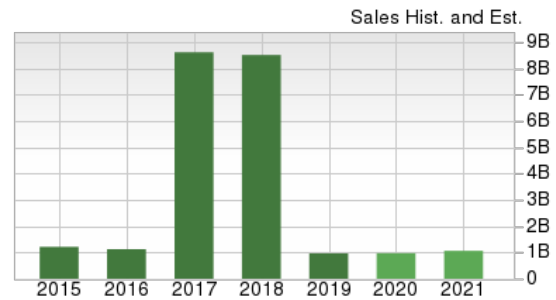
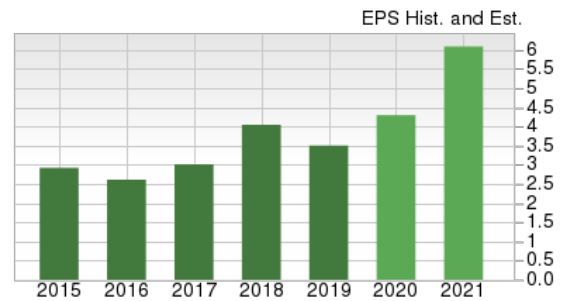
The company operates through four segments.

Retirement (accounts for 50.1% of adjusted operating revenue in 2019) is a leading provider of retirement products and services. It focuses on guiding Americans to greater retirement readiness through employer-sponsored savings plans and holistic retirement and income guidance.

Investment Management (12.5%) is a leading, active asset management firm servicing both affiliated and external institutions as well as individual investors.

Employee Benefits (37.4%) is a top provider of stop loss coverage in the United States. It also provides a comprehensive and highly flexible portfolio of life, disability, voluntary insurance products, and health savings and spending accounts to businesses through the workplace.

In October 2018, Voya Financial concluded a strategic review of its Individual Life bus



Reasons To Buy:

▲ **Solid Segment Projection:** Voya's core businesses — Retirement, Investment Management and Employee Benefits — are expected to drive the company's earnings. These businesses are higher-growth, higher-return, capital-light businesses boasting a solid presence. Expansion of distribution network and achievement of efficiencies through automation should help the company outperform the industry.

However, given the impact of pandemic, the company expects sales to slow down across all its business though higher retention should provide cushion.

Voya Financial is poised to grow its earnings given its focus on high-growth, high-return, capital-light businesses, solid market presence, cost savings and effective capital deployment.

▲ **Cost Savings:** The company has been focusing on lowering costs for margin expansion. Though benefits and expenses declined 4.6% year over year in the first quarter of 2020, we expect the company to generate high cost savings going forward on the back of strategic initiatives. Voya expects to achieve run-rate cost savings of at least \$250 million by 2020 end.

▲ **Strong Capital Position:** The company's risk-based capital ratio of 455% is above the new target of 400%. The company expects total free cash flow conversion of 85% to 95% that should continue to support excess capital generation. It had excess capital of \$612 million as of Mar 31, 2020. This financial flexibility provides strength to the company.

▲ **Capital Deployment:** Operational excellence has been helping the company deploy capital for enhancing shareholders' value. Its board authorized an extra buyback of worth \$800 million common stock in October 2019. Since the company's IPO in 2013, the company paid back more \$6 billion of capital to its shareholders, amounting to more than half of its original outstanding shares. Also, by hiking dividend by 1400% to 15 cents in August, 2019, Voya achieved its dividend yield target of at least 1%. Increasing the dividend will help broaden the company's investor base, and will increase its attractiveness.

The company expects to close Individual Life transaction by the third quarter of 2020 and from that it expects \$1.5 billion of deployable capital.

▲ **Share Price:** Shares of Voya Financial have underperformed its industry year to date. Nevertheless, we believe that the company's strong fundamentals are likely to drive shares going forward.

Reasons To Sell:

▼ **Soft Individual Life Results:** The segment has been experiencing lower premiums over the last few years while expenses have been on the rise. The company incurred adjusted pre-tax loss in 2018 versus earnings in the prior years. Thus, following a strategic review, the company decided to stop selling individual life insurance. In the last reported quarter, the company suffered due to unfavourable mortality experience, discontinued sales, net of reserve changes and unlocking impact in its Individual Life segment. In December 2019, the company entered into an agreement to dispose of substantially all of the Individual Life and other closed block non-retirement annuities businesses (the "Individual Life Transaction").

Soft Individual Life results experiencing lower premiums and higher expenses over the last few years and high financial leverage coupled with lower interest coverage ratio are concerns

▼ **High Financial Leverage:** The company has been witnessing increase in financial leverage over the last few years. Its debt-to-capital ratio of 32.1 at first-quarter end deteriorated from 30.4 in 2019 end and is way higher than the industry average of 11.7. Also, high leverage indicates higher interest payment. In the first quarter of 2020, times interest earned stands at 3.4%, lower than 3.6% reported in the fourth quarter of 2019 and industry's measure of 17.9%. The company's high debt level and reduced interest servicing capability raises financial risk.

▼ **Return on Equity:** Voya Financial return on equity of 7.4% compares unfavorably with the industry average of 14.2%. Return on equity is a profitability measure that shows how efficiently the company is utilizing shareholders' money.

Last Earnings Report

Voya Financial's Q1 Earnings Beat Estimates, Up Y/Y

Voya Financial's first-quarter 2020 net operating income of \$1.10 per share beat the Zacks Consensus Estimate by 26.4%. Further, the bottom line improved 2.8% year over year.

The company's results benefited from organic growth across all business units and strong underwriting results in Employee Benefits segment.

Voya Financial's revenues of \$225 million surpassed the Zacks Consensus Estimate by 0.4%. However, the top line declined 9.6% from the year-ago quarter.

Assets under management and administration were \$538 billion as of Mar 31, 2020.

Segmental Update

Retirement's adjusted operating earnings of \$124 million decreased 3.9% year over year due to negative DAC/VOBA and other intangibles unlocking, lower investment spreads and higher administrative expenses.

Investment Management posted adjusted operating earnings of \$40 million, up 17.6% year over year due to higher fee-based margin driven by positive net flows and strong investment capital revenues. It generated \$3.1 billion of institutional net flows in the first quarter, which soared 179% year over year.

Employee Benefits' adjusted operating earnings were \$61 million, up 60.5% year over year on the back of improved underwriting results, courtesy of growth in the Voluntary block and improvement in the loss ratio for Group Life, Stop Loss and Voluntary.

Corporate incurred adjusted operating losses of \$91 million, narrower than the year-ago quarterly loss of \$100 million. This can be attributed to reduced pension costs and elimination of expenses related to divestiture of most of the company's annuity businesses in 2018.

Share Repurchase and Dividend Update

In first-quarter 2020, Voya Financial repurchased shares worth \$406 million. The company has \$280 million left under its existing share buyback program as of Mar 31, 2020.

Last month, the company approved a quarterly dividend of 15 cents per share. The dividend will be paid on Jun 26, 2020 to shareholders of record as on May 29.

Financial Update

Voya Financial exited the first quarter with \$612 million in excess capital.

2020 Outlook for Cost Savings Unchanged

Despite the COVID-19-induced financial market volatility, Voya Financial retains its cost savings target for 2020. By the end of this year, it plans to achieve cost savings of at least \$250 million.

Quarter Ending 03/2020

Report Date	May 05, 2020
Sales Surprise	0.36%
EPS Surprise	26.44%
Quarterly EPS	1.10
Annual EPS (TTM)	5.17

Recent News

Voya Financial to Assist Americans Amid Coronavirus Crisis – Apr 1, 2020

Voya Financial has declared certain steps to assist Americans facing financial problems as a result of the novel coronavirus pandemic. The company is offering its customers withdrawal and loan fee-credits in a bid to overcome financial challenges. Voya will rebate fees associated with coronavirus-related distributions allowed under the recently passed Coronavirus Aid, Relief, and Economic Security (CARES) Act, hardship distribution fees and loan initiation fees from Apr 1 through Sep 30 to participants in the defined contribution (DC) plans.

Valuation

Voya Financial shares are down 30.4% in the year-to-date period and 20.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 34.9% and 29.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 26.1% and 22.6%, respectively.

The S&P 500 index is down 11% in the year-to-date period but up 0.8% in the past year.

The stock is currently trading at 0.62x trailing 12-month book value, which compares to 1.09x for the Zacks sub-industry, 2.25x for the Zacks sector and 3.91x for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.89x and as low as 0.29x, with a 5-year median of 0.59x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$45 price target reflects 0.65x trailing 12-month book value.

The table below shows summary valuation data for VOYA

Valuation Multiples -VOYA					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	0.62	1.09	2.25	3.91
	5-Year High	0.89	2.58	2.9	4.56
	5-Year Low	0.29	0.91	1.71	2.83
	5-Year Median	0.59	1.82	2.53	3.65
P/S F12M	Current	5.13	1.74	5.81	3.24
	5-Year High	8.11	10.81	6.7	3.44
	5-Year Low	3.8	1.7	4.99	2.53
	5-Year Median	6.06	3.4	6.05	3.01
P/E F12M	Current	8.2	6.76	14.67	20.84
	5-Year High	16.94	14.9	16.18	20.87
	5-Year Low	6.04	5.62	11.58	15.23
	5-Year Median	9.53	10.40	13.94	17.49

As of 05/15/2020

Industry Analysis Zacks Industry Rank: Bottom 39% (156 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
American Equity Investment Life Holding Company (AEL)	Neutral	2
Athene Holding Ltd. (ATH)	Neutral	3
Brighthouse Financial, Inc. (BHF)	Neutral	3
FGL Holdings (FG)	Neutral	4
Manulife Financial Corp (MFC)	Neutral	4
Primerica, Inc. (PRI)	Neutral	3
Reinsurance Group of America, Incorporated (RGA)	Neutral	4
Sun Life Financial Inc. (SLF)	Neutral	3

Industry Comparison Industry: Insurance - Life Insurance				Industry Peers		
	VOYA	X Industry	S&P 500	ATH	BHF	PRI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	C	C	A
Market Cap	5.14 B	2.63 B	18.98 B	4.38 B	2.63 B	4.06 B
# of Analysts	10	4	14	4	4	2
Dividend Yield	1.47%	0.10%	2.21%	0.00%	0.00%	1.58%
Value Score	D	-	-	A	A	B
Cash/Price	0.21	0.39	0.06	1.67	1.71	0.07
EV/EBITDA	9.28	2.54	11.60	-0.84	-1.61	4.88
PEG Ratio	0.41	1.02	2.58	1.31	NA	NA
Price/Book (P/B)	0.62	0.60	2.59	0.42	0.13	2.65
Price/Cash Flow (P/CF)	6.67	5.35	10.28	1.92	3.52	6.64
P/E (F1)	9.92	8.29	19.01	5.51	3.14	11.37
Price/Sales (P/S)	0.64	0.50	1.92	0.35	0.18	1.95
Earnings Yield	10.52%	12.08%	5.06%	18.16%	31.82%	8.79%
Debt/Equity	0.62	0.15	0.75	0.09	0.21	0.04
Cash Flow (\$/share)	6.11	2.32	7.01	12.88	7.58	15.25
Growth Score	F	-	-	D	D	A
Hist. EPS Growth (3-5 yrs)	16.39%	10.22%	10.82%	10.57%	NA	23.51%
Proj. EPS Growth (F1/F0)	22.66%	-11.67%	-10.48%	-35.48%	225.67%	5.58%
Curr. Cash Flow Growth	-9.95%	9.95%	5.68%	90.17%	30.25%	9.74%
Hist. Cash Flow Growth (3-5 yrs)	-9.01%	8.98%	8.52%	27.22%	NA	13.51%
Current Ratio	0.15	0.23	1.27	0.64	0.72	0.53
Debt/Capital	38.19%	12.60%	44.25%	8.56%	17.60%	3.49%
Net Margin	-6.66%	6.76%	10.54%	13.47%	33.37%	17.27%
Return on Equity	7.37%	7.28%	16.29%	7.50%	6.34%	23.10%
Sales/Assets	0.05	0.10	0.54	0.11	0.07	0.16
Proj. Sales Growth (F1/F0)	-5.43%	0.00%	-2.55%	-9.41%	20.84%	3.61%
Momentum Score	C	-	-	F	F	C
Daily Price Chg	0.89%	0.23%	0.20%	0.74%	1.37%	0.02%
1 Week Price Chg	2.12%	2.42%	3.23%	9.20%	16.27%	8.69%
4 Week Price Chg	-1.43%	1.96%	0.88%	4.36%	26.81%	10.05%
12 Week Price Chg	-35.92%	-34.94%	-23.26%	-50.41%	-43.68%	-25.80%
52 Week Price Chg	-23.94%	-23.94%	-12.56%	-43.26%	-30.47%	-19.24%
20 Day Average Volume	1,300,116	328,139	2,553,422	1,910,959	1,425,911	243,133
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-1.91%	-1.99%	0.00%
(F1) EPS Est 4 week change	-1.76%	-5.59%	-5.57%	-6.76%	-1.99%	-0.84%
(F1) EPS Est 12 week change	-11.60%	-15.69%	-16.22%	-36.44%	-15.62%	-6.07%
(Q1) EPS Est Mthly Chg	-6.26%	-15.44%	-11.63%	-15.44%	-19.33%	-7.73%

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	D
Growth Score	F
Momentum Score	C
VGM Score	F

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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