

Voya Financial, Inc.(VOYA)

\$50.87 (As of 08/18/20)

Price Target (6-12 Months): **\$54.00**

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:D

Value: C

Growth: F

Momentum: D

Summary

Voya Financial's core businesses are expected to drive its earnings. These businesses are higher-growth, higher-return, and 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 outperformed its industry in a year's time. Cost-cutting initiatives of the company on strategic efforts should assist in margin expansion. However, continued weak performance in Individual Life segment 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 concerns. Also, lower return on equity poses financial risk for the company.

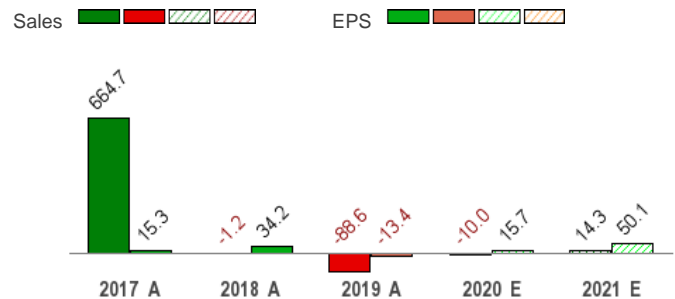
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$63.81 - \$29.75
20 Day Average Volume (sh)	976,391
Market Cap	\$6.4 B
YTD Price Change	-16.6%
Beta	1.43
Dividend / Div Yld	\$0.60 / 1.2%
Industry	Insurance - Life Insurance
Zacks Industry Rank	Top 46% (115 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	34.6%
Last Sales Surprise	-58.0%
EPS F1 Est- 4 week change	-13.0%
Expected Report Date	11/03/2020
Earnings ESP	-10.2%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	229 E	250 E	255 E	260 E	994 E
2020	225 A	93 A	241 E	245 E	870 E
2019	249 A	317 A	187 A	276 A	967 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.20 E	\$1.47 E	\$1.52 E	\$1.70 E	\$6.08 E
2020	\$1.10 A	\$1.09 A	\$1.29 E	\$1.40 E	\$4.05 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	10.7
P/E F1	12.6
PEG F1	0.5
P/S TTM	0.9

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/18/2020. The reports text is as of 08/19/2020.

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.

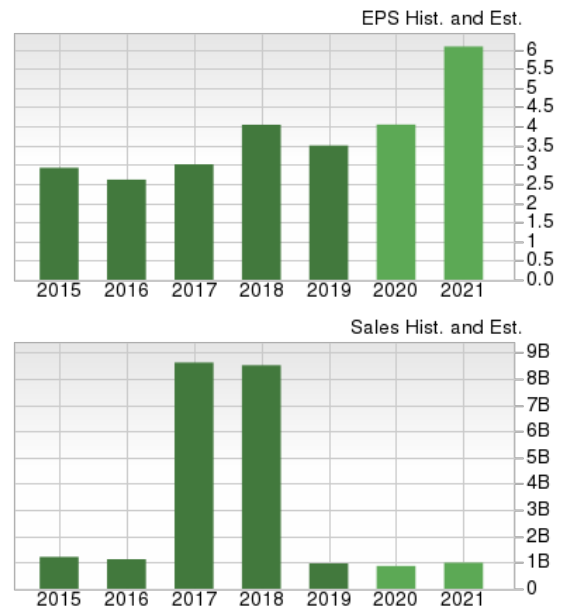
The company operates through four segments.

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:

- ▲ **Share Price:** Shares of Voya Financial have outperformed its industry in the past year. We believe that the company's strong fundamentals are likely to drive shares going forward.
- ▲ **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.

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.

However, given the impact of the pandemic, the company expects sales to slow down across all its business though higher retention should provide cushion. The company expects improved Employee Benefit net underwriting in the third quarter and estimates the bottom line to be about \$1.20.

- ▲ **Cost Savings:** The company has been focusing on lowering costs for margin expansion. Though benefits and expenses declined 2.7% year over year in the first half of 2020, we expect the company to generate high cost savings going forward on the back of strategic initiatives. Voya achieved run-rate cost savings of at least \$250 million by 2020 end. Voya expect administrative expenses to be in the range of \$840 million to \$850 million for the Retirement segment in 2020. The company estimates further savings and believes its cost management efforts should gain momentum as it addresses the stranded costs associated with the sale of individual life.
- ▲ **Strong Capital Position:** The company's risk-based capital ratio of 486% is above the new target of 400%. The company expects total free cash flow conversion at the high end of 85% to 95% range that should continue to support excess capital generation. It had excess capital of \$686 million as of Jun 30, 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.

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 unfavorable 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").
- ▼ **High Financial Leverage:** The company has been witnessing increase in financial leverage over the last few years. Its debt-to-capital ratio of 31.1 at second-quarter end deteriorated from 30.2 in 2019 end and is way higher than the industry average of 12.2. Also, high leverage indicates higher interest payment. In the second quarter of 2020, times interest earned was 2%, lower than the year-ago quarter's figure of 3.4% and industry's measure of 14.2%. The company's high debt level and reduced interest servicing capability raises financial risk. The company targets debt-to-capital ratio of 30%.
- ▼ **Return on Equity:** Voya Financial's return on equity of 6.6% compares unfavorably with the industry average of 11.5% and is lower than year-ago quarter's figure of 8.5%. Return on equity is a profitability measure that shows how efficiently the company is utilizing shareholders' money.

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

Last Earnings Report

Voya Financial Q2 Earnings Beat, Revenues Fall Y/Y

Voya Financial's second-quarter 2020 net operating income of \$1.09 per share beat the Zacks Consensus Estimate by 34.6%. However, the bottom line declined 28.3% year over year. The results reflect poor performance in each of its core businesses.

The company's revenues of \$93 million declined 70.7% from the year-ago quarter.

Net investment income dipped 17.6% to \$586 million in the quarter.

Fee income declined 5.2% year over year to \$458 million. Premiums rose 5.2% year over year to \$607 million.

Total benefits and expenses decreased 0.8% year over year to \$1.7 billion, owing to lower operating expenses, net amortization of DAC/VOBA, interest expenses and reduced operating expenses related to consolidated investment entities.

Assets under management and administration were \$606 billion as of Jun 30, 2020.

Segmental Update

Retirement's adjusted operating earnings of \$37 million decreased 79.4% year over year due to lower fee-based margin primarily on lower bank sweep revenues, lower investment income, higher administrative expenses, offset by positive DAC/VOBA and other intangibles.

Investment Management posted adjusted operating earnings of \$20 million, down 51.2% year over year due to lower fee-based margin, primarily driven by lower retail fee revenues and lower investment capital revenues, offset by lower administrative expenses.

It generated \$7.1 billion of institutional net flows in the second quarter, which soared 821% year over year.

Employee Benefits' adjusted operating earnings were \$36 million, down 26.5% year over year due to lower investment income and higher administrative expenses, offset by improved underwriting results, courtesy of growth in the Voluntary block and improvement in the loss ratio for Stop Loss.

Corporate incurred adjusted operating losses of \$75 million, narrower than the year-ago quarterly loss of \$80 million, owing to the removal of stranded costs associated with the company's sale of the majority of its annuities businesses, and lower pension and incentive costs in the reported quarter. It was partially offset by a quarterly dividend payment on the additional preferred stock issued by Voya Financial in the second quarter of 2019 and lower revenues from transition service agreements.

Financial Update

As of Jun 30, 2020, cash and cash equivalents were \$1.1 billion, down 5.8% year over year.

As of Jun 30, 2020, total investments were \$55.5 billion, up 4.9% year over year.

At the second-quarter end, long-term debt was \$3 billion, up 0.03% from 2019 end.

Adjusted debt to capital expanded 200 bps to 32.4% from 2019 end.

As of Jun 30, 2020, book value per share (excluding AOCI) was \$38.83, down 6% from 2019 end.

Voya Financial exited the second quarter with \$668 million in excess capital.

Estimated combined RBC ratio was 468% as on Jun 30, 2020.

Dividend Update

Last month, the company approved a quarterly dividend of 15 cents per share. The dividend will be paid out on Sep 28, 2020, to shareholders of record as of Aug 31.

Quarter Ending 06/2020

Report Date	Aug 05, 2020
Sales Surprise	-58.01%
EPS Surprise	34.57%
Quarterly EPS	1.09
Annual EPS (TTM)	4.74

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 16.6% in the year-to-date period but up 2.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 17.2% and 16.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 2.7% and 6.6%, respectively.

The S&P 500 index are up 5.2% in the year-to-date period and 17.1% in the past year.

The stock is currently trading at 0.62x trailing 12-month book value, which compares to 2.5x for the Zacks sub-industry, 2.47x for the Zacks sector and 4.45x 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 0.61x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$54 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	2.5	2.47	4.45
	5-Year High	0.89	2.53	2.91	4.56
	5-Year Low	0.29	0.91	1.72	2.83
	5-Year Median	0.61	1.82	2.53	3.75
P/S F12M	Current	6.77	1.81	6.22	3.72
	5-Year High	8.11	10.81	6.67	3.72
	5-Year Low	3.8	1.69	4.97	2.53
	5-Year Median	5.99	3.29	6.06	3.05
P/E F12M	Current	9.54	8.23	16.59	22.91
	5-Year High	16.59	14.89	16.59	22.91
	5-Year Low	6.04	5.51	11.6	15.25
	5-Year Median	9.46	10.23	14.26	17.58

As of 08/18/2020

Industry Analysis Zacks Industry Rank: Top 46% (115 out of 252)



Top Peers

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

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	D	-	-	B	C	B
Market Cap	6.42 B	5.59 B	23.71 B	7.04 B	2.80 B	5.21 B
# of Analysts	2	4	14	3	2	2
Dividend Yield	1.18%	0.08%	1.63%	0.00%	0.00%	1.21%
Value Score	C	-	-	B	A	B
Cash/Price	0.19	0.58	0.07	11.88	3.96	0.07
EV/EBITDA	10.06	2.73	13.45	-23.67	3.81	6.28
PEG Ratio	0.52	0.88	3.01	NA	NA	NA
Price/Book (P/B)	0.62	0.62	3.18	0.45	0.14	3.22
Price/Cash Flow (P/CF)	8.32	5.90	12.70	2.81	3.97	8.65
P/E (F1)	12.65	11.18	21.98	6.56	4.35	14.18
Price/Sales (P/S)	0.87	0.62	2.46	0.44	0.19	2.48
Earnings Yield	7.96%	8.98%	4.33%	15.23%	23.00%	7.05%
Debt/Equity	0.45	0.16	0.76	0.10	0.19	0.03
Cash Flow (\$/share)	6.11	3.00	6.94	12.88	7.58	15.25
Growth Score	F	-	-	C	F	C
Hist. EPS Growth (3-5 yrs)	18.26%	9.13%	10.44%	1.52%	NA	23.20%
Proj. EPS Growth (F1/F0)	15.57%	-15.36%	-5.97%	-20.41%	202.29%	10.32%
Curr. Cash Flow Growth	-9.95%	20.42%	5.22%	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	0.14	0.25	1.33	0.57	0.66	0.54
Debt/Capital	31.13%	13.58%	44.50%	8.68%	15.95%	3.22%
Net Margin	-11.29%	6.17%	10.13%	13.50%	33.37%	17.29%
Return on Equity	6.56%	6.56%	14.59%	7.93%	4.55%	23.12%
Sales/Assets	0.04	0.11	0.51	0.11	0.07	0.15
Proj. Sales Growth (F1/F0)	-15.45%	0.00%	-1.54%	-1.86%	16.51%	5.94%
Momentum Score	D	-	-	B	D	A
Daily Price Chg	-0.68%	-0.68%	-0.41%	-1.58%	-3.06%	-1.21%
1 Week Price Chg	2.66%	2.80%	1.09%	4.29%	4.72%	3.36%
4 Week Price Chg	3.33%	4.93%	3.41%	7.12%	2.73%	10.28%
12 Week Price Chg	13.93%	11.27%	9.80%	25.61%	-4.84%	14.82%
52 Week Price Chg	2.40%	-7.09%	3.43%	-6.21%	-13.77%	11.70%
20 Day Average Volume	976,391	181,874	1,894,669	1,457,055	672,713	142,519
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-13.02%	0.00%	1.86%	17.74%	-15.45%	4.49%
(F1) EPS Est 12 week change	-15.82%	0.00%	2.86%	24.35%	-15.91%	4.49%
(Q1) EPS Est Mthly Chg	11.68%	1.17%	0.80%	0.88%	1.46%	1.47%

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	F
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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