

Voya Financial, Inc.(VOYA)

\$41.47 (As of 03/30/20)

Price Target (6-12 Months): **\$44.00**

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: C

Growth: F

Momentum: D

Summary

Voya Financial'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, the company is well poised for growth. Expansion of distribution network and achievement of efficiencies through automation should drive performance. Shares of Voya Financial have underperformed its industry in the past year. Nevertheless, its cost-cutting initiatives on strategic efforts should aid margin expansion. However, continued weakness in Individual Life resulted in its discontinuation. The company's high leverage due to high debt level and lower interest coverage ratio is a concern. Lower return on assets affects the capability of the company's assets in generating revenues.

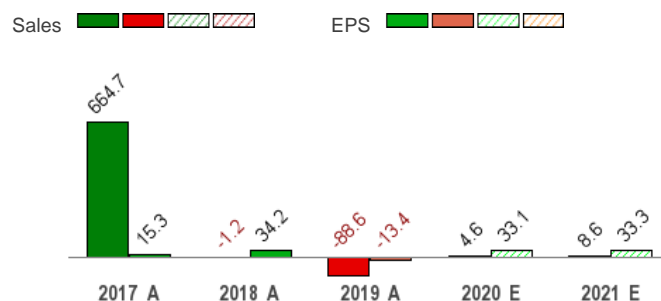
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$63.81 - \$29.75
20 Day Average Volume (sh)	3,035,138
Market Cap	\$5.6 B
YTD Price Change	-32.0%
Beta	1.46
Dividend / Div Yld	\$0.60 / 1.4%
Industry	Insurance - Life Insurance
Zacks Industry Rank	Top 22% (55 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	7.2%
Last Sales Surprise	3.0%
EPS F1 Est- 4 week change	-4.9%
Expected Report Date	05/05/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	245 E	278 E	283 E	292 E	1,098 E
2020	218 E	252 E	263 E	279 E	1,011 E
2019	249 A	317 A	187 A	276 A	967 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.45 E	\$1.30 E	\$1.60 E	\$1.62 E	\$6.21 E
2020	\$1.12 E	\$0.89 E	\$1.15 E	\$1.16 E	\$4.66 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	8.1
P/E F1	8.9
PEG F1	0.4
P/S TTM	0.7

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/30/2020. The reports text is as of 03/31/2020.

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.

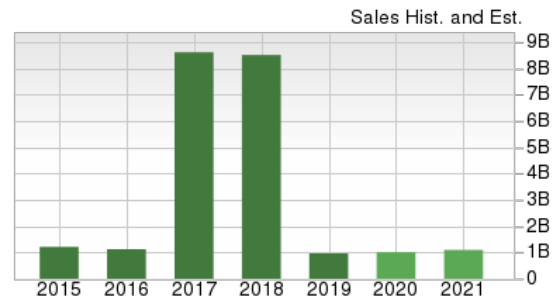
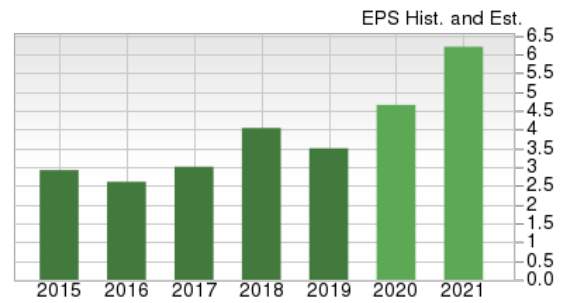
The company operates through four segments.

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.
- ▲ **EPS Growth:** The company remains committed to its goal of annual EPS growth through a combination of organic growth, cost savings, and capital deployment. With continued focus on growth, it expects normalized adjusted operating earnings per share (EPS) to reach a quarterly run rate of \$1.80 to \$1.90 by the end of 2021. It remains committed to grow normalized adjusted operating EPS by at least 10% in both 2020 and 2021. The company expects to achieve further organic growth in 2020 and 2021.
- ▲ **Cost Savings:** The company has been focusing on lowering costs for margin expansion. Although its total benefits and expenses rose 4.3% year over year in 2019, 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 450% 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 \$896 million as of Dec 31, 2019. 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 about \$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 expects to achieve its dividend yield target of at least 1%. Increasing the dividend will help broaden the company's investor base, and will increase its attractiveness.
- ▲ **Share Price:** Shares of Voya Financial have underperformed its industry in a year. Nevertheless, we believe that the company's strong fundamentals are likely to drive shares going forward.

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.

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").
- ▼ **High Financial Leverage:** The company has been witnessing increase in financial leverage over the last few years. Its debt-to-equity ratio of 43.2% is way higher than the industry average of 13.2%. Also, high leverage indicates higher interest payment. However, in 2019, interest expense reduced 20.4% year over year. Its times interest earned stands at 3.6%, lower than its industry's average of 17.9%. The company's high debt level and reduced interest servicing capability raises financial risk.
- ▼ **Return on Assets:** Voya Financial return on assets is 0.5%, lower than the industry average of 1.4%. Return on assets shows the percentage of how profitable a company's assets are in generating revenue.

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 Beats Q4 Earnings & Revenue Estimates

Voya Financial, Inc.'s VOYA fourth-quarter 2019 net operating income of \$1.19 per share beat the Zacks Consensus Estimate by 7.21%. Results gained from the elimination of stranded costs related to the sale of the majority of its annuity business in 2018. However, the bottom line declined 9.8% year over year.

The company's revenues of \$276 million surpassed the Zacks Consensus Estimate by 3%. The top line was driven by strong performance in Investment Management and Employee Benefits segments. However, revenues declined 87.4% from the year-ago quarter due to rise in operating expenses.

Assets under management and administration were \$603 billion as of Dec 31, 2019.

Business Update

On Dec 18, 2019, Voya Financial agreed to substantially sell all its individual life and other legacy non-retirement annuities businesses to Resolution Life Group Holdings.

Presently, the company reports results under the following segments — Retirement, Investment Management, Employee Benefits and Corporate.

Segmental Performance

Retirement's adjusted operating earnings of \$162 million decreased 4.7% year over year on negative DAC/VOBA and other intangibles unlocking, higher fee-based margins due to strong commercial impetus in business and higher equity markets, lower investment income, and higher administrative expenses.

Investment Management posted adjusted operating earnings of \$59 million, up 34.1% year over year on higher fee-based margin, driven by higher Institutional fees from positive net flows and lower investment capital revenues. It generated \$520 million of institutional net flows.

Employee Benefits' adjusted operating earnings were \$55 million, up 27.9% year over year on higher underwriting results, primarily driven by growth in the Voluntary block as well as improvement in the loss ratio for Group Life and higher administrative expenses.

Corporate incurred adjusted operating loss of \$98 million. The figure remained flat with the year-ago quarterly loss.

Share Repurchase and Dividend Update

In the fourth quarter of 2019, Voya Financial inked a \$200-million accelerated share repurchase (ASR) agreement. Of the total, \$160 million shares have been bought back in the fourth quarter. The remaining \$40 million are expected to be purchased in the first quarter of 2020.

The company announced a quarterly dividend of 15 cents per share, payable Mar 27, 2020, to shareholders of record as of Feb 28, 2020.

Financial Update

Voya Financial exited the fourth quarter with \$896 million in excess capital.

For the year ended Dec 31, 2019, net loss was \$379 million against net income of \$875 million reported a year ago.

Quarter Ending 12/2019

Report Date	Feb 10, 2020
Sales Surprise	2.99%
EPS Surprise	7.21%
Quarterly EPS	1.19
Annual EPS (TTM)	5.14

Recent News

Voya Financial in Talks with Insurance Groups to Sell Business – Jan 9, 2020

Voya Financial, Inc. is considering selling its business to other insurance groups.

This divestiture could value the U.S. retirement and insurance plan provider at \$10 billion or more, which is above its current market capitalization of \$8 billion.

Voya Financial to Divest Businesses to Resolution Life - Dec 18, 2019

Voya Financial has agreed to sell substantially all its individual life and other legacy non-retirement annuities businesses to Resolution Life Group Holdings. The deal, following the fulfillment of certain approvals and conditions, is expected to be completed in the third quarter of 2020.

Voya's Collaboration Center to Start in Braintree, MA — Nov 21, 2019

Voya has announced the opening of its collaboration center in the company's Braintree, MA, office.

Voya Financial Declares Common and Preferred Stock Dividends — Nov 1, 2019

Voya Financial recently announced a common stock dividend of 15 cents per share for the fourth quarter of 2019, payable Dec 27, 2019 to its shareholders of record as of Nov 29, 2019.

It also declared a quarterly dividend of \$13.3750 per share on the company's Series B 5.35% fixed-rate reset non-cumulative preferred stock, payable Dec 16, 2019 to its shareholders of record as of Nov 29, 2019.

Valuation

Voya Financial shares are down 32% in the year-to-date period and down 19% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 34.4% and 28.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 29.9% and 21.4%, respectively.

The S&P 500 index is down 21.1% in the year-to-date period and down 11.8% in the past year.

The stock is currently trading at 0.6x trailing 12-month book value, which compares to 1.1x for the Zacks sub-industry, 2x for the Zacks sector and 3.4x for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.9x and as low as 0.3x, with a 5-year median of 0.6x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$44 price target reflects 0.6x 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	0.55	1.09	1.98	3.42
	5-Year High	0.89	2.59	2.9	4.55
	5-Year Low	0.29	0.9	1.69	2.85
	5-Year Median	0.57	1.84	2.52	3.63
P/S F12M	Current	5.36	2.20	5.99	2.75
	5-Year High	8.11	10.81	6.64	3.43
	5-Year Low	3.8	2.20	5.38	2.54
	5-Year Median	6.12	3.44	6.04	3
P/E F12M	Current	7.92	5.63	11.35	15.48
	5-Year High	16.94	15.13	16.21	19.34
	5-Year Low	6.49	5.62	11.35	15.18
	5-Year Median	9.6	10.97	13.97	17.42

As of 03/30/2020

Industry Analysis Zacks Industry Rank: Top 22% (55 out of 254)



Top Peers

American Equity Investment Life Holding Company (AEL)	Outperform
Primerica, Inc. (PRI)	Outperform
Athene Holding Ltd. (ATH)	Neutral
Brighthouse Financial, Inc. (BHF)	Neutral
Genworth Financial, Inc. (GNW)	Neutral
Reinsurance Group of America, Incorporated (RGA)	Neutral
Sun Life Financial Inc. (SLF)	Neutral
Manulife Financial Corp (MFC)	Underperform

Industry Comparison Industry: Insurance - Life Insurance				Industry Peers		
	VOYA Neutral	X Industry	S&P 500	ATH Neutral	BHF Neutral	GNW Neutral
VGM Score	F	-	-	C	C	-
Market Cap	5.59 B	2.68 B	18.21 B	4.68 B	2.68 B	2.04 B
# of Analysts	5	3	13	5	4	0
Dividend Yield	1.45%	0.31%	2.3%	0.00%	0.00%	0.00%
Value Score	C	-	-	A	A	-
Cash/Price	0.25	0.65	0.06	1.77	1.82	1.77
EV/EBITDA	8.87	1.89	11.22	-0.75	-1.66	1.55
PEG Ratio	0.36	0.62	1.74	0.37	NA	NA
Price/Book (P/B)	0.55	0.56	2.41	0.33	0.17	0.14
Price/Cash Flow (P/CF)	6.78	5.81	9.70	2.04	3.37	2.74
P/E (F1)	8.80	6.22	15.12	3.69	2.79	NA
Price/Sales (P/S)	0.65	0.51	1.96	0.29	0.41	0.24
Earnings Yield	11.24%	16.11%	6.55%	27.10%	35.85%	NA%
Debt/Equity	0.43	0.13	0.70	0.07	0.27	0.22
Cash Flow (\$/share)	6.11	2.39	7.01	12.88	7.58	1.48
Growth Score	F	-	-	D	F	NA
Hist. EPS Growth (3-5 yrs)	13.59%	9.89%	10.89%	NA	NA	2.35%
Proj. EPS Growth (F1/F0)	33.03%	-0.29%	1.80%	2.68%	235.43%	NA
Curr. Cash Flow Growth	-9.95%	9.38%	5.93%	90.17%	30.25%	87.15%
Hist. Cash Flow Growth (3-5 yrs)	-9.01%	9.46%	8.55%	27.22%	NA	-1.71%
Current Ratio	0.14	0.21	1.23	0.11	0.51	0.28
Debt/Capital	30.15%	12.17%	42.57%	6.56%	21.19%	18.30%
Net Margin	-4.38%	6.39%	11.64%	13.50%	-11.29%	4.07%
Return on Equity	7.21%	7.85%	16.74%	10.56%	6.57%	3.08%
Sales/Assets	0.05	0.10	0.54	0.11	0.03	0.08
Proj. Sales Growth (F1/F0)	-1.75%	0.00%	2.08%	2.61%	19.82%	0.00%
Momentum Score	D	-	-	F	D	-
Daily Price Chg	4.51%	2.41%	2.63%	2.41%	0.95%	8.00%
1 Week Price Chg	24.27%	13.79%	12.32%	53.65%	56.53%	15.74%
4 Week Price Chg	-25.67%	-24.53%	-18.22%	-37.73%	-31.87%	-3.11%
12 Week Price Chg	-30.42%	-30.53%	-23.36%	-43.99%	-32.77%	-8.37%
52 Week Price Chg	-19.02%	-25.43%	-17.22%	-37.36%	-33.26%	1.76%
20 Day Average Volume	3,035,138	467,440	4,211,236	4,060,495	2,172,036	9,594,142
(F1) EPS Est 1 week change	0.00%	0.00%	-0.19%	0.00%	0.00%	NA
(F1) EPS Est 4 week change	-4.90%	-3.96%	-3.07%	-4.55%	-9.06%	NA
(F1) EPS Est 12 week change	-25.27%	-3.49%	-4.15%	-5.58%	-6.91%	NA
(Q1) EPS Est Mthly Chg	-5.81%	-5.82%	-2.28%	-6.00%	-9.83%	NA

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	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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