

Corebridge Financial

4Q23 operating EPS on higher investment income and higher asset levels

Reiterate Rating: BUY | PO: 34.00 USD | Price: 25.34 USD

4Q23 operating earnings of \$1.04

Corebridge's 4Q23 operating result edged our Street high forecast of \$1.03 and beat consensus estimates of \$0.97 while acknowledging the company's results were preannounced with AIG's results on 2/13. Strong results within Individual Retirement, largely from higher base portfolio investment income, more than offset misses in remaining segments. AIG discussed their intention to reduce their ownership prior to 2H24, which will result in deconsolidation of Corebridge's financials from AIG's results.

Fixed annuities drive deposits in Individual Retirement

Premiums/deposits in Individual retirement of \$5.3bn ran well ahead of our estimate for \$4.0bn, with particular strength in fixed annuity sales. Fixed annuity surrender rates of 16.9% declined 80bps sequentially, which is unsurprising given the movement in interest rates. While this lapse rate is elevated, it remains within management's expectations. Deposits/premiums came in ahead of our forecast in Group Retirement and Life Insurance while inflows were in line with our forecast in Institutional Markets.

Specifics around size and timing remain unclear

AIG owned 52.2% of Corebridge as of the end of 2023. Despite guidance from AIG's management of a transaction occurring by the end of 2Q24, timing will be subject to market conditions, and details about the size and type of transaction remain unclear. We believe AIG's equity stake in the company serves as an overhang on the stock's valuation despite Corebridge's execution on delivering strong operating results. Technical headwinds from the separation of Corebridge as well as potential peak margins caused us to downgrade AIG shares to Neutral. We continue to believe Corebridge shares remain attractive at current valuations with the business executing strongly, strong cash generation for share repurchases, and continued expense improvement.

Larger asset levels and higher yields lift EPS estimates

Our forward EPS FY24E-26E rise following higher asset levels as well as higher investment yields in annuities rippling through our model. We increase our PO to \$34 from \$33 despite modest multiple contractions (7.9x, 8x previously). Our price objective is predicated on 70% of the peer group multiple on 2025E earnings. With healthy upside potential to our price objective and a strong focus on capital return as well as potential tailwinds from deconsolidation from AIG expected in 2024, we rate Corebridge Buy.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.66	4.10	5.30	6.15	7.10
GAAP EPS	12.60	1.71	5.09	6.15	7.10
EPS Change (YoY)	-19.4%	12.0%	29.3%	16.0%	15.4%
Consensus EPS (Bloomberg)			4.94	5.84	7.21
DPS	0.46	1.54	0.95	1.00	1.04
Valuation (Dec)					
P/E	6.9x	6.2x	4.8x	4.1x	3.6x
GAAP P/E	2.0x	14.8x	5.0x	4.1x	3.6x
Dividend Yield	1.8%	6.1%	3.7%	3.9%	4.1%

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Timestamp: 20 February 2024 06:00AM EST

20 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	33.00	34.00
2024E EPS	5.10	5.30
2025E EPS	6.00	6.15
2026E EPS	6.90	7.10
2024E DPS	0.96	0.95

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Stock Data

Price	25.34 USD
Price Objective	34.00 USD
Date Established	20-Feb-2024
Investment Opinion	B-1-7
52-Week Range	12.72 USD - 25.45 USD
Mrkt Val (mn) / Shares Out (mn)	15,775 USD / 622.5
Free Float	37.5%
Average Daily Value (mn)	84.58 USD
BofA Ticker / Exchange	CRBG / NYS
Bloomberg / Reuters	CRBG US / CRBG.N
ROE (2024E)	0%
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter™	NLA

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Corebridge Financial

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premiums	5,113	7,694	6,907	5,833	5,846
Net Investment Income	8,758	9,839	11,576	12,013	12,417
Total Revenue	17,955	21,212	22,060	21,400	21,868
Total Cost of Benefits and Claims	(6,734)	(9,368)	(8,698)	(7,684)	(7,795)
S,G & A (Including Commissions)	(568)	(588)	(592)	(604)	(604)
Total Operating Expenses	(14,781)	(18,087)	(18,011)	(17,177)	(17,517)
Pre-Tax Operating Earnings	3,174	3,125	4,049	4,222	4,351
Income Tax Expense	(483)	(546)	(790)	(834)	(848)
Operating Earnings After Tax	2,369	2,645	3,157	3,283	3,396
Net Income (Reported)	2,371	2,647	3,158	3,283	3,394
Diluted Shares	647	645	596	534	478
Operating Earnings Per Share	3.66	4.10	5.30	6.15	7.10
Net Income (Reported) Per Share	12.60	1.71	5.09	6.15	7.10

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Fixed Income Securities	NA	NA	NA	NA	NA
Total Cash and Investments	220,668	233,240	NA	NA	NA
Total Assets	360,322	377,033	382,406	387,576	390,845
Reserves	206,576	219,158	0	0	0
LT Debt	7,868	9,118	9,118	9,118	9,118
Total Liabilities	350,003	364,889	364,889	364,889	364,889
Total Equity	10,319	12,635	17,517	22,687	26,459
Total Equity (Ex FAS 115)	10,319	12,635	17,517	22,687	26,459
Book Value per Share (Reported)	14.54	18.93	29.78	43.52	56.21
Book Value per Share (Ex FAS 115)	40.69	40.57	46.70	54.41	63.95

Ratios (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Expense Ratio	NM	NM	NM	NM	NM
Loss Ratio	NM	NM	NM	NM	NM
Combined Ratio	NA	NA	NA	NA	NA
Avg Assets / Avg Eq (Ex FAS 115) Ratio	19.8x	32.1x	25.2x	19.2x	15.8x

Growth Rates (YoY) (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premium	-9.4%	50.5%	-10.2%	-15.5%	0.2%
Net Investment Income	-11.7%	12.3%	17.7%	3.8%	3.4%
Total Revenue	-12.4%	18.1%	4.0%	-3.0%	2.2%
Operating Earnings per Share	-19.4%	12.0%	29.3%	16.0%	15.4%
Asset	-13.4%	4.6%	1.4%	1.4%	0.8%
Reported Book Value per Share	-65.4%	30.2%	57.3%	46.1%	29.2%

Performance Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Operating ROE	NA	NA	NA	NA	NA
Operating ROE (Ex FAS 115)	NA	NA	NA	NA	NA
Operating Return on Average Assets	0.6%	0.7%	0.8%	0.9%	0.9%
Operating Margin	13.2%	12.5%	14.3%	15.3%	15.5%
Long Term Debt to Cap Ratio (Ex FAS 115)	43.3%	41.9%	34.2%	28.7%	25.6%
Net Income % Operating Income	100.1%	100.1%	100.0%	100.0%	99.9%
Amtz of DAC % Pretax Profit bef Amtz of DAC	24.3%	25.0%	20.9%	20.1%	20.1%

Company Sector

Insurance - Life

Company Description

Corebridge is one of the largest life insurance companies in the United States. Historically, it comprised the life insurance operations of AIG. Corebridge offers various life & retirement protection products across four segments: Individual Retirement, Group Retirement, Life Insurance, and Institutional Markets. Its diversification across market segments, earnings sources, and distribution channels distinguishes it from peers.

Investment Rationale

We have a Buy rating on CRBG as we believe that the current steep discount to the peer group is unmerited. A strong capital management outlook and above-average dividend yield should provide support to the stock, offsetting the overhangs of limited float and market volatility.

Stock Data

Average Daily Volume 3,337,794

Quarterly Earnings Estimates

	2023	2024
Q1	0.97A	1.28E
Q2	1.04A	1.29E
Q3	1.05A	1.35E
Q4	1.04A	1.38E

Price objective basis & risk

Corebridge Financial (CRBG)

Our price objective of \$34 is based on 70% of the 2025E peer group P/E multiple (7.9x). We use a discount to the peer group to reflect a) the overhang of limited float and b) below-average valuations for competitors in the VA market.

Upside risks are accelerated market recovery, higher interest rates, accelerated capital returns to shareholders, an increased savings target, and higher operational synergies from the Blackstone partnership.

Downside risks are a continuation of equity market pressure, lower interest rates, pressures on sales and flows, and challenges executing the savings program.

Analyst Certification

I, Joshua Shanker, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Insurance Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Aflac	AFL	AFL US	Joshua Shanker
	Allstate Corp.	ALL	ALL US	Joshua Shanker
	American International Group	AIG	AIG US	Joshua Shanker
	Arch Capital	ACGL	ACGL US	Joshua Shanker
	Assurant	AIZ	AIZ US	Grace Carter, CFA
	Axis Capital	AXS	AXS US	Joshua Shanker
	BRP Group, Inc.	BRP	BRP US	Joshua Shanker
	Cincinnati Financial Corporation	CINF	CINF US	Grace Carter, CFA
	Corebridge Financial	CRBG	CRBG US	Joshua Shanker
	Everest Group Ltd	EG	EG US	Joshua Shanker
	Intact Financial	YIFC	IFC CN	Grace Carter, CFA
	Intact Financial	IFCZF	IFCZF US	Grace Carter, CFA
	MetLife	MET	MET US	Joshua Shanker
	Progressive	PGR	PGR US	Joshua Shanker
	RenaissanceRe	RNR	RNR US	Joshua Shanker
	The Hartford	HIG	HIG US	Joshua Shanker
	Voya	VOYA	VOYA US	Joshua Shanker
	W.R. Berkley	WRB	WRB US	Joshua Shanker
NEUTRAL				
	Aon	AON	AON US	Joshua Shanker
	Brown & Brown	BRO	BRO US	Grace Carter, CFA
	Lincoln National	LNC	LNC US	Joshua Shanker
	Marsh McLennan	MMC	MMC US	Joshua Shanker
	Principal Financial Group	PFG	PFG US	Joshua Shanker
	Prudential Financial	PRU	PRU US	Joshua Shanker
	The Hanover	THG	THG US	Grace Carter, CFA
	Trupanion	TRUP	TRUP US	Joshua Shanker
	Unum	UNM	UNM US	Joshua Shanker
UNDERPERFORM				
	Arthur J. Gallagher & Co.	AJG	AJG US	Joshua Shanker
	Chubb Ltd	CB	CB US	Joshua Shanker



US - Insurance Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	CNA Financial	CNA	CNA US	Joshua Shanker
	Goosehead Insurance Inc.	GSHD	GSHD US	Joshua Shanker
	Selective	SIGI	SIGI US	Grace Carter, CFA
	Travelers Cos	TRV	TRV US	Joshua Shanker
	Willis Towers Watson	WTW	WTW US	Joshua Shanker

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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Corebridge (CRBG) Price Chart



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Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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