

# Equity Research

WELLS FARGO

Earnings Revised — July 21, 2022

## Commercial Lines Insurance

# The Travelers Companies, Inc. (TRV)

## TRV: Can't Travel Past Investors' High Bar; Conference Call Round-Up

### Our Call

**Summary.** TRV hosted a conference call on 7/21 to discuss Q2 results. The call focused on pricing, underlying trends, its expense ratio, and investment income guide. Our 2022, 2023 and 2024 EPS estimates are now \$12.40, \$15.10 and \$17.00 (from \$11.09, \$14.65 and \$16.50). Our 2022 estimate goes up to reflect higher net investment income in both the fixed and non-fixed portfolio (we are now assuming a -20% return in Q3 in other investments, versus our prior -32%), favorable PYD, and a better expense ratio. For 2023 and 2024, our estimates go higher to reflect a better expense ratio and favorable net investment income, particularly within the fixed income portfolio. Our price target is unchanged at \$180. TRV traded down, even following an EPS beat, which we believe was reflective of the company still seeing loss-trend in BI in the 5.5%-6.0% range and its core pricing (the RRC of 4.9%) falling below this level.

- **Business Insurance color.** Travelers said that earned rate over trend continues to be around one point in Business Insurance (BI). The company did not move off of its 5.5%-6.0% loss trend assumption in the quarter. Within BI, TRV also called out one point of elevated property losses relative to last year, which implies 2.5 points of elevation relative to normal levels (as Q2 2021 saw favorable non-cat weather of 1.5 points), this was offset by business mix and other factors which helped the margin by about 1.5 points and resulted in a flat underlying loss ratio after accounting for the about one point of earned rate over loss trend. The RRC did accelerate modestly sequentially (to 4.9% from 4.3%) due to auto, property and primary GL lines and reflected headwinds the industry is dealing with around inflation and weather.
- **Personal auto discussion.** Within auto, TRV highlighted elevated vehicle replacement and repair costs. The renewal premium change within personal auto was 6.3% in the quarter and TRV expects this to get to double-digits by the Q4. Further, TRV said that PIF growth is starting to decelerate reflective of the rate they are taking. Travelers also flagged the unprecedented environment in auto, including body work CPI, shingles prices and lumber costs. While TRV's result in auto wasn't great (with an underlying combined ratio of 101.8%), given the 102.1% previewed by ALL last night, we do not think investors were surprised by the number. On the frequency side, TRV said it remains in the space of approaching pre-pandemic levels.
- **Other investment hold up much better than expected.** Alternative-related investment income totaled \$197 million in Q2, up when compared to \$142 million in Q1, and significantly above our estimate for a loss of \$145 million. We had thought the weaker S&P performance (down 5% in Q1) would lead to weaker alternative results given the one quarter lag on private equity returns. TRV highlighted that their investments in real estate, energy and transportation did well in the quarter (see [Exhibit 3](#) inside for a breakdown of alternative portfolio by insurer).
- **Our updated thoughts on the group.** TRV pointed to underlying margin improvement continuing as earned rate continued to exceed loss trend. Further, they saw better alternative investment results (with positive income, versus our expectation for a loss) which could be a lateral to better results across the board this quarter. Lastly the personal auto results were poor, with Travelers flagging elevated severity trends, which was not as much of a surprise to investors given the disappointing trends revealed by [ALL last night](#).

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	Rating	Equal Weight
<b>Ticker</b>		TRV
<b>Price Target/Prior:</b>	\$180.00/NC	
<b>Upside/(Downside) to Target</b>	14.8%	
<b>Price (07/21/2022)</b>	\$156.83	
52 Week Range	\$145.40 - 187.98	
Shares Outstanding	239,961,002	
Market Cap (MM)	\$37,633	
Enterprise Value (MM)	\$44,105	
Average Daily Volume	1,303,075	
Average Daily Value (MM)	\$204	
Dividend (NTM)	\$3.67	
Dividend Yield	2.3%	
Net Debt (MM) - last reported	\$6,472	
ROIC - Current year est.	11%	
3 Yr EPS CAGR from current year (unless otherwise noted)	7%	

\$	2021A	2022E	2022E	2023E	2023E
EPS		Curr.	Prior	Curr.	Prior
Q1 (Mar)	2.73 A	4.22 A	NC	4.00 E	4.08E
Q2 (Jun)	3.45 A	2.57 A	1.83E	2.87 E	2.48E
Q3 (Sep)	2.60 A	1.18 E	0.59E	3.20 E	3.08E
Q4 (Dec)	5.20 A	4.41 E	4.43E	5.04 E	5.03E
FY	13.94 A	12.40 E	11.09E	15.10 E	14.65E
P/E	11.3x	12.6x		10.4x	

*ROIC - Current year est.: Represents return on equity (ROE) 3 Yr EPS CAGR from current year (unless otherwise noted): Using 2019-2022 for CAGR calculation EPS: Operating EPS Source: Company Data, Wells Fargo Securities estimates, and Refinitiv. NA = Not Available, Volatility = Historical trading volatility*

## Beat Versus The Street Overshadowed By Consistent BI Story

**Summary.** TRV hosted a conference call on 7/21 to discuss Q2 results. The call focused on pricing, underlying trends, its expense ratio, and investment income guide. Our 2022 EPS is \$12.40 (from \$11.09), while our 2023 goes to \$15.10 (from \$14.65) and 2024 EPS goes to \$17.00 (from \$16.50). Our 2022 estimate goes up to reflect higher net investment income in both the fixed and non-fixed portfolio, favorable PYD, and a favorable expense ratio, which more than offsets higher cats and a modestly higher tax rate. For 2023 and 2024, our estimates go higher to reflect a better expense ratio and favorable net investment income, particularly on the fixed income book.

**The quarter in a nutshell.** This morning (7/21), TRV [reported](#) Q2 core EPS of \$2.57, beating our \$1.83 estimate, and consensus of \$1.97. TRV beat us on better other investments results as we expected a (10%) negative return in the quarter and favorable PYD offset by higher cats and a higher tax rate versus us. TRV saw a weaker combined ratio than we expected due to higher cats partially offset by better PYD, while the underlying loss ratio was fairly in line with us with personal insurance being the sole miss and Business Insurance and Bond & Specialty beating us. The tax rate was higher than us, coming in at 16.9% vs. our 15.1%. The underlying combined ratio of 92.8%, beat our 93.2%, with Business Insurance and Bond & Specialty beating us, while Personal Lines (weak results in both auto and home) missed us. NPW rose by 10.9%, beating our 4.7% estimate. NII was \$707 million, beating our \$363 million due to other investments. Cats were \$746 million, higher than our \$375 million. Repurchases were \$500 million, ahead of our \$450 million. Book value per share declined by 9.4% (due to the mark to market on the investment portfolio), and the core ROE was 9.3%.

[Exhibit 1](#) below shows TRV's actual results versus our expectations and you can go here to see our first look note on the quarter: [TRV: Q2 Beats on Better NII and Business Insurance Results](#).

Exhibit 1 - Consolidated Results Versus Wells Fargo Securities Estimates

(\$ in millions, except as noted)	Q2 2022 Actual	Q2 2022 Estimate	Variance
Net Premiums Written	\$9,020	\$8,520	\$500
<i>YoY Growth in Net Premiums Written</i>	10.9%	4.7%	6.1%
<i>YoY Growth in Net Premiums Earned</i>	9.2%	5.9%	3.3%
Investment Income	\$707	\$363	\$344
Combined Ratio	98.3%	96.7%	1.6%
Catastrophe Losses	\$746	\$375	\$371
Reserve Development (Unfavorable)	(\$291)	(-\$91)	(\$200)
Underlying Loss Ratio	63.8%	63.7%	0.1%
Expense Ratio	29.0%	29.5%	(0.5%)
<b>Underlying Combined Ratio</b>	<b>92.8%</b>	<b>93.2%</b>	<b>(0.3%)</b>
Tax rate	16.9%	15.1%	1.8%
<b>Operating EPS</b>	<b>\$2.57</b>	<b>\$1.83</b>	<b>\$0.73</b>
<i>Growth in Operating EPS</i>	NM	(46.8%)	NM
Book value per share	\$96.39	\$95.20	\$1.19
Share Repurchases	\$500	\$450	\$50
Segment Underwriting Income:			
Business Insurance	\$208	\$57	\$151
Bond & Specialty Insurance	\$217	\$153	\$64
Personal Insurance	(\$390)	(\$40)	(\$350)
Operating ROE	9.3%	7.3%	2.0%

Source: Wells Fargo Securities, LLC estimates and company reports

## Takeaways for the Non-Life Insurance Group

The main takes that stand out from TRV to us, and the laterals for the rest of the group are below.

Net-net, the biggest takes are that TRV is still seeing loss trend of around 5.5-6% in Business Insurance with written rate above this (including the RRC and the portion of exposure that counts as rate). Futhr Travelers is also seeing high frequency and severity trends within Personal Insurance. Highlights of the laterals that we see for the group follow below:

- Commercial lines pricing remains strong*, with renewal rates up 4.9% in Q2, accelerating once again from the 4.4% in Q1 in Business Insurance, but still below the 5.1% in Q4 2021, 6.2% in Q3, and 7.0% in Q2. TRV stands out as seeing pricing accelerate in the Q2, as we show MarketScout rating color below ([Exhibit 2](#)) and they showed pretty stable results in the quarter. **Rates staying above loss trend is a positive for the commercial insurers.**

### MarketScout Pricing Trends

Exhibit 2 - Pricing Trends—MarketScout Commercial Lines Trends—Quarterly

Line	By Quarter													
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Commercial Property	2.5%	3.5%	4.5%	5.3%	4.5%	5.0%	7.0%	9.0%	8.6%	9.6%	9.0%	8.3%	7.6%	8.3%
Inland Marine	2.0%	2.0%	3.0%	4.0%	4.0%	4.6%	5.0%	4.3%	4.3%	4.2%	5.7%	4.3%	4.7%	3.7%
Business Owners Policy	2.0%	2.5%	2.5%	3.5%	4.0%	4.6%	5.0%	5.7%	4.7%	4.0%	4.7%	5.3%	6.3%	6.0%
Business Interruption	2.0%	3.0%	4.0%	5.0%	4.0%	6.0%	5.5%	5.7%	6.0%	7.0%	6.7%	6.0%	6.3%	7.0%
Umbrella Excess	2.0%	2.5%	4.5%	5.5%	4.5%	4.0%	8.5%	12.7%	14.0%	11.6%	11.7%	11.0%	9.7%	8.7%
General Liability	2.0%	3.0%	3.0%	4.3%	4.3%	4.3%	5.5%	6.0%	6.3%	6.0%	5.3%	5.0%	5.3%	5.3%
D&O Liability	1.0%	2.0%	4.5%	8.3%	7.5%	9.3%	11.5%	11.7%	11.6%	11.0%	11.3%	10.3%	8.7%	8.3%
Professional Liability	2.0%	2.5%	4.0%	6.0%	6.3%	6.7%	7.5%	10.3%	11.3%	4.3%	6.7%	6.3%	5.7%	5.6%
Employment Practices Liability	1.0%	1.5%	2.5%	4.3%	4.5%	5.0%	6.5%	6.7%	6.0%	7.0%	9.0%	8.0%	7.0%	5.0%
Commercial Auto	7.0%	6.0%	6.5%	8.0%	7.0%	5.3%	8.0%	8.3%	8.7%	9.0%	9.0%	6.7%	7.3%	9.0%
Workers' Comp	-1.0%	-1.5%	-1.5%	-1.0%	-1.3%	0.0%	0.5%	0.7%	1.7%	1.0%	0.0%	0.0%	1.0%	1.0%
Surety	Flat	1.5%	1.0%	2.0%	1.0%	1.3%	0.5%	1.0%	1.7%	1.3%	1.0%	1.3%	1.3%	1.7%
Fiduciary	1.0%	2.0%	2.5%	3.5%	3.0%	2.6%	3.0%	3.0%	2.7%	2.0%	2.0%	1.7%	2.3%	2.0%
Crime	1.0%	1.5%	1.5%	3.3%	4.0%	4.0%	3.5%	2.7%	2.3%	3.0%	2.0%	1.3%	1.3%	1.7%
Cyber													19.7%	21.3%
<b>Average</b>	<b>2.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>4.8%</b>	<b>6.3%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>5.9%</b>	<b>6.8%</b>	<b>5.8%</b>	<b>6.0%</b>	<b>5.9%</b>

Line	By Quarter													
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Jumbo (Premium > \$1 Mil)	1.0%	2.0%	3.5%	5.5%	5.5%	4.3%	6.0%	8.0%	8.3%	6.6%	7.3%	6.7%	6.7%	6.3%
Large Account (Premium \$250,001-\$1 Mil)	1.0%	3.0%	3.5%	5.5%	4.5%	4.8%	7.0%	9.3%	8.3%	8.3%	8.0%	6.7%	6.7%	6.0%
Medium Account (Premium \$25,001-\$250K)	2.0%	3.0%	4.5%	4.5%	4.3%	4.6%	7.0%	8.3%	6.3%	6.3%	7.3%	5.3%	6.3%	7.0%
Small Account (Premium up to \$25K)	2.5%	3.0%	4.5%	5.0%	4.3%	4.0%	6.0%	6.7%	6.3%	5.3%	6.0%	5.0%	5.3%	5.7%
<b>Average</b>	<b>2.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>4.8%</b>	<b>6.3%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>5.9%</b>	<b>6.8%</b>	<b>5.8%</b>	<b>6.0%</b>	<b>5.9%</b>

Source: MarketScout and Wells Fargo Securities, LLC

- Underlying margin in Business Insurance benefited from rate exceeding trend.* TRV said that earned rate exceeded loss trend by around 1.0 point, which is consistent with the Q1, but is a slowdown from 1.5 points in Q4 2021 and an even greater slowdown when compared to around 2% over the other three quarters of 2021. **TRV seeing earned rate over loss trend staying close to the Q1 level implies that all commercial-lines underwriters (including CB and HIG) should see underlying margin improvement this quarter.**
- Strong exposure growth.* Exposure growth was a record 5.4%, which was higher than 4.7% in Q1, and is a bullish sign for the insurance brokers. This adds to the good lateral we already have from the good organic growth quarter from both [MMC](#) and [Truist](#). **This appears to be a good sign for all insurance brokers—given that TRV is more of a small-middle market insurer, it is the best take for AJG and BRO, but does point to a good quarter for the group in general.**
- Personal auto frequency and severity trends pressure results.* TRV's Personal Auto book was affected by elevated severity trends. The Personal Auto segment's underlying margin came in at 101.8%. **The weaker auto results at TRV (as well as [ALL](#) in its preannouncement last night and PGR) point to a tough quarter for the group.**
- Net investment income guide was raised for fixed income investments.* The company raised its guidance for fixed income investment income of \$470 million in Q3 (up from \$460 million) and \$495 million in Q4 (up from \$480 million). **This is a good lateral for most (if not all) insurers, in our view.**
- Stronger-than-expected alternative investment quarter.* Alternative-related investment income totaled \$197 million in Q2, up when compared to \$142 million in Q1, and significantly above our estimate for a loss of \$145 million. We had thought the weaker S&P performance (down 5% in Q1) would lead to weaker alternative results given the one quarter lag on private equity returns. TRV highlighted that there investments in real estate, energy and transportation did well in the quarter (see [Exhibit 3](#) below for a breakdown of alternative portfolio by insurer). **Given TRV beat us, we could potentially see other insurers beat our alternative investment assumptions as we built**

**in a -2.5% return into our models.** Further, while TRV guided down the H2 for other investments, they didn't say that results would be negative - they just said results would be lower than H1 2022 and H2 2021.

#### Exhibit 3 - Alternatives Correlation to S&P 500 and Portfolio Allocations

	Correlation to S&P 500 and Std Dev.			Limited Partnership Allocation at YE'21			
	Correl to S&P 500	RSQ to S&P	Std Dev of Return	Private Equity	Hedge Fund	Real Estate	Credit/ Other
<b>Life Insurers</b>							
Athene	62.8%	39.4%	12.4%	14.5%	0.0%	27.1%	58.4%
BHF	75.7%	57.3%	21.9%	88.6%	0.0%	11.4%	0.0%
EQH	72.1%	52.1%	13.1%	NA	NA	NA	NA
LNC	77.8%	60.5%	20.3%	90.8%	9.2%	0.0%	0.0%
MET	78.2%	61.1%	22.4%	95.5%	4.5%	0.0%	0.0%
PRU (Est. VII Yield)	41.4%	17.1%	8.6%	57.5%	28.6%	13.9%	0.0%
VOYA	78.7%	61.9%	21.4%	75.0%	12.5%	12.5%	0.0%
<b>P&amp;C Underwriters</b>							
ALL (Performance Based)	47.6%	22.6%	15.6%	78.0%	0.0%	22.0%	0.0%
HIG	68.1%	46.4%	14.1%	37.5%	8.2%	39.2%	15.2%
TRV	76.2%	58.1%	12.6%	69.3%	6.0%	19.9%	4.8%
<b>Average</b>	<b>66.8%</b>	<b>46.2%</b>	<b>16.1%</b>	<b>67.4%</b>	<b>9.1%</b>	<b>15.7%</b>	<b>7.8%</b>
<b>Median</b>	<b>72.1%</b>	<b>52.1%</b>	<b>14.6%</b>	<b>72.1%</b>	<b>7.1%</b>	<b>13.2%</b>	<b>0.0%</b>

Source: Company reports and Wells Fargo Securities, LLC

## 2022 Updated Soundbites

**Highlights of its updated outlook for 2022.** [Exhibit 4](#) below highlights TRV's commentary and expectations for 2022. TRV did not provide much specific 2022 guidance other than fixed income NII, expense ratio, and general pricing expectations.

- TRV raised its quarterly **fixed income NII** (including short term securities) to be \$470 million in Q3, which is up from the previous guide of \$460 million, and Q4 2022 to come in at \$495 million post-tax, which is up from the previously guided \$480 million. New money rates as of June 30 are about 100 bps higher than what is embedded in the portfolio currently, so NII should continue to improve as the portfolio gradually turns over.
- In **Business Insurance**, TRV saw 0.9 points of improvement Y/Y on the underlying combined ratio with around 1.0 point coming from earned pricing that continues to exceed loss costs, which was fully offset by higher property severity, and 0.8 points from a lower expense ratio. Within BI, rate exceeded loss trend by around 1.0 point this quarter, which is flat to the 1.0 point last quarter, but is down from 1.5 points in the 4Q 2021 and around 2.0 points in the 3Q 2021 and 2Q 2021. We are modeling for that 1.0 point of earned rate over loss trend to continue to decline from here as we move through 2022. They also mentioned they have not seen a change in loss costs in the second quarter as they are still in the range of 5.5% to 6.0%.
- In **Bond and Specialty**, TRV did not lay out specific guidance for the year.
- In **Personal lines**, TRV mentioned that frequency is still in the space of approaching pre-pandemic levels and that they are seeing continued elevated severity driven by inflation. TRV saw overall premium change of 6.3%, and they expect RPC to approach double-digit rate by the end of the year.
- With the **aggregate reinsurance cover**, TRV has accumulated \$935 million toward the retention as of the end of the Q2. With the aggregate cover, TRV gets \$225 million of protection as part of \$500 million of coverage above a \$2 billion retention.
- TRV lowered **expense ratio** expectations for 2022 to around 29%, which is favorable to the previous guide of mid-29s in the near term. They mentioned they do not target any specific expense ratio but instead manage from a total combined ratio standpoint. We are now looking for expense ratios of 29.0% in 2022, 28.8% in 2023, and 28.8% in 2024.
- In terms of **recession fears**, they said they are not seeing any deterioration yet in the underlying business of their clients that would suggest recessionary risk. They reiterated confidence that even in a recession the company is set up to do well as they have a high-quality investment portfolio and strong efficiency. They said potential impacts would be the top-line, but they think they can potentially offset the impact in the commercial business by getting some relief on loss trend. In 2008-2009, TRV's investment portfolio had a default rate of less than 1%, which compares favorably to Moody's 2.0%-2.5% rate and during 2020, their default rate was only 10 bps versus Moody's 1.0%, which to them shows the strong credit of their book.

**Exhibit 4 - TRV 2022 Guidance Tracker**

	<b>Provided With Q3 2021 Earnings</b>	<b>Provided With Q4 2021 Earnings</b>	<b>2022 Outlook</b>	<b>Provided With Q1 2022 Earnings</b>	<b>Provided With Q2 2022 Earnings</b>
<b>Expense Ratio</b>			TRV expects their expense ratio to be around 29.5% for FY22 and then gradually move down to around 29% in the next year or two.	TRV has seen their expense ratio drop quicker than expected so they are expecting 28% for FY'22 no, did not issue guidance for outer years	
<b>Underlying Margins</b>					
Business Insurance			Given social and other inflation, frequency and persisting low rate environment, they will continue to see pricing gains to improve profitability.		
Bond and Specialty Insurance				The change in their cyber underwriting (minimum cybersecurity protocols), which is having a meaningful favorable impact on cyber claim frequency (cyber remains a small portion of the book), is expected to be completed at the end of Q2'22.	
Personal Insurance					Their primary response to inflation deteriorating margins is higher pricing and remain confident in achieving further rate increases
Personal auto	Property and casualty insurance market conditions are expected to remain competitive in 2022 for new business.		Rate actions in additional states are scheduled to take effect in the coming months and quarters (no mention of numbers).		
Homeowners'		Homeowners will continue to experience elevated weather and non-weather loss activity and they will seek rate in response while also taking into account labor and materials inflation.	Expect to see increase pricing as higher severity persists. They expect Q2 to be the seasonally higher quarter for weather-related loss levels.		Expect retention levels that renew will remain strong by historical standards for remainder of 2022, will continue taking price for persisting Headwinds, they are starting to see PIF Growth decelerate
<b>Renewal Premium Growth</b>					
Business Insurance					
Bond and Specialty Insurance					
Personal Insurance	TRV did not provide specific guidance for premium volumes for 2022, as expected. They did note they expect retention levels to remain strong by historical standards into 2022.				
Personal auto					
Homeowners'					
<b>Investment Income</b>					
Fixed Income and Short-Term Investments	Expects the after-tax investment income from the fixed income portfolio will be approximately \$420 to \$430 million for each quarter of 2022.	Expects the after-tax investment income from the fixed income portfolio to be up \$40M for Q2, \$460MM for Q3, and \$480M for Q4 (up from the \$430-\$440MM per quarter guidance previously)	Expects the after-tax investment income from the fixed income portfolio to be up \$470 for 3Q and \$495 million for 4Q 2022.		Expect their results from Other Investments (P/E, Real Estate, Hedge Funds) that are reported on a quarter lag, which were generally down during the second quarter, to show in weaker alternatives in the second half of this year.
<b>Capital Management</b>					
Total Company	Company expects that over time the combination of dividends and share repurchases will likely not exceed net income.				
<b>Other</b>					They mentioned they are not seeing any underlying impacts on their clients that would foreshadow a recession
Total Company					

Source: Company reports and Wells Fargo Securities, LLC

## Highlights of Our Estimate Changes

**Overview of our estimate changes.** [Exhibit 5](#) highlights the changes we made to our earnings model following 2Q 2022 earnings. Our 2022 EPS is \$12.40 (from \$11.09), while our 2023 goes to \$15.10 (from \$14.65) and 2024 EPS goes to \$17.00 (from \$16.50). Our 2022 estimate goes up to reflect higher net investment income in both the fixed and non-fixed portfolio, favorable PYD, and a favorable expense ratio, which more than offsets higher cats and a modestly higher tax rate. For 2023 and 2024, our estimates go higher to reflect a better expense ratio and favorable net investment income, particularly on the fixed income book.

Exhibit 5 - TRV Summary of Estimate Changes

Income Statement (\$ in millions)	Current			Prior Estimates			Delta (Absolute)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Gross premiums written	37,226	39,283	41,459	36,871	38,908	41,063	356	375	396
% growth (YoY)	8.7%	5.5%	5.5%	7.7%	5.5%	5.5%	1.0%	(0.0%)	(0.0%)
Net premiums written	34,489	36,275	38,167	33,989	35,750	37,616	500	525	552
% growth (YoY)	7.9%	5.2%	5.2%	6.3%	5.2%	5.2%	1.6%	(0.0%)	(0.0%)
Increase in unearned premiums	(1,303)	(1,201)	(1,265)	(1,192)	(1,181)	(1,244)	(110)	(20)	(21)
<b>Net premiums earned</b>	<b>33,186</b>	<b>35,074</b>	<b>36,902</b>	<b>32,797</b>	<b>34,569</b>	<b>36,372</b>	<b>389</b>	<b>505</b>	<b>531</b>
% growth (YoY)	7.6%	5.7%	5.2%	6.3%	5.4%	5.2%	1.3%	0.3%	(0.0%)
Net investment income	2,270	2,837	3,008	1,759	2,801	2,976	511	36	32
Fee income	400	400	400	404	404	404	(4)	(4)	(4)
Other income	357	327	336	338	336	345	19	(9)	(9)
<b>Total revenue</b>	<b>36,213</b>	<b>38,637</b>	<b>40,646</b>	<b>35,297</b>	<b>38,110</b>	<b>40,097</b>	<b>915</b>	<b>528</b>	<b>549</b>
Losses and loss adjustment expenses	21,982	23,239	24,379	21,536	22,924	24,058	446	315	322
Amortization of deferred acquisition costs	5,430	5,722	6,028	5,376	5,639	5,941	54	82	87
General and administrative expenses	4,894	5,138	5,375	4,874	5,118	5,336	21	20	39
<u>Interest expense</u>	<u>351</u>	<u>337</u>	<u>337</u>	<u>348</u>	<u>337</u>	<u>337</u>	<u>3</u>	<u>0</u>	<u>0</u>
<b>Total expenses</b>	<b>32,658</b>	<b>34,436</b>	<b>36,119</b>	<b>32,134</b>	<b>34,019</b>	<b>35,672</b>	<b>524</b>	<b>417</b>	<b>447</b>
<b>Pretax operating income</b>	<b>3,555</b>	<b>4,202</b>	<b>4,527</b>	<b>3,163</b>	<b>4,091</b>	<b>4,425</b>	<b>392</b>	<b>111</b>	<b>102</b>
% growth (YoY)	(17.1%)	18.2%	7.8%	(26.2%)	29.3%	8.2%	9.1%	(11.1%)	(0.4%)
Income tax expense/(benefit)	564	724	782	485	703	762	79	21	20
<b>After-tax core income</b>	<b>2,991</b>	<b>3,477</b>	<b>3,746</b>	<b>2,678</b>	<b>3,388</b>	<b>3,663</b>	<b>313</b>	<b>89</b>	<b>83</b>
% growth (YoY)	(15.1%)	16.2%	7.7%	(24.0%)	26.5%	8.1%	8.9%	(10.3%)	(0.4%)
Company income tax rate (%)	15.9%	17.2%	17.3%	15.3%	17.2%	17.2%	0.5%	0.1%	0.0%
Weighted average number of diluted shares	240	229	219	240	230	221	(0)	(1)	(2)
Participating share-based awards - allocated incor	19	16	16	19	16	16	0	0	0
<b>Adjusted Operating EPS</b>	<b>\$12.40</b>	<b>\$15.10</b>	<b>\$17.00</b>	<b>\$11.09</b>	<b>\$14.65</b>	<b>\$16.50</b>	<b>\$1.31</b>	<b>\$0.45</b>	<b>\$0.50</b>
<b>Profitability Metrics</b>									
Loss and loss adjustment expense ratio	65.8%	65.7%	65.5%	65.2%	65.8%	65.6%	0.6%	-0.1%	-0.1%
<u>Underwriting expense ratio</u>	<u>29.0%</u>	<u>28.8%</u>	<u>28.8%</u>	<u>29.2%</u>	<u>28.9%</u>	<u>28.8%</u>	<u>-0.2%</u>	<u>-0.1%</u>	<u>-0.1%</u>
<b>Combined ratio</b>	<b>94.8%</b>	<b>94.5%</b>	<b>94.3%</b>	<b>94.3%</b>	<b>94.7%</b>	<b>94.4%</b>	<b>0.4%</b>	<b>-0.2%</b>	<b>-0.2%</b>
Cat points on the combined ratio	4.6%	4.9%	5.0%	3.6%	4.8%	4.8%	1.1%	0.2%	0.2%
PYD points on the combined ratio	(1.4%)	(0.5%)	(0.2%)	(0.8%)	(0.4%)	(0.2%)	(0.6%)	(0.1%)	(0.0%)
<b>Current accident year combined ratio</b>	<b>91.6%</b>	<b>90.1%</b>	<b>89.6%</b>	<b>91.6%</b>	<b>90.3%</b>	<b>89.9%</b>	<b>0.0%</b>	<b>-0.2%</b>	<b>-0.3%</b>
<b>Underlying loss ratio</b>	<b>62.6%</b>	<b>61.3%</b>	<b>60.8%</b>	<b>62.5%</b>	<b>61.4%</b>	<b>61.0%</b>	<b>0.1%</b>	<b>-0.1%</b>	<b>-0.2%</b>
<b>Segment Underwriting Income:</b>									
Business Insurance	\$802	\$628	\$512	\$612	\$466	\$410	\$190	\$161	\$102
Bond & Specialty Insurance	\$716	\$692	\$673	\$668	\$695	\$678	\$48	(\$3)	(\$5)
Personal Insurance	(\$205)	\$89	\$370	\$168	\$164	\$387	(\$373)	(\$75)	(\$17)
Book value per share	\$98.61	\$106.85	\$116.77	\$96.63	\$103.97	\$112.90	\$1.98	\$2.88	\$3.87
ROE	11.4%	14.7%	15.2%	10.2%	14.6%	15.2%	1.1%	0.1%	0.0%

Source: Company reports and Wells Fargo Securities, LLC estimates

## Pricing Accelerates Sequentially in Commercial Lines, However Is Below Loss-Trend

### Business Insurance Rating Environment—TRV Rates Rise, Still Above Loss Trend

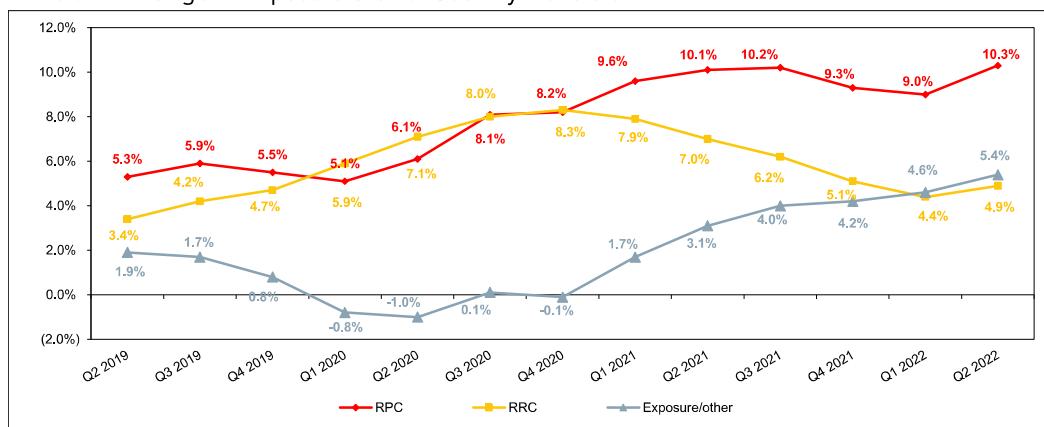
- In Q2, the **Business Insurance** renewal rate change was +4.9%, accelerating from +4.4% last quarter, but below the +5.1% in 4Q 2021, +6.2% in 3Q 2021, and +7.0% in 2Q 2021. Exposure growth was up 5.4%, up from +4.7% last quarter, +4.3 in 4Q 2021, +4.0% in 3Q 2021, and +3.1% in 2Q 2021. [Exhibits 6 and 7](#) below, show the recent trends in TRV's quarterly domestic Business Insurance (BI) renewal rate change. On their conference call, they mentioned that loss trends were still in the range of 5.5% to 6.0% in the second quarter, but they did caveat they evaluate the loss cost trend over a long period of time rather than quarter-to-quarter. Travelers also mentioned on their call that overall pricing remains ahead of loss trend (one point ahead as of 2Q, flat to the prior quarter).
- TRV stopped providing forward guidance on its RPC (in the summer of 2020), as the company was unsure of how the economy would be affected by Covid-19. The company has yet to bring back RPC forward guidance, but has pointed to margin improvement, as Business Insurance earned rate remains in excess of loss trend. Our assumption is the exposure bucket of the RPC remains positive in Q3 2022 with some flattening as we navigate through 2022, especially as we come up against some tougher comps when the economy started to improve post the pandemic lows along with potential recessionary risks.

### Exhibit 6 - Domestic Business Insurance Renewal Pricing Results by Quarter

Rate Trends	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
RPC	5.3%	5.9%	5.5%	5.1%	6.1%	8.1%	8.2%	9.6%	10.1%	10.2%	9.3%	9.0%	10.3%
RCR	3.4%	4.2%	4.7%	5.9%	7.1%	8.0%	8.3%	7.9%	7.0%	6.2%	5.1%	4.4%	4.9%
Exposure/other	1.9%	1.7%	0.8%	-0.8%	-1.0%	0.1%	-0.1%	1.7%	3.1%	4.0%	4.2%	4.6%	5.4%
% of BI NPW in Workers' Comp	23.1%	23.3%	22.1%	26.2%	20.7%	20.2%	19.3%	23.0%	18.9%	18.7%	18.2%	22.4%	18.8%

Source: Company data and Wells Fargo Securities, LLC

### Exhibit 7 - Pricing and Exposure Growth Seen By Travelers



Source: Company data and Wells Fargo Securities, LLC

### **Personal Lines—TRV Continues Push for Rate as Severity Remains Elevated, But Will Take Time to Earn In**

- Within **Personal Insurance**, TRV saw an acceleration in rate in personal auto in the quarter, as it pushes for price. The RPC in auto was +6.3%, accelerating from +3.3% last quarter, and above the +1.2% in Q4, +0.5% in Q2, and +0.6% in Q1 as the higher rates TRV has been taking are starting to earn in. On the auto side, TRV said frequency remains in the space of approaching pre-pandemic normal levels and said they have yet to see any impact on frequency from gas prices. They also mentioned they don't see a huge sensitivity in their miles driven relative to gas prices and think employment levels have a bigger impact on frequency trends. They did emphasize it will take time for these rate actions to earn into their results. The RPC, even with acceleration, is still modest at 6.3% relative to where severity (which is in the double digits). They did mention they expect rate to continue accelerating each quarter and reach double-digits by Q4 this year. This ties into our theme that we need to see more rate going through more of the personal auto premium base, not just for Travelers, but across the auto insurance industry. See our recent personal lines deep [dive](#).
- Homeowners'** pricing continued its acceleration, jumping a record-high 13.5% YoY, which was up from the 12.3% increase in the Q1, and compares to 8.6% in 4Q 2021, 8.8% in 3Q 2021, and 8.1% in 2Q 2021. The big increase is driven by a combination of increased rate and higher insured valued. On the home side, they pointed to a continued headwind of higher loss severity related to a combo of labor and material price increases.
- Travelers' new business in auto increased 10% sequentially, and was up 6% when compared to last year, with auto new business premiums totaling \$318 million, versus \$290 million in the prior quarter, \$279 million in 4Q 2021, \$297 million in 3Q 2021, and \$299 million in 2Q 2021. Q2 Home new business was up 22% sequentially, but down 6% YoY at \$316 million, versus \$258 million in the preceding quarter, \$273M in 4Q 2021, \$312 million in 3Q 2021, and \$335 million in 2Q 2021. Further, TRV still showed PIF growth in auto, up 1.2% sequentially (see [Exhibit 8](#) below), which is counter to PGR who has been pulling back as they haven't been able to get enough price.

Exhibit 8 - Personal Insurance Business Statistics

Personal Lines RPC & New Business	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
<b>Automobile</b>						
Retention	85%	86%	86%	85%	85%	83%
<b>Renewal Premium Change</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>2.1%</b>	<b>3.3%</b>	<b>6.3%</b>
Policies-In-Force (PIF, in thousands)	2,807	2,852	2,898	2,937	2,972	3,008
PIF Sequential Change	1%	2%	2%	1%	1%	1%
PIF Yearly Change	4%	4%	5%	6%	6%	5%
<b>New Business (\$ in millions)</b>	<b>\$278</b>	<b>\$299</b>	<b>\$297</b>	<b>\$279</b>	<b>\$290</b>	<b>\$318</b>
<b>Homeowners &amp; Other</b>						
Retention	85%	85%	85%	85%	84%	83%
<b>Renewal Premium Change</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.7%</b>	<b>8.6%</b>	<b>12.1%</b>	<b>13.5%</b>
Policies-In-Force (PIF, in thousands)	5,703	5,836	5,931	5,995	6,051	6,108
PIF Sequential Change	2%	2%	2%	1%	1%	1%
PIF Yearly Change	8%	7%	7%	7%	6%	5%
<b>New Business (\$ in millions)</b>	<b>\$263</b>	<b>\$335</b>	<b>\$312</b>	<b>\$273</b>	<b>\$258</b>	<b>\$316</b>

Source: Company data and Wells Fargo Securities, LLC

## Profitability Impacted By Weaker Underlying Results

### Underlying Results Come in Modestly Better Versus Us due to Favorable Expense Ratio

- The consolidated combined ratio was 98.3%, worse than our 96.7% estimate, largely reflective of higher cats partially offset by more favorable PYD particularly in the BI segment. Cats were \$746 million, worse than our \$375 million estimate, while favorable reserve development of \$291 million was better than our estimate for favorable development \$91 million, due to better-than-expected PYD in Business Insurance (from workers' compensation and favorable movement in CMP) and Bonds & Specialty (from fidelity and surety). The underlying combined ratio of 92.8% was modestly favorable to our estimate of 93.2%, and 1.5 points worse than last year. The underlying combined ratio beat us in Business Insurance (by 1.6 points) and Bond & Specialty (by 0.6 points) while Personal Lines missed us (by 1.3 points) including falling short of us in both auto and home. On the **Business Insurance** side, we were nearly two points above consensus (94.1% versus 92.4% consensus per Visible Alpha), so the underlying combined ratio of 92.4% was actually in line with street expectations. Within **Personal Lines**, the underlying combined ratio rose by 5.0 points due to higher losses in both auto (main driver) and homeowners'. **Auto** was up 9.8 points versus the prior year quarter due to higher loss severity as vehicle and replacement and repair costs remain elevated and to a smaller extent frequency returning to pre-pandemic levels.
- Catastrophe losses totaled \$746 million, above our \$375 million estimate. The losses were mainly driven by severe wind and hail storms in several regions of the United States. TRV noted that while the cats were higher YoY, they were not outsized to their modeled expectations. Through the end of the second quarter, they have accumulated \$935 million of qualifying losses toward the aggregate retention (under its aggregate reinsurance cover TRV gets \$225 million of protection as part of \$500 million of coverage above a \$2 billion retention).
- Prior year favorable reserve development came in at \$291 million, better than our estimate of \$91 million favorable development, due to a higher level of reserve releases in Business Insurance and Bond & Specialty. **Business Insurance** saw favorable development of \$202 million, better than our estimate for a release of \$37 million, which was driven by better than expected loss experience in domestic operations in workers' comp for multiple accident years and favorable movement in CMP (which more than offset an increase in general liability reserves). **Bond & Specialty** saw a release of \$73 million (better than our estimate for favorable development of \$16 million), due to better-than-expected loss experience in fidelity and surety for recent accident years. **Personal Lines** saw favorable development of \$16 million (worse than our estimate for reserve releases of \$39 million) as auto saw less of unfavorable development than expected (\$6 million versus our adverse reserve development estimate of \$31 million) while home saw less favorable reserve than expected versus us (\$22 million versus our \$70 million).

### Exhibit 9 - Underlying Combined Ratio Beats on Favorable Expense Ratio

Underling Margin Trends	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Reported Combined Ratio	95.5%	103.7%	94.9%	86.7%	96.6%	95.3%	98.6%	88.0%	91.3%	98.3%
Catastrophe Losses, net of reinsurance	4.6%	12.3%	5.3%	0.4%	11.3%	6.3%	6.4%	0.4%	2.0%	9.0%
Prior Year Reserve Development (Unfavorable)/Favorable	(0.4%)	(0.0%)	(1.9%)	(2.4%)	(4.3%)	(2.4%)	0.8%	(1.2%)	(1.9%)	(3.5%)
<b>Underlying Combined Ratio</b>	<b>91.3%</b>	<b>91.4%</b>	<b>91.5%</b>	<b>88.7%</b>	<b>89.5%</b>	<b>91.4%</b>	<b>91.4%</b>	<b>88.7%</b>	<b>91.2%</b>	<b>92.8%</b>
Underlying (improvement)/deterioration	(0.3%)	(3.5%)	(2.5%)	(3.3%)	(1.8%)	(0.1%)	(0.1%)	0.0%	1.7%	1.5%
<b>Underlying Loss Ratio</b>	<b>61.3%</b>	<b>60.4%</b>	<b>62.2%</b>	<b>59.3%</b>	<b>59.7%</b>	<b>61.7%</b>	<b>62.0%</b>	<b>60.2%</b>	<b>62.2%</b>	<b>63.8%</b>
YoY Change	(0.7%)	(4.3%)	(2.3%)	(3.6%)	(1.6%)	1.2%	(0.2%)	0.9%	2.5%	2.1%
<b>Underlying Expense Ratio</b>	<b>30.0%</b>	<b>31.0%</b>	<b>29.3%</b>	<b>29.4%</b>	<b>29.9%</b>	<b>29.7%</b>	<b>29.4%</b>	<b>28.5%</b>	<b>29.0%</b>	<b>29.0%</b>
YoY Change	0.3%	0.8%	(0.2%)	0.3%	(0.0%)	(1.3%)	0.1%	(0.9%)	(0.9%)	(0.7%)

Source: Company data and Wells Fargo Securities, LLC

## Exhibit 10 - Underlying Combined Ratio Trends by Segment

Underlying Combined Ratio Trends	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
<b>Business Insurance</b>	<b>93.7%</b>	<b>93.4%</b>	<b>90.2%</b>	<b>89.9%</b>	<b>91.7%</b>	<b>92.4%</b>
Underlying (improvement) deterioration	(3.6%)	(3.6%)	(3.8%)	(3.8%)	(2.0%)	(0.9%)
<b>Bond &amp; Specialty</b>	<b>84.2%</b>	<b>83.4%</b>	<b>83.4%</b>	<b>83.3%</b>	<b>82.2%</b>	<b>82.2%</b>
Underlying (improvement) deterioration	(1.5%)	(4.7%)	(5.6%)	(1.7%)	(2.0%)	(1.2%)
<b>Personal Insurance</b>	<b>85.4%</b>	<b>91.0%</b>	<b>95.2%</b>	<b>88.7%</b>	<b>92.8%</b>	<b>96.1%</b>
Underlying (improvement) deterioration	1.4%	7.0%	6.5%	5.6%	7.4%	5.0%
<i>Personal Insurance Breakdown:</i>						
<b>Automobile</b>	<b>86.6%</b>	<b>92.0%</b>	<b>97.0%</b>	<b>103.8%</b>	<b>98.8%</b>	<b>101.8%</b>
Underlying (improvement) deterioration	(4.3%)	5.9%	15.5%	16.4%	12.2%	9.8%
<b>Homeowners &amp; Other</b>	<b>84.1%</b>	<b>89.9%</b>	<b>93.3%</b>	<b>73.4%</b>	<b>86.9%</b>	<b>90.3%</b>
Underlying (improvement) deterioration	8.4%	7.9%	(3.5%)	(5.1%)	2.8%	0.3%

Source: Company data and Wells Fargo Securities, LLC

## Investment Income, Capital Return And Other

## Investment Income Beats Us; Raises 2022 Guidance Yet Again On Higher Interest Rates

- Net investment income was \$707 million pre-tax, higher than our \$363 million estimate as we assumed a lower alts return (of -10% as the S&P was down 5% in the Q1 and alts are reported on a one-quarter lag) and our fixed portfolio was virtually in-line. Travelers' after-tax book yield on its investment portfolio was 2.7%, above the 2.5% yield in 1Q 2022. Fixed income investments added \$512 million pre-tax, right in line with our estimate, while alts were \$197 million, much higher than our estimate for a \$145 million loss. Short-term investments added \$9 million, which was also above our \$3 million estimate.
- As a result of the higher trending interest rates, TRV now expects their net investment income from their fixed portfolio to be \$470 million for Q3 (up from the previous guide of \$460 million) and \$495 million for Q4 (up from the previous guide of \$480 million). They also mentioned in their 10Q approximately 24% of their fixed maturity portfolio is expected to mature over the next three years and the weighted average duration of their fixed maturities and short-term securities is 4.8 years (5.1 excluding short-term securities).

## Capital Management Ahead Of Expectations On Better Buyback Level

- TRV repurchased 2.9 million shares in Q2 for \$500 million (at an average price of \$172.57), better than our estimate for \$450 million of share repurchases, flat to the prior quarter. Dividends were \$225 million, bringing total capital return to \$725 million, compared to the \$625 million of core earnings. Total capital return to shareholders was 116.0%, which is above the 68.9% of core earnings in Q1 2022, 78.8% in Q4 2021 and 86.1% for all of 2021, and we are currently forecasting 92.1% and 73.7% in 2022 and 2023, respectively. As of the end of the second quarter, they have \$3.01 billion of share repurchase authorization remaining. The last repurchase authorization was for \$5.0 billion in April of last year.

## Premium Growth Benefited from Record Exposure Growth And Retention Levels

- Net premiums written rose 10.9%, well above our 4.7% estimate, but decelerated modestly from the +11.5% in Q1 2022. Results were ahead of us in all three segments (BI, Bonds & Specialty, and Personal). Gross premiums written growth of 10.9% was ahead of our 6.8% estimate, and accelerated from 10.4% in the preceding quarter.
- Business insurance** net premiums written were up 9.9%, beating our 5.0% estimate, and accelerating from the 9.1% in the prior quarter.
- Bond & Specialty** net premiums written were up 12.6% YoY, also beating our 3.8% growth estimate, but came down from +22.0% last quarter.
- Personal Insurance** net premiums written were up 11.6%, beating our 4.7% growth estimate but modestly below the +12.3% last quarter. Within Personal Insurance, **auto** net premiums written of up 9.5% YoY, which was above our +4.8% estimate and accelerated from the +8.5% last quarter, while **home** net premiums written growth of +13.6% was well above our +4.6% estimate, but down when compared to +16.9% last quarter.

## Valuation

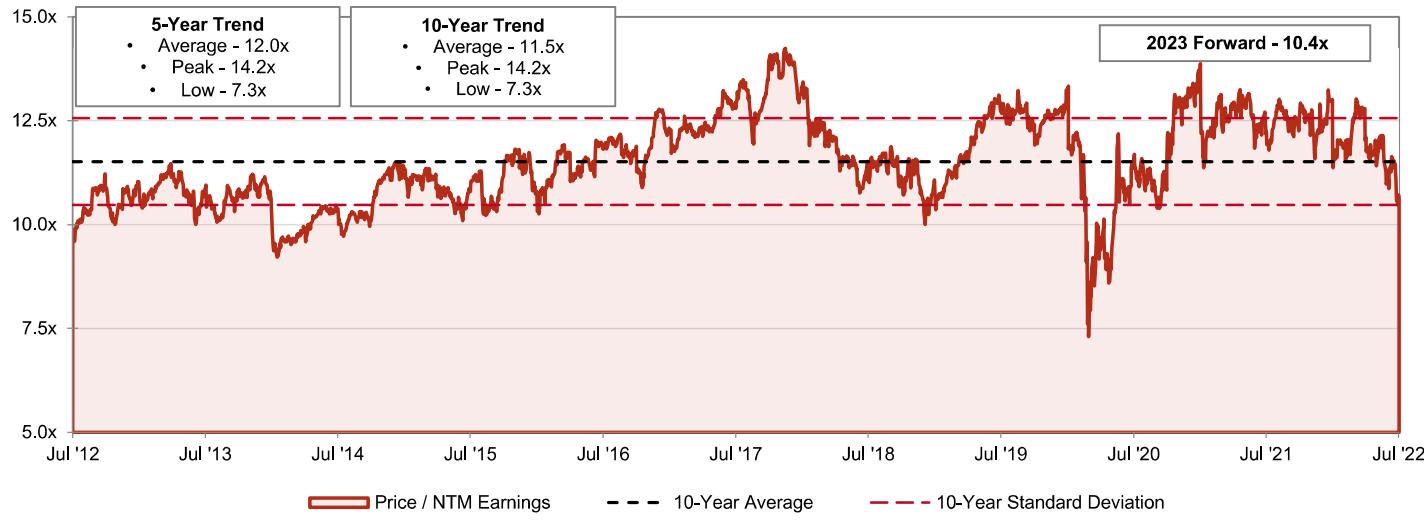
**Current valuation.** The TRV shares are now trading at 1.59x Q2 book value, above its 5-year (1.40x) average, and its 10-year (1.34x) average multiple. The P/B multiple has increased as reported book value has seen pressure from unrealized losses on TRV's investment portfolio; when excluding unrealized losses (net), shares are currently trading at 1.38x Q2 adjusted book of \$112.37 (more in line with the 5 and 10 year averages). On a price-to-earnings basis, the shares are trading at 12.6x our updated 2022 EPS estimate and 10.4x our 2023 EPS estimate versus the 5-year average of 12.0x, 10-year average of 11.5x and the 5-year and 10-year peak of 14.2x.

Exhibit 11 - TRV Historical P/BV



Source: Company reports, Factset, and Wells Fargo Securities, LLC estimates

Exhibit 12 - TRV Historical Price-To-Earnings Multiples



Source: FactSet and Wells Fargo Securities, LLC

## Exhibit 13 - TRV Consolidated Earnings Model

Source: Company Reports and Wells Fargo Securities, LLC estimates

## Investment Thesis, Valuation and Risks

### **The Travelers Companies, Inc. (TRV)**

#### **Investment Thesis**

We believe that TRV will benefit from one of the hardest commercial pricing environment since 2003. Although we are positive on the commercial lines space as a whole, we are more cautious on TRV relative to peers due to its smaller account exposure and higher workers' comp focus as both are getting less rate than other lines/account sizes. We still believe that risk remains around social inflation, lower reserve releases, and Covid-19, but we believe that these risks are adequately reflected in shares with the risk/reward now more neutral and rate its shares Equal Weight as a result.

#### **Target Price Valuation for TRV: \$180.00 from NC**

Our price target of \$180 is based on around a ~1.69x multiple of our projected 2023 book value estimate of around \$107 and 11.9x our 2023 EPS estimate of \$15.10.

#### **Risks to Our Price Target and Rating for TRV**

Risks to the downside include large catastrophe losses, adverse reserve development, increased competition, a deterioration in loss costs, and a rise in D&O claims, while risks to the upside include stronger premium growth and margins coming in better than expected.

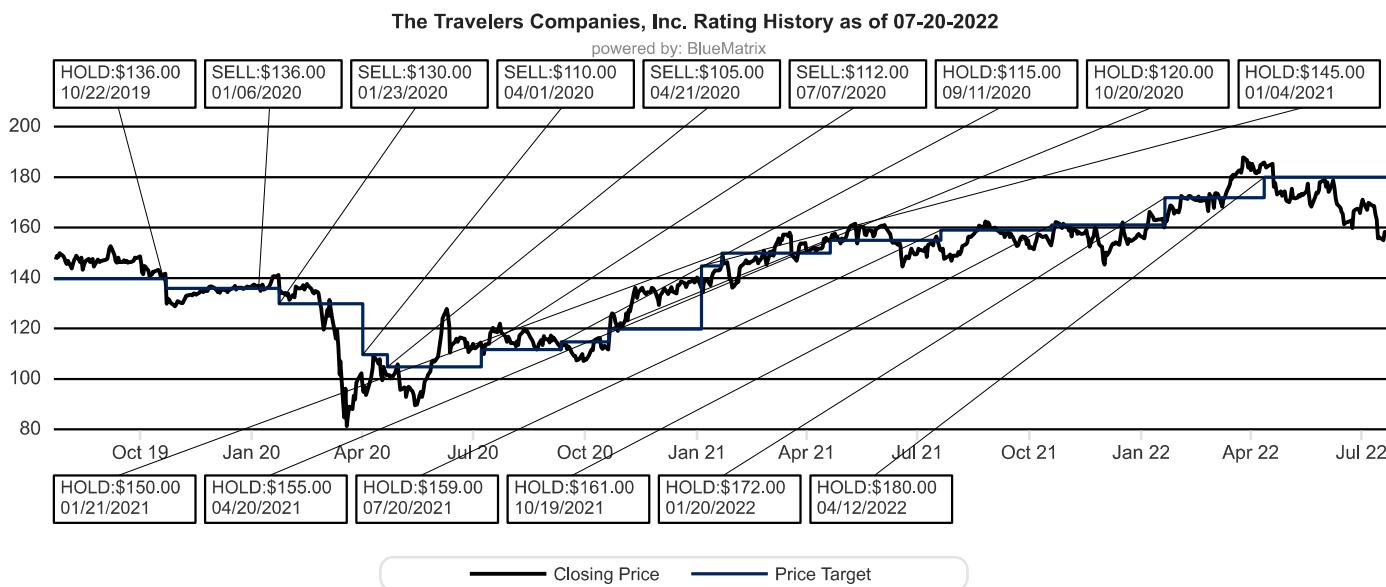
## Required Disclosures

I, Elyse Greenspan, certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

## Additional Information Available Upon Request



Initiation (I); Drop Coverage (D); Overweight (BUY); Equal Weight (HOLD); Underweight (SELL); Suspended (SR); Not Rated (NR); No Estimate (NE)

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