



## Equity Research

Financial Services | U.S. Insurance/Non-Life  
21 October 2021

Allstate Corp.

## 3Q21 Cat Losses Beat Expectations

Allstate announced 3Q21 estimated cat losses of \$1.3bn, pre-tax vs. our estimate of ~\$1.47bn, pre-tax. We had thought more Ida losses would materialize in September as the event took place from Aug. 29-Sept. 2 (according to PCS) and we had expected more auto flooding losses to materialize in the NE. We're also incorporating the unfavorable reserve development related to its annual run-off review primarily related to asbestos and environmental exposures (\$111mn pre-tax). We updated our model accordingly resulting in our 3Q EPS estimate rising to \$1.77 (from \$1.62). No other modelling changes have been made.

### ALL: Quarterly and Annual EPS (USD)

| FY Dec | 2020   |        | 2021   |        | 2022   |        | Change y/y |      |      |
|--------|--------|--------|--------|--------|--------|--------|------------|------|------|
|        | Actual | Old    | New    | Cons   | Old    | New    | Cons       | 2021 | 2022 |
| Q1     | 3.54A  | 6.11A  | 6.11A  | 6.11A  | 3.63E  | 3.63E  | 3.62E      | 73%  | -41% |
| Q2     | 2.46A  | 3.79A  | 3.79A  | 3.79A  | 2.69E  | 2.69E  | 2.23E      | 54%  | -29% |
| Q3     | 2.94A  | 1.62E  | 1.77E  | 1.63E  | 2.67E  | 2.67E  | 2.73E      | -40% | 51%  |
| Q4     | 5.87A  | 3.43E  | 3.43E  | 3.28E  | 3.63E  | 3.63E  | 3.74E      | -42% | 6%   |
| Year   | 14.73A | 14.94E | 15.09E | 15.14E | 12.62E | 12.62E | 12.40E     | 2%   | -16% |
| P/E    | 8.7    |        | 8.5    |        |        | 10.2   |            |      |      |

Source: Barclays Research.

Consensus numbers are from Bloomberg received on 21-Oct-2021; 12:50 GMT

Stock Rating **OVERWEIGHT**

Unchanged

Industry View **POSITIVE**

Unchanged

Price Target **USD 147.00**

Unchanged

Price (20-Oct-2021) **USD 128.34**

Potential Upside/Downside **+14.5%**

Tickers **ALL**

Market Cap (USD mn) **37948**

Shares Outstanding (mn) **295.68**

Free Float (%) **97.68**

52 Wk Avg Daily Volume (mn) **1.8**

Dividend Yield (%) **2.52**

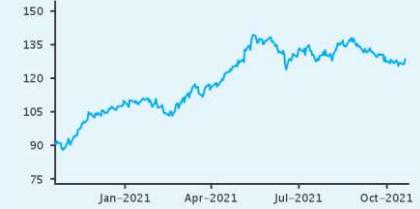
Return on Equity TTM (%) **15.29**

Current BVPS (USD) **88.16**

Source: Bloomberg

Price Performance **Exchange-NYSE**

52 Week range **USD 140.00-86.51**



Source: IDC; [Link to Barclays Live for interactive charting](#)

### U.S. Insurance/Non-Life

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## U.S. Insurance/Non-Life

Industry View: POSITIVE

## Allstate Corp. (ALL)

Stock Rating: OVERWEIGHT

| Income statement (\$mn)                       | 2020A  | 2021E  | 2022E  | 2023E  | CAGR    | Price (20-Oct-2021)  | USD 128.34 |
|---|--------|--------|--------|--------|---------|--|------------|
| Net premiums earned                           | 35,580 | 40,242 | 41,522 | 42,812 | 6.4%    | Price Target   | USD 147.00 |
| Net investment income (NII)                   | 2,852  | 2,654  | 2,066  | 2,536  | -3.8%   | Why Overweight? Allstate is revolutionizing its op. structure with its push into the independent agency channel - a move we think will be positive despite defying orthodoxies within its coveted captive agency force. PIF growth should be driven by the company's ability to pass along expense savings from its transformational plan. Valuation upside from life sales. |            |
| Underwriting income                           | 4,424  | 3,078  | 2,420  | 2,349  | -19.0%  |  |            |
| Operating income                              | 4,650  | 4,547  | 3,518  | 3,660  | -7.7%   |  |            |
| Net income                                    | 5,463  | 1,714  | 3,518  | 3,660  | -12.5%  |  |            |
| Effective tax rate (%)                        | 22.8   | 21.0   | 21.0   | 21.0   | -2.7%   |  |            |
| Combined ratio (%)                            | 87.6   | 92.4   | 94.2   | 94.5   | 2.6%    |  |            |
| Combined ratio (ex cats & py development) (%) | 79.4   | 83.5   | 85.5   | 85.9   | 2.6%    |  |            |
| Per share data (\$)                           |        |        |        |        | CAGR    | Upside case  | USD 155.00 |
| EPS (adj)                                     | 14.73  | 15.09  | 12.62  | 13.98  | -1.7%   | Successful execution of Allstate's transformational growth plans via efficiency gains that is translated to strong PIF growth, particularly auto. Our upside case of \$155 assumes ~12x our '22 EPS estimates.   |            |
| EPS (reported)                                | 17.32  | 5.72   | 12.62  | 13.98  | -6.9%   |  |            |
| DPS   | 2.16   | 3.24   | 3.50   | 3.78   | 20.5%   |  |            |
| BVPS  | 91.58  | 87.57  | 92.90  | 100.68 | 3.2%    |  |            |
| BVPS (ex AOCI)                                | 81.09  | 78.93  | 83.63  | 91.30  | 4.0%    |  |            |
| Balance sheet and capital return (\$mn)       |        |        |        |        | CAGR    | Downside case  | USD 110.00 |
| Total investments                             | 94,237 | 64,154 | 70,732 | 77,991 | -6.1%   | Integration and execution risk of the National General acquisition since it is a bold move to defy longstanding 'channel conflict' orthodoxies within its captive agency force. Miles driven growth pressures ALL's margins. Our downside case of \$110 assumes ~9x our '22 EPS estimates  |            |
| Common shareholders' equity (ex AOCI)         | 24,943 | 23,009 | 22,696 | 23,529 | -1.9%   |  |            |
| Share buybacks                                | 1,700  | 2,948  | 2,857  | 1,839  | 2.7%    |  |            |
| Dividends paid                                | 675    | 970    | 974    | 975    | 13.0%   |  |            |
| Balance sheet and capital return metrics      |        |        |        |        | Average | Upside/Downside scenarios  |            |
| Debt leverage (%)                             | 20.4   | 22.5   | 22.7   | 20.5   | 21.5    | Price History  |            |
| Financial leverage (%)                        | 26.3   | 28.8   | 29.1   | 26.9   | 27.8    | Prior 12 months  |            |
| Total capital return as a % of op. earnings   | 51.1   | 86.2   | 108.9  | 76.9   | 80.8    | High   |            |
| Valuation metrics                             |        |        |        |        | Average | Price Target   |            |
| P/BV (ex AOCI) (x)                            | 1.58   | 1.63   | 1.53   | 1.41   | 1.54    | Next 12 months   |            |
| P/E (adj) (x)                                 | 8.7    | 8.5    | 10.2   | 9.2    | 9.1     | Upside   |            |
| Dividend yield (%)                            | 1.7    | 2.5    | 2.7    | 2.9    | 2.5     |  |            |
| ROE (%)                                       | 19.9   | 19.0   | 15.4   | 15.8   | 17.5    |  |            |

The chart illustrates the price movement over the prior 12 months, starting at 140.00 and ending at 128.34. It also shows the target price of 147.00 and the downside price of 110.00. The current price is marked as 128.34.

Source: Company data, Bloomberg, Barclays Research

Note: FY End Dec

**FIGURE 1**  
**Model Summary (pg. 1)**

| <i>(\$ In Mil, except per share)</i>                | 2019           | 2020           | 2021E          | 2022E          | 2023E          |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Property-Liability line items:</b>               |                |                |                |                |                |
| Net Premiums written                                | \$35,419       | \$35,768       | \$40,895       | \$42,437       | \$43,928       |
| Net Premiums earned                                 | 34,843         | 35,580         | 40,242         | 41,522         | 42,812         |
| Other revenue                                       | 741            | 857            | 1,379          | 1,386          | 1,440          |
| Claims and claim expense                            | 23,622         | 21,626         | 27,481         | 29,307         | 30,357         |
| Operating costs and expenses                        | 9,067          | 10,151         | 10,822         | 11,181         | 11,547         |
| Restructuring and related charges, other            | 91             | 235            | 240            | -              | -              |
| <b>Underwriting income</b>                          | <b>2,804</b>   | <b>4,424</b>   | <b>3,078</b>   | <b>2,420</b>   | <b>2,349</b>   |
| Property-Liability NII                              | 1,533          | 1,421          | 2,511          | 1,953          | 2,156          |
| <b>Operating income before taxes</b>                | <b>4,337</b>   | <b>5,845</b>   | <b>5,589</b>   | <b>4,373</b>   | <b>4,505</b>   |
| Income tax  | 887            | 1,258          | 955            | 918            | 946            |
| Realized capital gains                              | 1,161          | 866            | -              | -              | -              |
| <b>Prop-Liab Net Income</b>                         | <b>4,611</b>   | <b>5,453</b>   | <b>4,634</b>   | <b>3,455</b>   | <b>3,559</b>   |
| Adjustments   | (1,120)        | (765)          |                |                |                |
| <b>Prop-Liab Adj Net Income</b>                     | <b>3,491</b>   | <b>4,688</b>   |                |                |                |
| <b>Net premiums written (y/y % growth)</b>          | <b>5.6%</b>    | <b>1.0%</b>    | <b>14.3%</b>   | <b>3.8%</b>    | <b>3.5%</b>    |
| <b>Net premiums earned (y/y% change)</b>            | <b>5.7%</b>    | <b>2.1%</b>    | <b>13.1%</b>   | <b>3.2%</b>    | <b>3.1%</b>    |
| Protection Services adjusted net income             | 38             | 153            | 225            | 255            | 277            |
| Allstate Life adjusted net income                   | 261            | 194            | -              | -              | -              |
| Allstate Benefits adjusted net income               | 115            | 95             | 253            | 254            | 256            |
| Allstate Annuities adjusted net income              | 10             | (52)           | -              | -              | -              |
| Corporate and other                                 | (438)          | (428)          | (439)          | (446)          | (431)          |
| <b>Consolidated Adjusted net income</b>             | <b>3,477</b>   | <b>4,650</b>   | <b>4,547</b>   | <b>3,518</b>   | <b>3,660</b>   |
| Effective tax rate                                  | 20.1%          | 22.8%          | 21.0%          | 21.0%          | 21.0%          |
| <b>Per share earnings data</b>                      |                |                |                |                |                |
| <b>Adjusted net income per diluted common share</b> | <b>\$10.43</b> | <b>\$14.73</b> | <b>\$15.09</b> | <b>\$12.62</b> | <b>\$13.98</b> |
| <b>Share information</b>                            |                |                |                |                |                |
| Actual shares outstanding                           | 324.8          | 308.7          | 288.4          | 268.5          | 255.9          |
| Fully diluted shares outstanding                    | 330.0          | 311.4          | 288.8          | 269.0          | 256.4          |
| Average diluted shares outstanding                  | 333.5          | 315.5          | 299.8          | 278.8          | 261.8          |

Source: Barclays Research, Company Data.

**FIGURE 2**  
**Model Summary (pg. 2)**

| <i>(\$ In Mil, except per share)</i>           | 2019         | 2020         | 2021E        | 2022E        | 2023E        |
|--|--------------|--------------|--------------|--------------|--------------|
| <b><u>Underwriting ratios</u></b>              |              |              |              |              |              |
| Claims and claims expense ratio                | 67.8%        | 60.8%        | 68.3%        | 70.6%        | 70.9%        |
| Expense ratio                                  | 24.2%        | 26.8%        | 24.1%        | 23.6%        | 23.6%        |
| <b>Combined ratio</b>                          | <b>92.0%</b> | <b>87.6%</b> | <b>92.4%</b> | <b>94.2%</b> | <b>94.5%</b> |
| Underlying loss ratio                          | 60.9%        | 52.7%        | 59.5%        | 61.9%        | 62.2%        |
| Pre-tax cat. losses                            | 2,557        | 2,804        | 3,582        | 3,605        | 3,707        |
| Catastrophe points                             | 7.3%         | 7.9%         | 8.9%         | 8.7%         | 8.7%         |
| Pre-tax prior year development                 | (165)        | 60           | (26)         | -            | -            |
| <b>Underlying combined ratio</b>               | <b>85.0%</b> | <b>79.4%</b> | <b>83.5%</b> | <b>85.5%</b> | <b>85.9%</b> |
| <b><u>Shareholders' equity and returns</u></b> |              |              |              |              |              |
| Ending Common Shareholders' equity             | 23,750       | 28,247       | 25,299       | 24,986       | 25,819       |
| Fully diluted book value per share             | \$71.9       | \$91.6       | \$87.6       | \$92.9       | \$100.7      |
| <b>Adjusted net income return on equity</b>    | <b>16.9%</b> | <b>19.9%</b> | <b>19.0%</b> | <b>15.4%</b> | <b>15.8%</b> |
| <b><u>Capital deployment</u></b>               |              |              |              |              |              |
| Assumed Repurchase Price Per Share             | \$104        | \$98         | \$129        | \$143        | \$147        |
| # of shares repurchased (in mn)                | 16.9         | 17.4         | 22.8         | 20.0         | 12.5         |
| Shares Repurchases                             | \$1,760      | \$1,700      | \$2,948      | \$2,857      | \$1,839      |
| Dividends per share                            | \$2.00       | \$2.16       | \$3.24       | \$3.50       | \$3.78       |
| Total \$ Amount of Dividends                   | \$657        | \$675        | \$970        | \$974        | \$975        |
| Total capital return                           | \$2,417      | \$2,375      | \$3,918      | \$3,831      | \$2,814      |
| Total capital return, % op. earnings           | 69%          | 51%          | 86%          | 109%         | 77%          |
| <b><u>Investment income</u></b>                |              |              |              |              |              |
| Net investment income                          | \$3,159      | \$2,852      | \$2,654      | \$2,066      | \$2,536      |
| Total Investments                              | \$88,362     | \$94,237     | \$64,154     | \$70,732     | \$77,991     |

Source: Barclays Research, Company Data.

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Allstate Corp. (ALL, 20-Oct-2021, USD 128.34), Overweight/Positive, CD/CE/J/K/M/N

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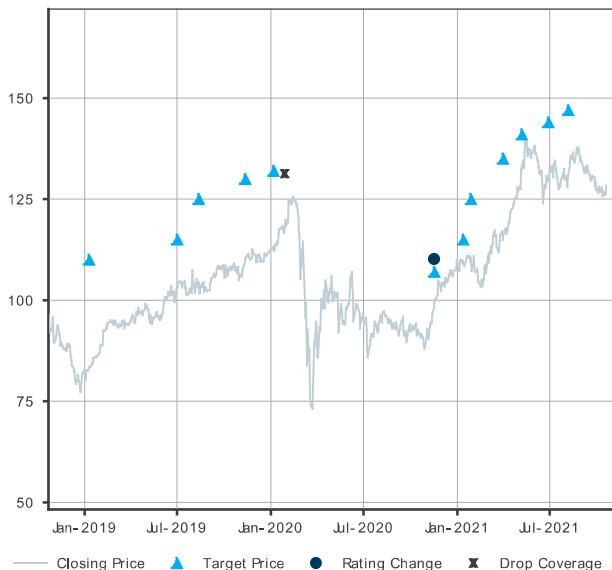
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**IMPORTANT DISCLOSURES**

**IMPORTANT DISCLOSURES****Allstate Corp. (ALL / ALL)**

USD 128.34 (20-Oct-2021)

**Rating and Price Target Chart - USD (as of 20-Oct-2021)**

Stock Rating

**OVERWEIGHT**

Industry View

**POSITIVE**

Currency=USD

| Publication Date | Closing Price | Rating           | Adjusted Price Target |
|------------------|---------------|------------------|-----------------------|
| 06-Aug-2021      | 130.82        |                  | 147.00                |
| 28-Jun-2021      | 129.75        |                  | 144.00                |
| 07-May-2021      | 132.26        |                  | 141.00                |
| 31-Mar-2021      | 114.90        |                  | 135.00                |
| 27-Jan-2021      | 110.51        |                  | 125.00                |
| 12-Jan-2021      | 109.78        |                  | 115.00                |
| 16-Nov-2020      | 98.06         | Overweight       | 107.00                |
| 22-Jan-2020      | 117.65        | Coverage Dropped |                       |
| 06-Jan-2020      | 112.83        |                  | 132.00                |
| 11-Nov-2019      | 108.19        |                  | 130.00                |
| 12-Aug-2019      | 102.85        |                  | 125.00                |
| 01-Jul-2019      | 103.15        |                  | 115.00                |
| 09-Jan-2019      | 83.16         |                  | 110.00                |

On 21-Oct-2018, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 119.00.

Source: Bloomberg, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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**Valuation Methodology:** Our Overweight rating and \$147 price target are based on a 50/50 weighted average of ~11.5x our 2022 EPS estimate of \$12.62 and 1.6x YE22 estimated book value per share of \$92.9.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Allstate's continuing growth in miles driven could lead to increased auto accident frequency and severity is on the rise, which would pressure the company's margins. A prolonged period of low interest rates will likely pressure net investment income. Allstate has substantial exposure to natural catastrophe losses, stemming from its large homeowners insurance business. Despite the acquisition being relatively small, integration of National General could be challenging and lead to execution risk in combining business units under one operational model.

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