



The Hartford pitch

NYSE: HIG

Financials team

Aidan Beckley, Bradley Leitao, John Jerere Orosco, Patricia Hanti, Toby Asplin, Tom Collins

Summary



NYSE: HIG

S&P 500, Fortune 500

Founded 1810 in Hartford,
Conneticut

One of largest property and
casualty insurance
companies in the US

Key Statistics



Market capitalization

- \$24.95 Billion (Feb 20th, 2023)

12-month revenue

- \$22.362 Billion (As of Q4, 2022)

Dividend Yield

- 2.17% (Feb 13th, 2022)

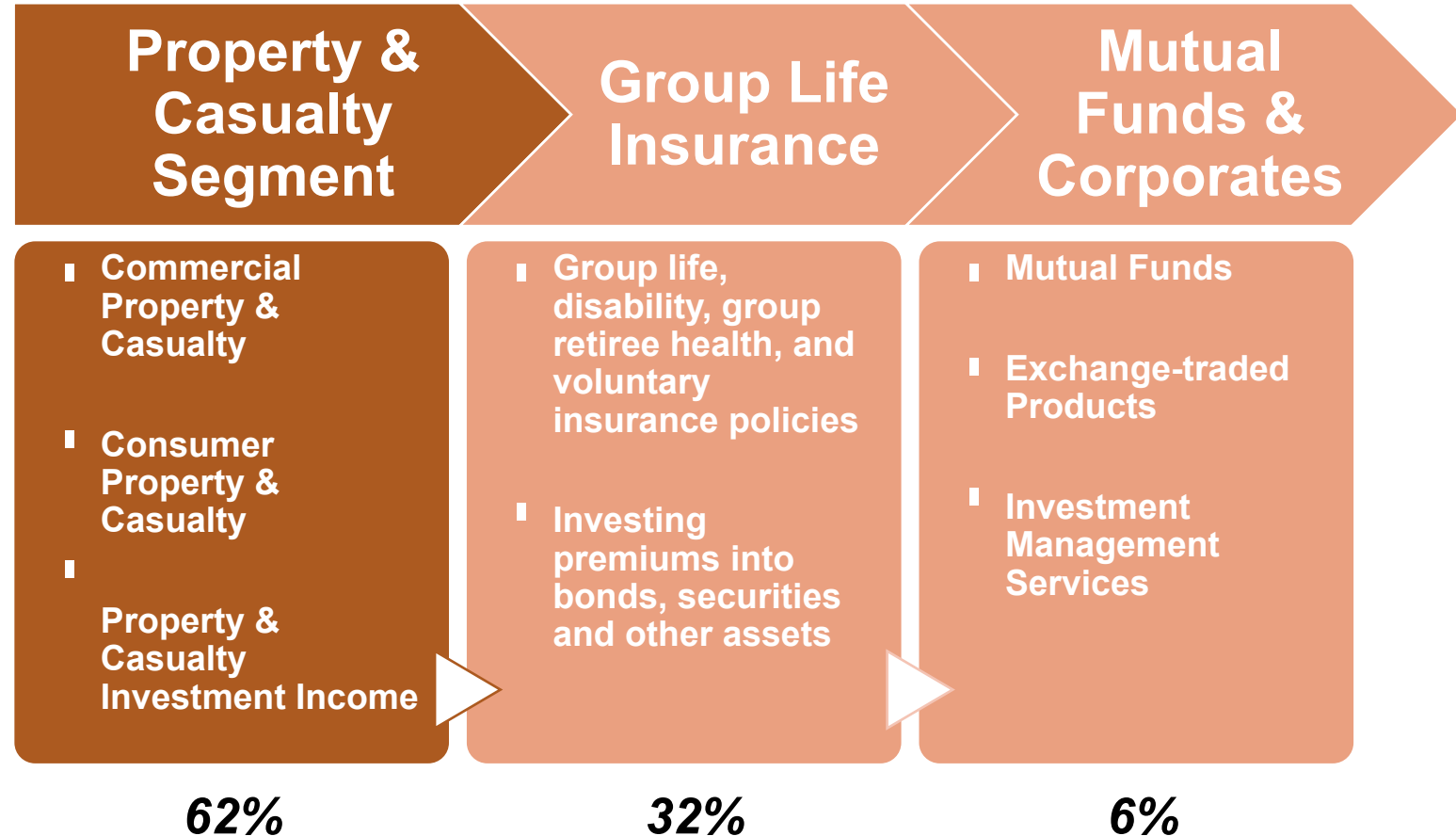
Total Assets

- \$71.801 Billion (As of Q4, 2022)

Total Liabilities

- \$58.846 Billion (As of Q4, 2022)

Products & Revenue Breakdown



❑ Partnered with insurers in over 200 countries

❑ Three main revenue streams



ESG Compliance

ESG compliance (based on 2021 Annual Report)



Environmental	Social	Governance (Based on 2021 annual employee survey)
89.6% decrease in total GHG emissions since 2007	>\$415 million invested in social programs	95% of employees believe The Hartford is committed to ethical business decisions and conduct
Plans to commit \$2.5 billion from 2022-26 in technologies, companies, and funds.	Ongoing focus on the Junior Fire Marshal Program	90% of employees believe they can report unethical conduct without fear of reprisal
55.2% of The Hartford's total energy consumption came from renewable energy sources.	80% of employees engaged in wellness programs	100% of employee emails are governed under a data classification standard
\$540M invested in Green, Social and Sustainable Bonds		All Hartford employees receive annual privacy and security training



SWOT Analysis

SWOT analysis



Strengths	Weaknesses	Opportunities	Threats
<p>International presence</p> <ul style="list-style-type: none">- The Hartford's Multinational Choice offers a spectrum of coverage options in more than 220 countries.	<p>Lawsuits and controversies</p> <ul style="list-style-type: none">- Insurance fraud settlements in 2006, 2009 and a complaint of improper denial of coverage to Rinnegade in 2020.	<p>Improvement of the Global Online Portal</p>	<p>New entrants</p> <ul style="list-style-type: none">- Market size of the finance and insurance industry expected to increase by 0.2% in 2023.
<p>Strong ethical and ESG compliance</p> <ul style="list-style-type: none">- Named World's Most Ethical Company 13 times over the years by Ethisphere.	<p>Low revenue growth</p> <ul style="list-style-type: none">- The HIGs average annual growth rate from 2013-22 was 1.22%.	<p>Expansion of Internet of Things Innovation Lab (IoT)</p>	<p>Volatile exchange rate</p>



Financials

Financials – Revenue & Net Income

Source: Macrotrends

Millions (USD)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Revenue	22,086	20,673	18,614	15,997	16,291	17,162	18,955	20,740	20,523	22,390	22,362
(growth)	1.62%	-6.40%	-9.96%	-14.06%	1.84%	5.35%	10.45%	9.42%	-1.05%	9.10%	-0.13%
Operating Income	1,811	3,655	2,052	1,845	1,424	1,039	2,057	3,000	2,460	3,131	2,484
(growth)	155.79%	101.82%	-43.86%	-10.09%	-22.82%	-27.04%	97.98%	45.84%	-18.00%	27.28%	-20.66%
Net Income	-80	166	798	1,682	896	-3,131	1,801	2,064	1,716	2,344	1,794
(growth)	-111.94%	307.50%	380.72%	110.78%	-46.73%	-449.44%	157.52%	14.60%	-16.86%	36.60%	23.46%

- HIG's total revenue, operating income and net income can be observed to be somewhat volatile until 2018, from which they have increased until 2022.
- From 2019 to 2020, the fall in net income can be explained by the effects of the COVID-19 pandemic on the US and global economy. However, the insurance sector has managed to rebound quickly as seen by the figures in 2021.
- Generally high inflation rates in the US and globally affect the insurance sector. This explains the slight fall in net income from 2021 to 2022. Rising interest rates in the US may help the company offset the effects of inflation.
- Increasing natural disaster occurrences in the US may also incentivise more individuals to pay for property and casualty insurance.
- As such, it can be assumed that its revenues will not fall in the following period. According to analysts...

Financials – Analyst Net Income Estimation

Historical	2020	2021	2022
Mean	1924.793	1997.797	2319.650
High	1966.000	2041.030	2437.000
Low	1873.751	1915.400	1926.000
Pred. Surprise	-0.153	-0.049	-0.433
Actual	2086.00	2178.00	2492.00

Estimate	2023	2024	2025
Mean	2635.799	2856.748	2998.773
High	2835.800	3147.430	3118.000
Low	2485.000	2633.000	2854.000
Pred. Surprise	0.639	1.271	0.246
Actual	-	-	-

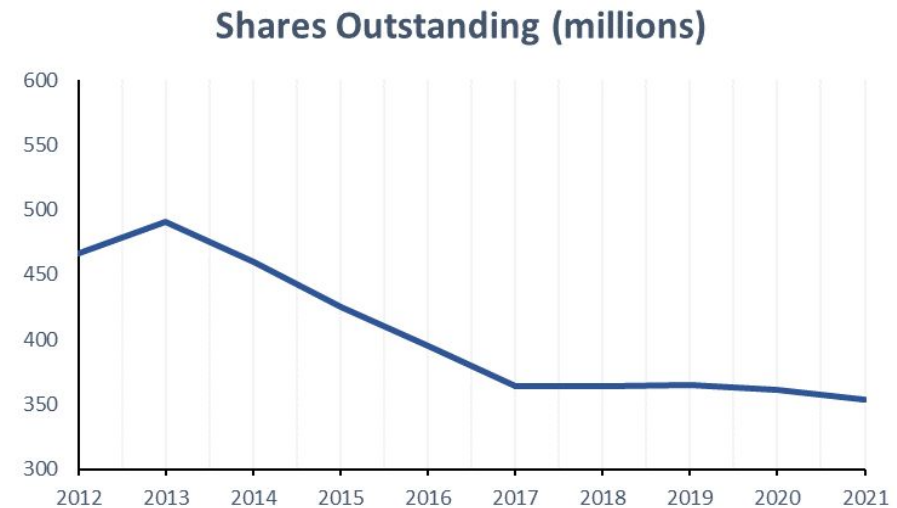
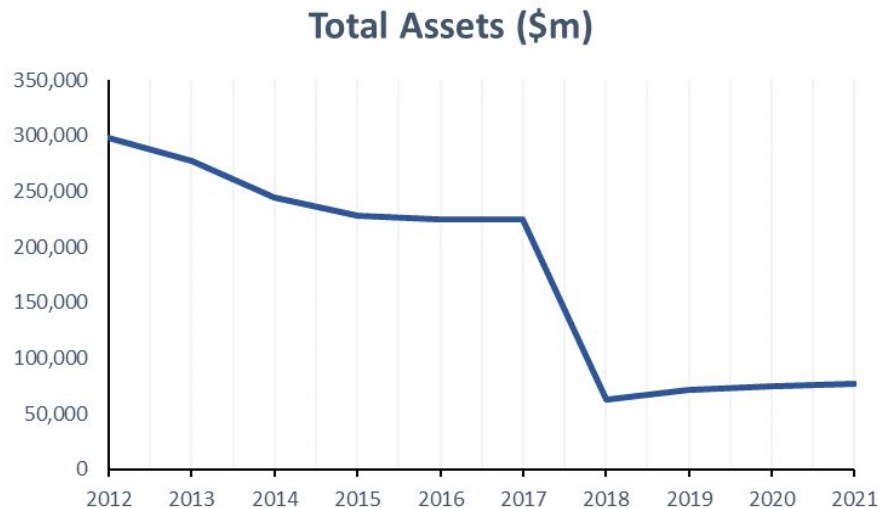
- According to analysts, HIG's net income is estimated to increase over the following years
- This could suggest an increase in earnings per share.
- Previous (historical) mean estimates of HIG's net income can be observed to be less than the actual net income reported by them.
- This could mean that the estimates seen on the table may be underestimating the actual net income they will have in the future.

Source: Refinitiv

Financials – Balance Sheet



- There was a major fall in total assets between 2017 and 2018. Since then, their total assets have been steadily increasing again.
- At the same time, the number of shares outstanding have been steadily decreasing since 2013. This suggests that the value of each share is increasing over time.



Millions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets (\$)	298,513	277,884	245,013	228,348	224,576	225,260	62,307	70,817	74,111	76,578
Shares Outstanding	466	491	460	425	395	364	364	365	361	354

Source: Macrotrends, YahooFinance

Financials – Profitability & Efficiency



Ticker	Net Profit Margin	Pre-Tax Margin	EBIT (Operating) Margin	Return on Equity
HIG	8.00%	10.10%	19.30%	15.80%
TRV.N	7.6%	9.10%	25.10%	11.90%
CB.N	12.3%	15.20%	16.80%	11.70%
ALL.N	-2.8%	-3.60%	10.10%	-1.20%
AIG.N	18.2%	25.30%	36.80%	19.90%
PRU.N	-2.4%	-3.00%	2.60%	9.10%
MET.N	3.4%	4.10%	4.50%	11.70%
KMPR.N	-5.3%	-6.90%	12.00%	-4.90%
Avg.	4.88%	6.29%	15.90%	9.25%
Median	5.50%	6.60%	14.40%	11.70%

Source: Refinitiv

- HIG has a higher net profit margin than the industry average. They also have a higher pre-tax margin than the industry average level.
- This means that HIG retains a higher proportion of their revenue as profit than their competitors; further emphasised by the EBIT margin being greater than the industry average.
- Their Return on Equity (ROE) is also above the industry average level. HIG is better at using equity financing to generate returns compared to their competitors.

Financials – Liquidity & Health



- HIG has a higher current ratio than the industry average; this figure is also above 1, meaning that they are able to meet their short-term obligations.
- Their Debt-to-Equity ratio is slightly higher, but close to the average level in the industry; suggesting that debt financing is more common in this sector, thus HIG has similar risk to the industry on average.
- HIG's payout ratio is greater than the industry average- can be a positive aspect given their current standing in the industry.

Ticker	Current Ratio	Debt/Equity	Payout Ratio %
HIG	2.06	32.27%	29.04%
TRV.N	0.35	30.12%	31.18%
CB.N	0.35	28.76%	26.22%
ALL.N	0.39	41.36%	0.00%
AIG.N	0.77	62.84%	9.84%
PRU.N	1.18	23.42%	0.00%
MET.N	2.14	-17.30%	68.04%
KMPR.N	0.51	48.07%	0.00%
Avg.	0.97	31.19%	20.54%
Median	0.64	31.19%	18.03%

Source: Refinitiv, YahooFinance



Valuation Metrics

Valuation Metrics



PE Ratio is currently at **14.08**. Which is moderately lower than the property and casualty insurance industry average of **16.1**. Although it is rising, this is common of the property and claims insurance industry, so Hartford is not an outlier.



The EV/Ebitda Ratio is currently **9.67**. Much lower than the key competitors average of **28.8**.

P/B Ratio is currently at **1.82**, comparing to an industry average of **2.2**. Suggesting a potential undervaluation in the stock.



The EV/Revenue is currently **1.3**. Lower than the key competitors average of **2.53**



Technical Analysis & Price Forecast

Technical Analysis



- Strong long-term buy position
- Current price \$77.97
- Potential entry level at \$74
- Analysts' price target \$87.22
- Support bounce at \$68.47 and stop loss at \$67.50



Source: TradingView



Risk & Volatility

- Catastrophic events
 - Claims and payouts higher when natural disasters occur
- Cybersecurity threats
 - Data breaches can result in financial and reputational damage
- Competitive pressures
 - New entrants compete for market share/customers
- Regulatory & legal risks
 - Noncompliance with laws and regulations can lead to disciplinary action

The Hartford's Beta



- The Hartford's Beta is currently 0.87, suggesting it is slightly riskier than the market (industry average for insurance sector is 0.77)
- Given current conditions in the US stock market, this is a reasonable Beta



Conclusion & Recommendations

- A truly global insurer with various revenue streams
- Strong ESG Compliance. Most notably the 89.6% reduction of GHG emissions and large investment into employee welfare
- Weaknesses are in historical controversies and slow revenue growth
- Financials are recovering well from previous downturn.
Encouraging forecast of net income to rise as well as having stronger NPM and ROE than industry average
- Valuation metrics show a potential undervaluation within the industry and when compared to key competitors
- Strong long-term buy position
- Threats lie in catastrophic events occurring, cybersecurity breaches, new market entrants and strict regulations