

TRAVELERS COS INC/THE (New York: TRV, Currency: USD) 157.42 / -0.26% / -0.41  
 Bloomberg Rating: IG1 Sector: Financials Industry: Insurance Sub-Industry: Property & Casualty Insurance FY End: December 2020 EPS Due: 1/21/21

**Description**  
 The Travelers Companies, Inc. operates as an insurance company. The Company provides commercial and personal property and casualty insurance products and services to businesses, government units, associations, and individuals.

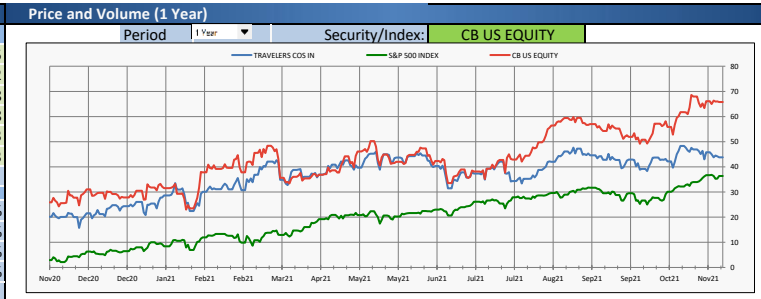
Business Segments (FY: Dec-20)	Revenue
Business Insurance	15,294.00
Personal Insurance	10,927.00
Bond & Specialty Insurance	2,823.00
Reconciliation	2,658.00
Other	279.00

Key Statistics	
52-Week Range	129.57 - 163.29
Avg Daily Vol (3 Mo)	1,152,080
Market Value	38,726.7
Current Enterprise	45,198.69
Shares Outstanding	246.01 M
Dividend Yield	2.2%
Float %	99.5%
Institutional %	90.1%
Analyst Coverage	20 Analysts
Target Price	164.44
LT Growth Rate	965.0%
Consensus Rating	3.10
Return on Equity	12.8%

Actual and Estimate Data			
	LTM	12/2021	12/2022
Revenue	34,202.00	34,342.00	35,681.43
% change y/y		7.4%	3.9%
EBITDA	-	-	-
% Margin		-	-
EPS	14.059283	12.439	12.546
% change y/y		18.7%	0.9%
EV/Sales	1.3x	-	-
EV/EBITDA	-	-	-
P/Sales	1.2x	1.1x	1.1x
P/Earnings	11.2x	12.7x	12.5x
P/Book	1.4x	1.3x	1.3x

Relative Comps	Mkt Cap	PE (NTM)
Travelers Cos Inc/The	38.73 B	12.9x
Hanover Insurance Group	4.52 B	12.4x
Hartford Financial Services	24.42 B	10.9x
Chubb Ltd	83.06 B	13.7x
Cincinnati Financial Corp	19.68 B	24.5x
Argo Group International	2.06 B	14.4x
Progressive Corp/The	56.27 B	22.4x
Kemper Corp	3.90 B	136.9x
State Auto Financial Corp	2.29 B	-
W R Berkley Corp	14.35 B	16.3x
White Mountains Insuran	3.36 B	142.7x
RLI Corp	5.05 B	30.3x
Arch Capital Group Ltd	16.23 B	10.5x
Mercury General Corp	2.92 B	15.4x
ProAssurance Corp	1.35 B	36.7x

Measure:	2019	2020	2021	2022
Q1 Mar	7671.00	7908.00	8313.00	8735.25
Q2 Jun	7834.00	7401.00	8687.00	8884.92
Q3 Sep	8013.00	8275.00	8805.00	9043.18
Q4 Dec	8063.00	8397.00	8694.31	9116.18
Year	31581.00	31981.00	34342.00	35681.43
Cal Yr	31581.00	31981.00	34342.00	35681.43
Revision				
1 Week	0.0%	0.5%	0.9%	2.5%
4 Weeks	0.0%	0.3%	0.3%	1.8%
3 Months	0.0%	0.6%	0.7%	2.6%
6 Months	0.0%	0.2%	0.3%	2.0%



Prices/Volume	
YTD Change	12.15%
6 Month Change	5.57%
3 Month Change	2.7%
1 Year Change	38.9%
Daily Volume	985,929
Average Volume 30 Day	1,245,094
Average Volume 3 Month	1,152,080
Average Volume 6 Month	1,131,717
Dividend Yld	2.2%
52 Week Beta	0.91

**Recommendation**

We continue to recommend holding on to Travelers (TRV) shares based upon its recent strong fundamental performance, reasonable valuation metrics and balanced risk/reward profile. Trading at \$157 per share, we see 11% upside to TRV shares based upon our one-year price target of \$175.

**Fundamental Trends / Catalysts**

In recent quarters Travelers has significantly outpaced Wall Street earnings estimates driven by insurance policy growth, higher renewal rates, price increases, improved profit margins (combined ratios), strong investment returns, favorable reserve development and large share repurchases. While many of these tailwinds are expected to subside and potentially even reverse in 2022, we believe TRV can return to its long term 10% EPS growth rate in 2023. Longer term, management believes that the company can increase its Return on Equity (ROE) from its current rate of 12% towards a goal of 16% over time, which if realized sooner than expected may lead to share price appreciation above our current price target of \$175.

**Balance Sheet**

While highly acquisitive during the late 1990's and early 2000's (ST Paul, USF&G, Primerica, Aetna P&C), Travelers has been largely focused on organic growth since its separation from Citigroup 20 years ago. Excess capital from its various insurance businesses, have been redeployed to increased dividends and to fund large share repurchase programs over the past several years. Travelers maintains a conservative balance with a debt-to-capital ratio of only 20.4%, slightly below both of its large cap peers Hartford and Chubb. Its capital position is at or above target with bond rating agencies, all which rate TRV's debt at A or higher. Travelers also possesses a very high quality and conservative investment portfolio (98.5% investment grade).

**Valuation**

Using a blended valuation model (50% Price to Earnings / 50% Price to Book), we derive a one-year price target of \$175, representing 11% upside to TRV's current market price of \$157. We assume TRV shares will trade at 14x 2022's EPS estimate of \$12.55, and 1.5x its current book value of \$116 per share. While these multiples are at the higher end of TRV's own historical valuation range, they are in line with its large cap peers (Chubb and Hartford), which have similar revenue growth (5%) and ROE (10%) metrics to TRV.

**Risks**

While TRV's recent results have been unquestionable strong, there are several valid concerns regarding their sustainability as many of these positive earnings drivers have proven to be volatile and mean reverting historically. In general, above trend insurance industry profitability has led to breakdowns in underwriting and investment discipline (competitive pricing, risk taking). Also, lower than expected catastrophe losses (CATS) which were a key driver of improved underwriting profitability last quarter, cannot be relied upon as a consistent earnings driver going forward. In addition, the pandemic proved to be a boon for auto insurers as the frequency and severity of accidents significantly dropped along with vehicle miles driven. These favorable trends have already shown signs of reversing as the economy recovers.

Measure:	2019	2020	2021	2022
Q1 Mar	2.99	2.33	2.87	3.36
Q2 Jun	2.10	-0.16	3.66	2.34
Q3 Sep	1.50	3.23	2.62	2.91
Q4 Dec	3.35	5.10	3.66	3.94
Year	9.92	10.52	12.73	12.54
Cal Yr	9.92	10.52	12.73	12.54
Revision				
1 Week	-1.4%	1.0%	1.9%	-
4 Weeks	-1.6%	-1.9%	-2.4%	-
3 Months	-0.3%	5.7%	1.6%	-
6 Months	-0.3%	-0.1%	-0.5%	-

Measure:	2012	2013	2014	2015	2016	2017	2018	2019	2020	5 Yr Avg
Price Change	21.4%	26.1%	16.9%	6.6%	8.5%	10.8%	-11.7%	14.4%	2.5%	4.9%
S&P 500 INDEX	13.4%	29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	13.6%
Industry (INDU Index)	7.3%	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	12.5%
Div Yield	2.5%	2.2%	2.0%	2.1%	2.1%	2.1%	2.5%	2.4%	2.4%	2.3%
Financials	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr CAGR
Sales	25,740.0	26,191.0	27,174.0	26,815.0	27,625.0	28,902.0	30,282.0	31,581.0	31,981.0	3.6%
EBITDA	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
EBIT	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Net Income	2,473.0	3,673.0	3,692.0	3,439.0	3,014.0	2,056.0	2,523.0	2,622.0	2,697.0	-4.7%
EPS (Diluted)	6.30	9.74	10.70	10.88	10.28	7.33	9.28	9.92	10.52	-0.7%
Dividends per Share	1.79	1.96	2.15	2.38	2.62	2.83	3.03	3.23	3.37	7.2%
Shares for Fully Diluted	389.8	374.3	342.5	313.9	291.0	278.6	269.8	262.3	254.6	-4.1%
Book Value per Share	67.32	76.96	77.08	79.75	83.05	87.44	86.82	101.54	115.69	7.7%
Cash & Near Cash	330.0	294.0	374.0	380.0	307.0	344.0	373.0	494.0	721.0	13.7%
Total Assets	104,938.0	103,812.0	103,078.0	100,184.0	100,245.0	103,483.0	104,233.0	110,122.0	116,764.0	3.1%
Working Cap	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
LT Debt	5,750.0	6,246.0	5,849.0	5,844.0	5,887.0	5,971.0	5,964.0	6,230.0	6,709.0	2.8%
Cash Flow-Oper Activiti	3,230.0	3,816.0	3,693.0	3,434.0	4,469.0	4,148.0	4,380.0	5,205.0	6,519.0	13.7%
Capital Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Free Cash Flow	3,230.0	3,816.0	3,693.0	3,434.0	4,469.0	4,148.0	4,380.0	5,205.0	6,519.0	13.7%
Ratios	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr Avg
Gross Margin	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA Margin	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT Margin	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit Margin	9.6%	14.0%	13.6%	12.8%	10.9%	7.1%	8.3%	8.3%	8.4%	8.6%
Return on Assets	2.4	3.5	3.6	3.4	3.0	2.0	2.4	2.4	2.4	2.5
Return on Com Eqty	9.8	14.5	14.8	14.1	12.8	8.7	10.7	10.7	10.7	10.5
Asset Turnover	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Assets/Equity	4.1	4.2	4.2	4.2	4.3	4.4	4.6	4.2	4.0	4.3
Net Inc per 1000 Empl	81.1	119.3	122.3	111.3	97.5	66.5	83.0	85.1	88.1	84.1
Days Sales Out (DSO)	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acc Pay Turn Days (DPO)	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Ratio	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Quick Ratio	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Debts/Total Capit	20.0	20.4	20.4	21.2	21.7	21.7	22.3	21.1	19.1	21.2
Total Debt/Total Equity	25.0	25.6	25.6	26.9	27.7	27.7	28.7	26.7	23.7	26.9

Measure:	2019	2020	2021	2022
Growth Rate (CAGR) Summary	1Yr	3Yr	5Yr	10Yr
Sales	1.3%	3.4%	3.6%	2.4%
EBIT				
EBITDA				
Net Income	2.9%	9.5%	-4.7%	-1.7%
EPS (Diluted)	6.0%	12.8%	-0.7%	4.7%
Dividends	4.3%	6.0%	7.2%	9.1%
BVPS	13.9%	9.8%	7.7%	7.1%
Free Cash Flow	28.5%	19.6%	18.4%	14.9%
Valuation Summary				
Best FQ	12/31/2020	5 Year Periodicity: Yearly		
P/E (LTM)	13.3x	18.6x	12.1x	14.1x
P/E (NTM)	12.6x	14.0x	10.6x	12.7x
PEG (NTM)	1.3x	2.3x	0.6x	1.4x
P/Bk	1.2x	1.6x	1.2x	1.4x
P/CF	5.5x	9.0x	5.5x	7.1x
P/Sales	1.1x	1.3x	1.1x	1.2x
EV/EBITDA				
EV/Sales	1.3x	1.5x	1.2x	1.4x
Div Yield	2.4%	2.5%	2.1%	2.3%