TheStreet Quant Ratings

July 23, 2023

NYSE: AFL

AFLAC INC

BUY HOLD SELL

BUY

RATING SINCE 10/08/2020

TARGET PRICE $83.61

Annual Dividend Rate $1.68
Annual Dividend Yield 2.32%
Beta 0.94
Market Capitalization $43.7 Billion
52-Week Range $54.01-$74.02
Price as of 7/20/2023 $72.39

AFL BUSINESS DESCRIPTION
Aflac Incorporated, through its subsidiaries, provides supplemental health and life insurance products. It operates in two segments, Aflac Japan and Aflac U.S.

STOCK PERFORMANCE (%)

3 Mo. 1 Yr. 3 Yr (Ann)
Price Change 8.89 32.34 26.24

GROWTH (%)

Last Qtr 12 Mo. 3 Yr CAGR
Revenues 3.92 -10.82 -6.13
Net Income 13.46 6.81 13.98
EPS 21.25 13.42 20.40

RETURN ON EQUITY (%)

AFL Subsector Avg S&P 500
Q1 2023 22.02 32.01 16.96
Q1 2022 13.81 24.52 20.22
Q1 2021 17.15 19.50 13.87

P/E COMPARISON

AFL Subsector Avg S&P 500
10.45 32.25 25.89

EPS ANALYSIS¹ ($)

2021 2022 2023
L1 1.97 L1 2.02 L1 2.36
L2 0.57 L2 0.49 L2 0.54
L3 1.69 L3 2.16 L3 2.53
L4 0.39 L4 0.30 L4 0.31

RECOMMENDATION
We rate AFLAC INC (AFL) a BUY. This is driven by a few notable strengths, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company’s strengths can be seen in multiple areas, such as its increase in net income, revenue growth, largely solid financial position with reasonable debt levels by most measures, solid stock price performance and notable return on equity. We feel its strengths outweigh the fact that the company shows weak operating cash flow.

HIGHLIGHTS
The net income growth from the same quarter one year ago has exceeded that of the S&P 500 and the Insurance Carriers and Related Activities subsector average. The net income increased by 13.5% when compared to the same quarter one year prior, going from $1,047.00 million to $1,188.00 million.

Despite its growing revenue, the company underperformed as compared with the subsector average of 13.3%. Since the same quarter one year prior, revenues slightly increased by 3.9%. Growth in the company’s revenue appears to have helped boost the earnings per share.

The current debt-to-equity ratio, 0.38, is low and is below the subsector average, implying that there has been successful management of debt levels.

Investors have apparently begun to recognize positive factors similar to those we have mentioned in this report, including earnings growth. This has helped drive up the company’s shares by a sharp 32.34% over the past year, a rise that has exceeded that of the S&P 500 Index. Regarding the stock’s future course, although almost any stock can fall in a broad market decline, AFL should continue to move higher despite the fact that it has already enjoyed a very nice gain in the past year.

Current return on equity exceeded its ROE from the same quarter one year prior. This is a clear sign of strength within the company. Compared to other companies in the Insurance Carriers and Related Activities subsector and the overall market on the basis of return on equity, AFLAC INC has underperformed in comparison with the subsector average, but has exceeded that of the S&P 500.

¹ Compustat fiscal year convention is used for all fundamental data items.
**TheStreet Quant Ratings**

**AFLAC INC**

<table>
<thead>
<tr>
<th>Sector: Finance and Insurance</th>
<th>Insurance Carriers</th>
</tr>
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<tr>
<td><strong>Annual Dividend Rate</strong>: $1.68</td>
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**PEER GROUP ANALYSIS**

**REVENUE GROWTH AND EBITDA MARGIN**

Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between $4.8 Billion and $48.8 Billion. Companies with NA or NM values do not appear.

*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

**REVENUE GROWTH AND EARNINGS YIELD**

Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -32.9% and 21.6%. Companies with NA or NM values do not appear.

**SUBSECTOR ANALYSIS**

AFLAC INC falls within the Finance and Insurance sector and the Insurance Carriers industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve Direct Health and Medical Insurance Carriers.

TheStreet Quant Ratings is currently tracking 792 companies in the Finance and Insurance sector that total around $8,031 billion in market capitalization as well as $4,803 billion in annual sales.

The Insurance Carriers and Related Activities subsector accounts for 36.2% of those revenues.

Industries in the Insurance Carriers and Related Activities subsector group establishments that are primarily engaged in one of the following: (1) underwriting (assuming the risk, assigning premiums, and so forth) annuities and insurance policies or (2) facilitating such underwriting by selling insurance policies and by providing other insurance and employee benefit related services.

**PEER GROUP: Insurance Carriers and Related Activities**

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Recent Price ($)</th>
<th>Market Cap ($M)</th>
<th>Price/Earnings</th>
<th>Net Sales TTM ($M)</th>
<th>Net Income TTM ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFL</td>
<td>AFLAC INC</td>
<td>72.39</td>
<td>43,740</td>
<td>10.45</td>
<td>18,157.00</td>
<td>4,357.00</td>
</tr>
<tr>
<td>UNM</td>
<td>UNUM GROUP</td>
<td>49.07</td>
<td>9,670</td>
<td>6.95</td>
<td>12,046.90</td>
<td>1,419.00</td>
</tr>
<tr>
<td>PRI</td>
<td>PRIMERICA INC</td>
<td>211.56</td>
<td>7,664</td>
<td>16.90</td>
<td>2,718.94</td>
<td>471.01</td>
</tr>
<tr>
<td>LNC</td>
<td>LINCOLN NATIONAL CORP</td>
<td>27.39</td>
<td>5,185</td>
<td>NM</td>
<td>17,855.00</td>
<td>-1,004.00</td>
</tr>
<tr>
<td>MET</td>
<td>METLIFE INC</td>
<td>60.94</td>
<td>48,811</td>
<td>13.76</td>
<td>68,753.00</td>
<td>3,730.00</td>
</tr>
<tr>
<td>AEL</td>
<td>AMERICAN EQTY INVT LIFE HLDG</td>
<td>53.60</td>
<td>4,978</td>
<td>4.78</td>
<td>4,419.35</td>
<td>1,084.76</td>
</tr>
<tr>
<td>MFC</td>
<td>MANULIFE FINANCIAL CORP</td>
<td>19.45</td>
<td>35,902</td>
<td>6.75</td>
<td>45,475.00</td>
<td>5,730.00</td>
</tr>
<tr>
<td>PRU</td>
<td>PRUDENTIAL FINANCIAL INC</td>
<td>95.02</td>
<td>34,882</td>
<td>118.78</td>
<td>60,549.00</td>
<td>308.00</td>
</tr>
<tr>
<td>SLF</td>
<td>SUN LIFE FINANCIAL INC</td>
<td>52.36</td>
<td>30,722</td>
<td>10.21</td>
<td>25,137.00</td>
<td>4,295.30</td>
</tr>
<tr>
<td>PFG</td>
<td>PRINCIPAL FINANCIAL GRP INC</td>
<td>83.53</td>
<td>20,279</td>
<td>4.97</td>
<td>17,200.60</td>
<td>798.95</td>
</tr>
<tr>
<td>GL</td>
<td>GLOBE LIFE INC</td>
<td>114.67</td>
<td>11,211</td>
<td>14.14</td>
<td>5,227.87</td>
<td>798.95</td>
</tr>
</tbody>
</table>

The peer group comparison is based on Major Insurance Carriers and Related Activities companies of comparable size.
AFLAC INC

AFLAC INC
1932 Wynnton Road
Columbus, GA 31999
USA
Phone: 706 323 3431
http://www.aflac.com

COMPANY DESCRIPTION
Aflac Incorporated, through its subsidiaries, provides supplemental health and life insurance products. It operates in two segments, Aflac Japan and Aflac U.S. The Aflac Japan segment offers cancer, medical, nursing care, work leave, GIFT, and whole and term life insurance products, as well as WAYS and child endowment plans under saving type insurance products in Japan. The Aflac U.S. segment provides cancer, accident, short-term disability, critical illness, hospital indemnity, dental, vision, long-term care and disability, and term and whole life insurance products in the United States. It sells its products through sales associates, brokers, independent corporate agencies, individual agencies, and affiliated corporate agencies. The company was founded in 1955 and is headquartered in Columbus, Georgia.

STOCK AT A GLANCE
Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of AFL shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock’s strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock’s valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR SCORE

Growth
2.5 out of 5 stars
Measures the growth of both the company’s income statement and cash flow. On this factor, AFL has a growth score better than 40% of the stocks we rate.

Total Return
5.0 out of 5 stars
Measures the historical price movement of the stock. The stock performance of this company has beaten 90% of the companies we cover.

Efficiency
5.0 out of 5 stars
Measures the strength and historic growth of a company’s return on invested capital. The company has generated more income per dollar of capital than 90% of the companies we review.

Price volatility
5.0 out of 5 stars
Measures the volatility of the company’s stock price historically. The stock is less volatile than 90% of the stocks we monitor.

Solvency
3.5 out of 5 stars
Measures the solvency of the company based on several ratios. The company is more solvent than 60% of the companies we analyze.

Income
4.0 out of 5 stars
Measures dividend yield and payouts to shareholders. The company’s dividend is higher than 70% of the companies we track.

THE STREET QUANT RATINGS RESEARCH METHODOLOGY
TheStreet Quant Ratings’ stock model projects a stock’s total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e., how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.
**TheStreet Quant Ratings**

**AFLAC INC**

**Sector: Finance and Insurance | Insurance Carriers**

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<td>0.94</td>
<td>$43.7 Billion</td>
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<td>$72.39</td>
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**Consensus EPS Estimates² ($)**

<table>
<thead>
<tr>
<th>Q2 FY23</th>
<th>2023(E)</th>
<th>2024(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.43</td>
<td>5.77 E</td>
<td>6.00 E</td>
</tr>
</tbody>
</table>

IBES consensus estimates are provided by Thomson Financial

**FINANCIAL ANALYSIS**

AFLAC INC’s gross profit margin for the first quarter of its fiscal year 2023 has significantly increased when compared to the same period a year ago. The company has grown its sales and net income during the past quarter when compared with the same quarter a year ago, and although its growth in net income has outpaced the subsector average, its revenue growth has not.

At the same time, stockholders’ equity (“net worth”) has significantly decreased by 32.99% from the same quarter last year.

**STOCKS TO BUY:** TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.TheStreetRatings.com.

**INCOME STATEMENT**

<table>
<thead>
<tr>
<th>Q1 FY23</th>
<th>Q1 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales ($mil)</td>
<td>4,718.00</td>
</tr>
<tr>
<td>EBITDA ($mil)</td>
<td>NA</td>
</tr>
<tr>
<td>EBIT ($mil)</td>
<td>1,308.00</td>
</tr>
<tr>
<td>Net Income ($mil)</td>
<td>1,188.00</td>
</tr>
</tbody>
</table>

**BALANCE SHEET**

<table>
<thead>
<tr>
<th>Q1 FY23</th>
<th>Q1 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equiv. ($mil)</td>
<td>8,135.00</td>
</tr>
<tr>
<td>Total Assets ($mil)</td>
<td>134,966.00</td>
</tr>
<tr>
<td>Total Debt ($mil)</td>
<td>7,441.00</td>
</tr>
<tr>
<td>Equity ($mil)</td>
<td>19,784.00</td>
</tr>
</tbody>
</table>

**PROFITABILITY**

<table>
<thead>
<tr>
<th>Q1 FY23</th>
<th>Q1 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit Margin</td>
<td>27.72%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>NA</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>27.72%</td>
</tr>
<tr>
<td>Sales Turnover</td>
<td>0.13</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>3.22%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>22.02%</td>
</tr>
</tbody>
</table>

**DEBT**

<table>
<thead>
<tr>
<th>Q1 FY23</th>
<th>Q1 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>NA</td>
</tr>
<tr>
<td>Debt/Capital</td>
<td>0.27</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>48.00</td>
</tr>
<tr>
<td>Interest Coverage</td>
<td>27.25</td>
</tr>
</tbody>
</table>

**SHARE DATA**

<table>
<thead>
<tr>
<th>Q1 FY23</th>
<th>Q1 FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares outstanding (mil)</td>
<td>606</td>
</tr>
<tr>
<td>Div / share</td>
<td>0.42</td>
</tr>
<tr>
<td>EPS</td>
<td>1.94</td>
</tr>
<tr>
<td>Book value / share</td>
<td>32.65</td>
</tr>
<tr>
<td>Institutional Own %</td>
<td>NA</td>
</tr>
<tr>
<td>Avg Daily Volume</td>
<td>2,294,564</td>
</tr>
</tbody>
</table>

2 Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.
Buy. AFLAC INC’s P/E ratio indicates a significant discount compared to an average of 22.25 for the Insurance Carriers and Related Activities subsector and a significant discount compared to the S&P 500 average of 25.89. For additional comparison, its price-to-book ratio of 2.22 indicates a significant discount versus the S&P 500 average of 4.24 and a significant discount versus the subsector average of 11.93. The current price-to-sales ratio is below the S&P 500 average, but above the subsector average. Upon assessment of these and other key valuation criteria, AFLAC INC proves to trade at a discount to investment alternatives.

Valuation

Price/Earnings

AFL 10.45

- Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
- AFL is trading at a significant discount to its peers.

Price/Projected Earnings

AFL 12.07

- Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
- AFL is trading at a discount to its peers.

Price/Book

AFL 2.22

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- AFL is trading at a significant discount to its peers.

Price/Sales

AFL 2.42

- Premium. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- AFL is trading at a premium to its subsector on this measurement.

AFLAC INC

Market Capitalization

$43.7 Billion

52-Week Range

$54.01-$74.02

Price as of 7/20/2023

$72.39

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The High-End of the Price Range: $74.02

The Low-End of the Price Range: $52.98

Price Range: $21.04

Price Range: $21.04

Distribution of TheStreet Ratings

8.93% Buy

29.98% Hold

6.09% Sell

5.37% Strong Buy

16.67% Strong Sell

38.93% Sell

9.33% Neutral

3.00% Overweight

3.00% Underweight

10.00% Buy

3.33% Hold

26.67% Underweight

50.00% Sell

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