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Primerica: Stronger Than Its Competitors And Ready To Grow

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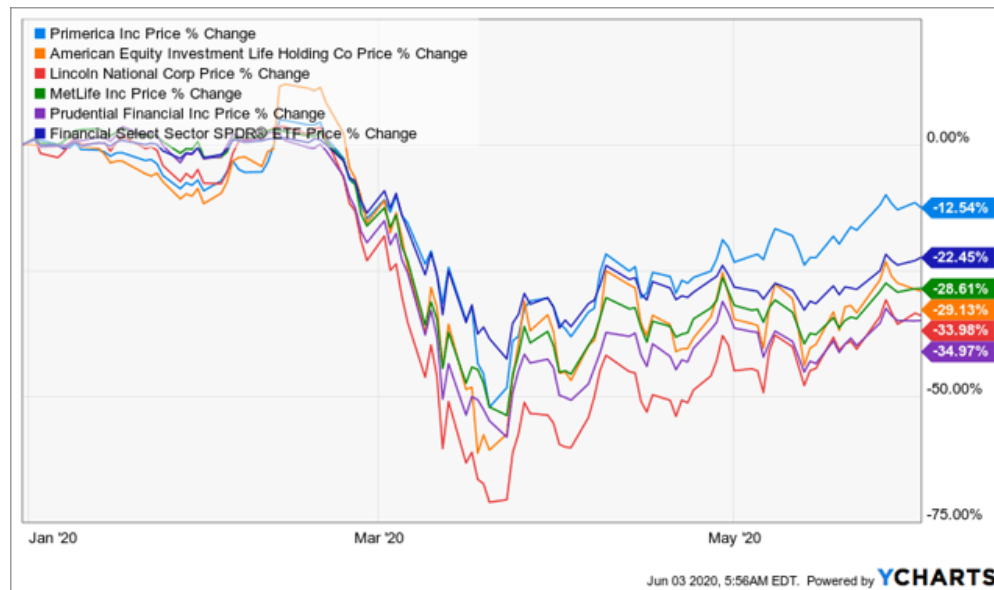


Summary

- Primerica Inc. is expecting to have insurance sales increase at least 5% in the second quarter.
- The company based in the southeast US, which is expected to have the largest population growth in the US in 2020.
- First-quarter dividend was increased 17% from the fourth quarter.
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“ Among those with life insurance, about 1 in 5 say that they do not have enough. - Insurance Information Institute

Primerica (NYSE:[PRI](#)) is a standout in the insurance and financial services space that looks poised to continue its leadership. PRI's business is based on selling term life insurance and investment and savings products to middle-income Americans, not exactly the flashy derivatives of Wall Street, but a steady business model. Based in an area of population growth in the southeast, PRI has risen above competitors during this recovery phase from March lows because of its strong balance sheet and demographic that it serves.



During this Covid-19 economic and social crisis, it has become apparent to many Americans that they need to save more and spend less. "Consumer spending, one of the driving forces behind the US economy, posted its steepest decline on record in April 2020 as consumers shift towards savings amidst the pandemic," as pointed out in the Lead-Lag Report. According to the US Bureau of Economic Analysis, the personal savings rate was 33% in April compared to

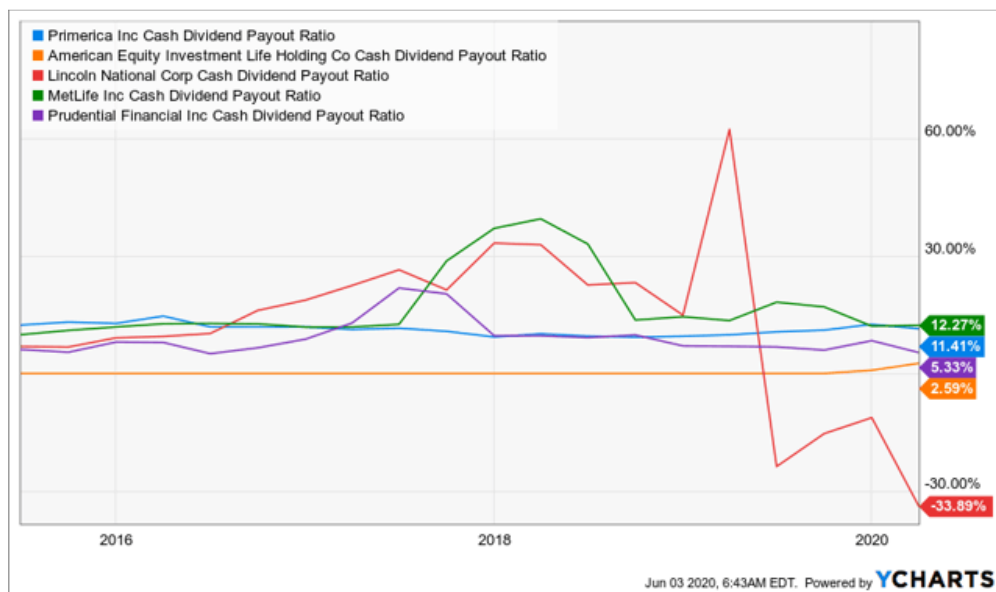
an average of less than 8% over the past 12 months, ending February 2020. This has been a driver of Primerica's growth over the past few months.

PRI released its first-quarter results which showed a growing asset base and sales force. The number of term-life insurance policies issued during the quarter increased 11% from the same period of 2019 and was only marginally less than the fourth quarter of 2019. There was also a 2% increase in the total face value of policies in force during the first quarter. So, it is not only selling more policies, but also policies of greater value.

It was a similar story in the Investment and Savings Products division where sales were up 28% compared to the same time period in 2019 and up over 13% from the fourth quarter of 2019. Even though the total account value slipped by 7% at the end of the first quarter due to the steep market decline, the average value throughout the quarter was greater than 2019's average value.

Primerica is anticipating an increase in term life claims due to Covid-19 of approximately \$15 million, but sees that as a temporary setback and the pandemic will ultimately lead to a greater demand for insurance. With \$2.5 billion in cash and short-term investments and long-term debt at \$1.6 billion, Primerica is set up to withstand a temporary increase in claims.

One negative area for Primerica in the first quarter was the growth in expenses from the fourth quarter. Expenses were up \$5 million, which was a drag on net income. Most of this increase was in employee-related expenses, benefits, and technology enhancements. So even though revenue was up 6.5% compared to 1Q19, net income fell 8% for the same period.



Primerica increased its dividend payment in the first quarter to 40 cents per share from 34 cents for a yield of 1.24%. It is committed to maintaining the dividend and growing it. PRI's cash dividend payout ratio looks substantial compared to most of their competitors.

Currently PRI trades at a PE ratio of 13.36, which is only slightly higher than its average PE over the past 10 years of 13.05. Given its outlook for growth, PRI does not look expensive. It is also trading close to its 200-day moving average after falling well below it during the March market lows. In the last week, its 200-day moving average has started to trend upwards again, which is a positive sign. The stock has been strong relative to the S&P 500 Index and is showing a 14-day RSI of over 60. Technical signals are pointing towards strength in the stock price.



Primerica Inc. is a strong member of the financial index that looks ready to take advantage of a societal change from the Covid-19 pandemic and is trading at a reasonable price.

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