

## Analyst Report: The Allstate Corporation (ALL)

**Industries:** Financial, Insurance, Property Insurance

Allstate's strategic shift marked by the planned Health and Benefits divestiture amid ongoing profitability pressures defines its current transitional phase.

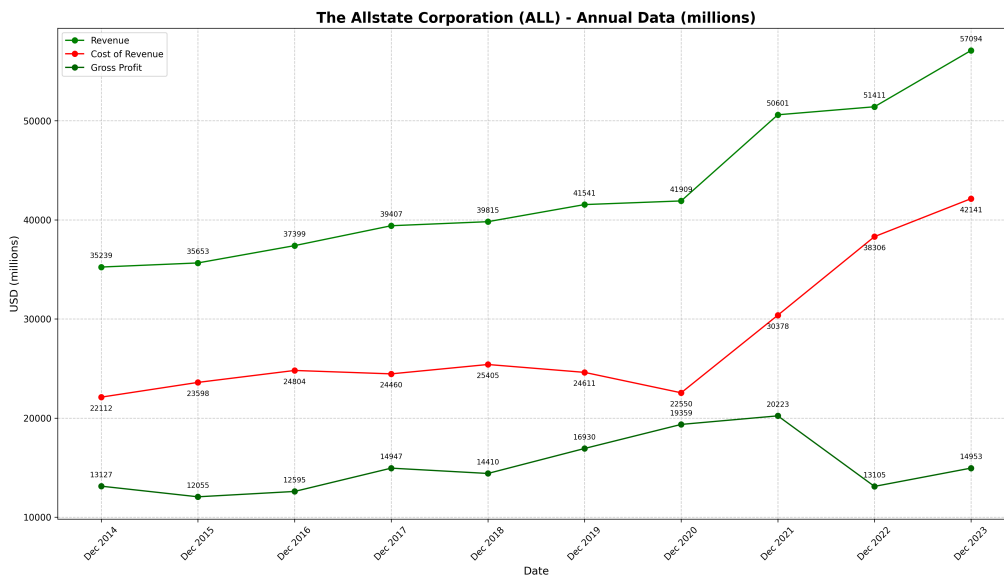
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$170.00 - \$190.00	\$130.00 - \$150.00
Sum of the Parts	\$160.00 - \$180.00	\$120.00 - \$140.00
Relative Multiples	\$15.00 - \$17.00	\$12.00 - \$14.00
Discounted Cash Flow	\$140.00 - \$160.00	\$100.00 - \$120.00

### SUMMARY DATA (ANNUAL)

<b>52-Week High</b>	<b>\$209.88</b>
52-Week Low	\$137.07
Shares	262.50
EPS	-1.20
Dividend	3.56
Revenue	57,094
Cost of Revenue	42,141
Gross Profit	14,953
EBIT	56

### OUTLOOK

Over the next six months, Allstate is expected to continue navigating a challenging market environment, with ongoing pressure on profitability in its core auto insurance business. The company's rate increases and underwriting actions, while necessary to address rising claim costs, could create some headwinds for growth and customer retention. The planned sale of the Health and Benefits business is anticipated to be a key focus, with potential implications for the company's financial performance and strategic direction. Allstate's investments in technology and data analytics are expected to yield incremental improvements in efficiency and customer experience, although significant returns might not materialize in the near term. Overall, Allstate's performance over the next two quarters is likely to be influenced by its ability to balance the competing objectives of restoring profitability and maintaining growth in a dynamic market environment.



## 1. Business Description

The Allstate Corporation's 10K filing for the fiscal year ending December 31, 2023, provides a comprehensive overview of the company's performance, financial condition, and strategic direction. The report highlights Allstate's dominant position in the property and casualty insurance market in the United States and Canada, emphasizing its pursuit of increased market share by offering a diverse suite of protection solutions to consumers across multiple distribution channels. The well-known Allstate brand, synonymous with the slogan "You're In Good Hands With Allstate," reinforces its established market presence. The company's commitment to transformative growth, a key element of its business strategy, is evident in its efforts to continually adapt and refine its business model, capabilities, and culture to enhance customer service. This involves providing affordable, simple, and connected protection solutions through various distribution channels. Allstate's focus extends beyond traditional insurance offerings, encompassing protection plans for consumer electronics, mobile phones, and appliances, as well as personal identity protection and accident and health insurance. The company also underscores its financial strength and stability, highlighting its investment strategies and capital management practices. The report details Allstate's investment portfolio diversification, risk management approaches, and efforts to maintain strong financial strength ratings. A significant event during the reported year was the announcement of the intended sale of the Health and Benefits business, marking a strategic shift for Allstate.

Further analysis of the 10K reveals intricate details about Allstate's operations. The company divides its business into several reportable segments: Allstate Protection, Protection Services, Allstate Health and Benefits, Run-off Property-Liability, and Corporate and Other. Allstate Protection is the largest segment, contributing significantly to the company's insurance premiums and policies in force. The segment's strategy emphasizes enhancing customer value by simplifying interactions, providing competitive pricing, and offering differentiated products and experiences. Protection Services, while accounting for a smaller portion of total revenue, represents a significant part of Allstate's policies in force. This segment focuses on innovating new products and services, expanding distribution, and providing affordable protection solutions. The announced sale of Allstate Health and Benefits underscores a strategic realignment for the company. This segment focuses on providing financial protection against accidents, illness, and mortality, with a leading position in the voluntary benefits market. The Run-off Property-Liability segment manages claims and exposures from older policies, demonstrating Allstate's long-term liability management. Corporate and Other includes debt service, holding company activities, and certain non-insurance operations. Allstate's report provides details about its geographic markets, competitive landscape, and regulatory environment. The company acknowledges the competitive nature of the insurance industry and emphasizes its efforts to maintain and grow market share through various strategies.

Allstate acknowledges the significant impact of regulation on its business operations. The company is subject to extensive state-level regulation across various aspects of its operations, including solvency, reserves, licensing, policy forms, rates, investments, claims, and market participation. The report also acknowledges the potential influence of federal regulations and actions by various regulatory bodies on its business model and profitability. The recent Supreme Court decision overturning the Chevron doctrine might also have implications for Allstate, particularly regarding the potential reintroduction of Schedule F.

Allstate emphasizes its commitment to human capital, outlining its strategies for talent recruitment, development, and retention. The company highlights its focus on employee well-being, diversity and inclusion, and organizational culture. The company's human capital management strategy aims to create a dynamic and welcoming workplace that fosters employee engagement and professional growth. The report highlights initiatives and programs designed to support employee well-being, diversity and inclusion, and leadership development.

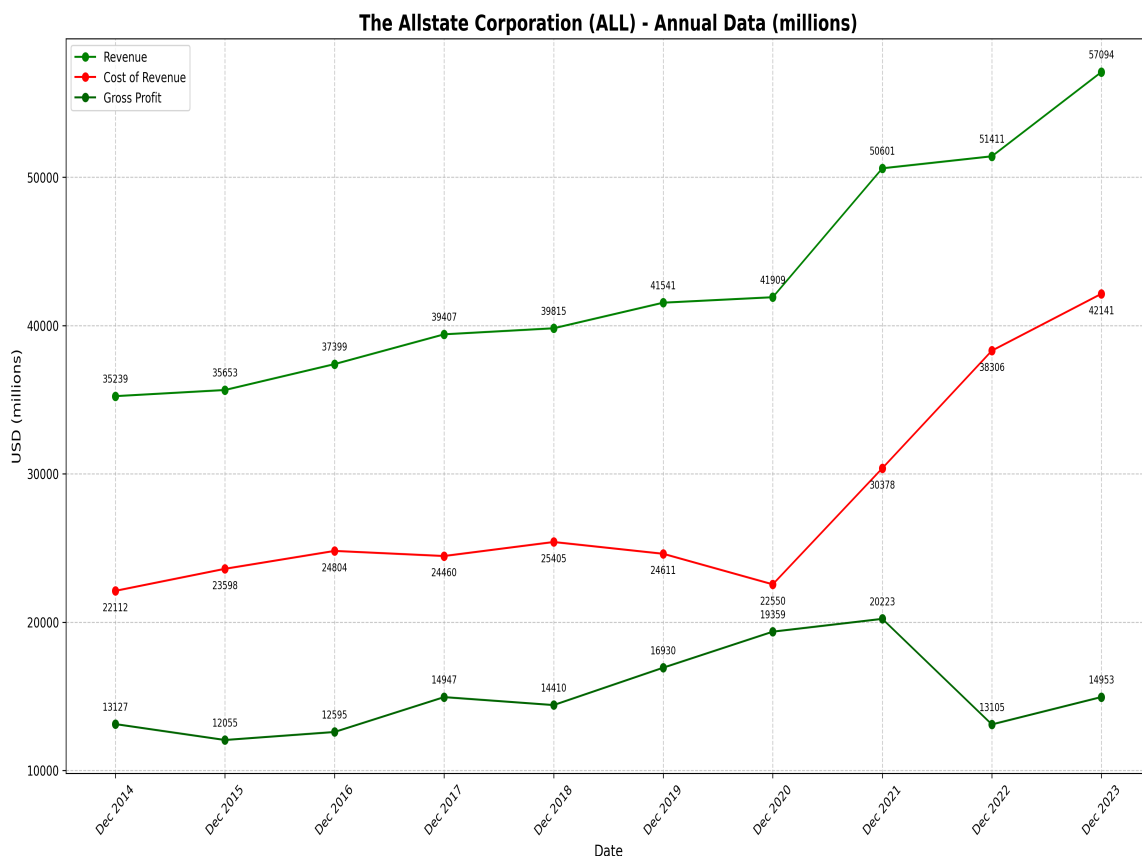
The report also acknowledges the importance of technology in its operations, outlining its digital transformation efforts and cybersecurity measures. Allstate recognizes the rapid pace of technological advancements and emphasizes its own efforts to adapt and implement new technologies to enhance customer experience and operational efficiency. The report highlights investments in cybersecurity to mitigate potential risks and protect sensitive data.

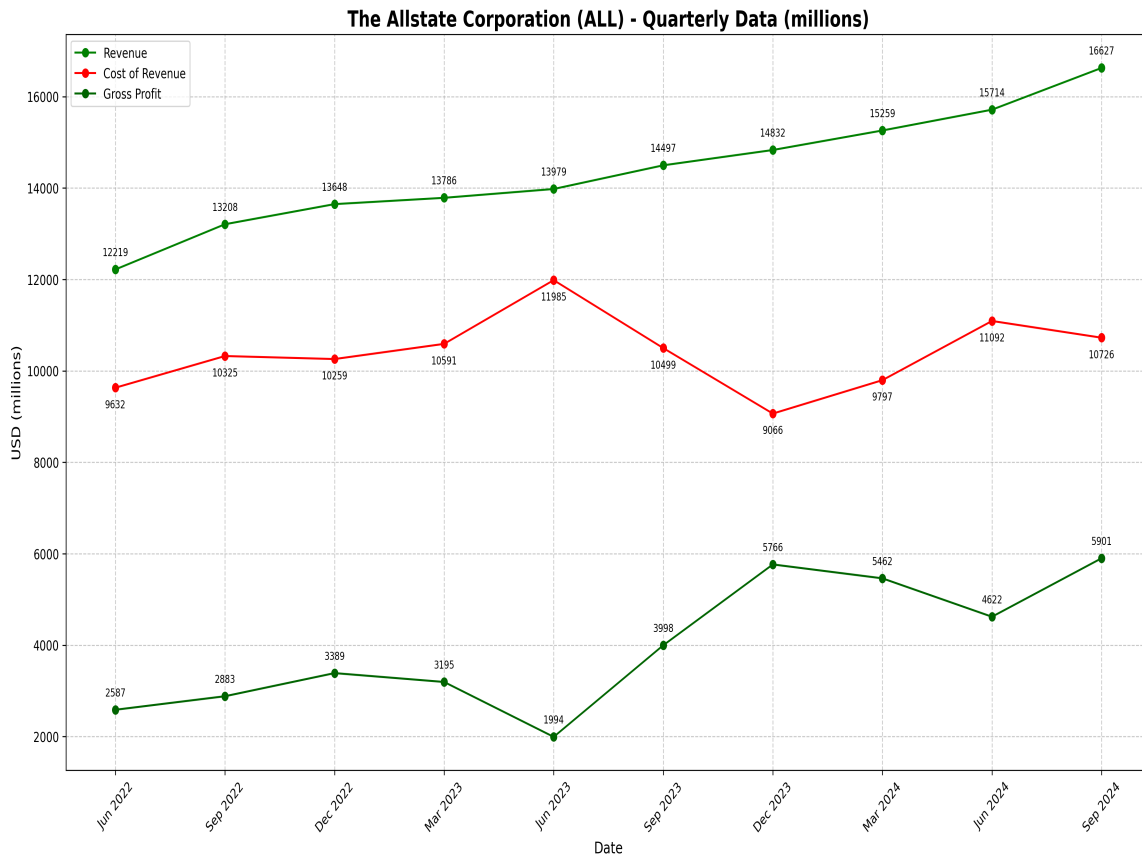
## 2. Financial Analysis

The Allstate Corporation's financial performance over the past decade reveals a trajectory marked by both growth and challenges, particularly within its core property and casualty insurance business. Revenue has shown an overall upward trend, driven by premium increases and expansion into new markets and product offerings. However, profitability has fluctuated, with periods of strong underwriting income interspersed with losses, largely influenced by catastrophic events and the increasing severity and frequency of claims. The company's balance sheet has remained robust, with a substantial investment portfolio and consistent growth in total assets.

A closer examination of Allstate's financial statements shows a more nuanced picture. The company's income statement reveals a consistent increase in premiums earned over the last ten years, indicating growth in its insurance business. However, this growth has been accompanied by increasing claims and claims expenses, especially in recent years, due to factors such as inflation, severe weather events, and social and economic trends affecting claim frequency and severity. Profitability, as measured by net income, has fluctuated considerably over the decade. Years of profit have been offset by periods of significant losses, largely driven by catastrophic events, as seen in the recent periods.

Allstate's balance sheet reveals a significant investment portfolio, primarily comprised of fixed-income securities and equity securities. The company's total assets have consistently grown, indicating its strong financial position. However, there has also been an increase in total liabilities, primarily due to growth in reserves for property and casualty insurance claims and claims expenses. The balance sheet also reflects significant shareholders' equity, although this has fluctuated in recent years due to market volatility and the impact of share repurchases and dividends. A detailed look at Allstate's cash flow statements reveals substantial cash flows from operating activities, primarily driven by premium collections and investment income. However, cash flows from investing activities have fluctuated, reflecting the Company's active management of its investment portfolio and capital expenditures. Cash flows from financing activities have generally been negative, due to the company's share repurchase programs and dividend payments, although this has been partially offset by proceeds from debt and equity issuances.





## BALANCE SHEET, LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets	103,362	97,989	99,440	125,987	119,950	112,249	112,422	108,610	104,656	108,479
Total Debt	7,942	7,964	7,976	7,825	6,631	6,451	6,350	6,347	5,124	5,140
Shares	262.50	271.20	294.80	311.60	328.20	347.80	362	372.80	401.10	431.40
EPS	-1.20	-5.14	5.09	17.53	14.25	5.78	9.50	4.72	5.12	6.37
Dividend	3.56	3.40	3.24	2.16	2	1.84	1.48	1.32	1.20	1.12
Revenue	57,094	51,411	50,601	41,909	41,541	39,815	39,407	37,399	35,653	35,239
Cost of Revenue	42,141	38,306	30,378	22,550	24,611	25,405	24,460	24,804	23,598	22,112
Gross Profit	14,953	13,105	20,223	19,359	16,930	14,410	14,947	12,595	12,055	13,127
EBIT	56	-1,442	3,236	7,267	6,290	2,960	4,884	3,049	3,574	4,558

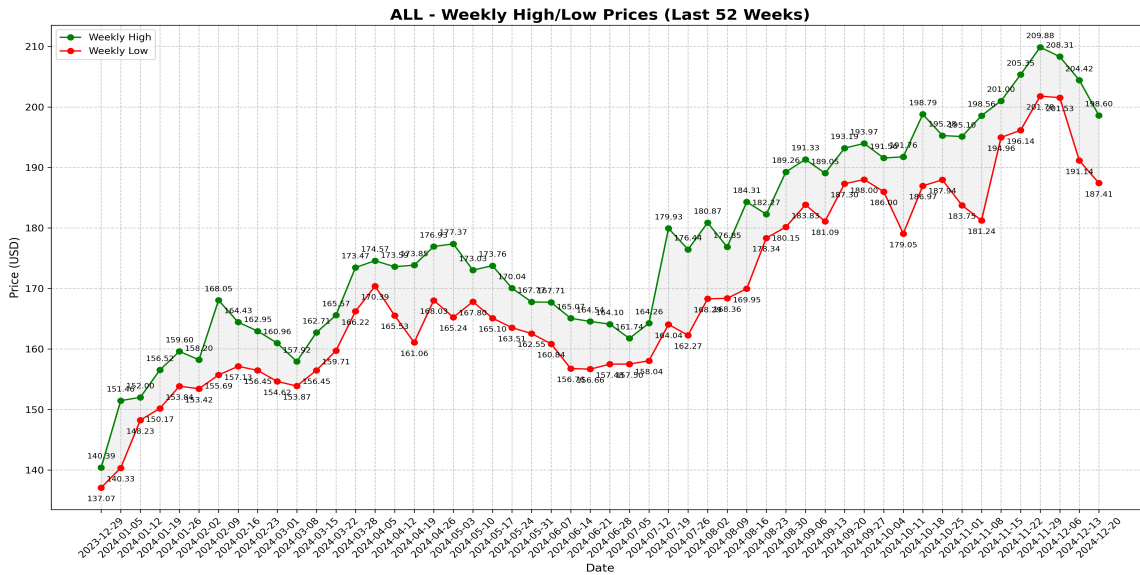
(\* millions, except EPS and dividend)

## BALANCE SHEET, LAST 10 QUARTERS

	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Total Assets	113,743	108,368	105,241	103,362	101,176	100,514	99,631	97,989	97,676	96,350
Total Debt	8,083	8,082	7,938	7,942	7,946	7,949	8,452	7,964	7,967	7,970
Shares	264.60	264.10	263.50	262.20	261.80	262.60	263.50	264.30	268.70	273.80
EPS	4.39	1.14	4.51	5.56	-0.16	-5.29	-1.31	-1.15	-2.55	-3.80
Dividend	0.92	0.92	0.92	0.89	0.89	0.89	0.89	0.85	0.85	0.85
Revenue	16,627	15,714	15,259	14,832	14,497	13,979	13,786	13,648	13,208	12,219
Cost of Revenue	10,726	11,092	9,797	9,066	10,499	11,985	10,591	10,259	10,325	9,632
Gross Profit	5,901	4,622	5,462	5,766	3,998	1,994	3,195	3,389	2,883	2,587
EBIT	1,548	512	1,581	1,936	66	-1,627	-319	-307	-810	-1,219

(\* millions, except EPS and dividend)

### 3. Stock Technical Analysis



Over the past 52 weeks, Allstate's (ALL) stock price has demonstrated noticeable volatility within a defined trading range, reflecting the complex interplay of company-specific factors, broader market trends, and investor sentiment. The stock initially experienced a period of relative stability, with minor fluctuations reflecting typical market noise. However, several distinct periods of upward and downward momentum emerged, often coinciding with significant news events, earnings releases, or shifts in investor expectations.

A detailed technical analysis of ALL's price action reveals key support and resistance levels, providing insights into potential future price movements. Support levels, indicating price points where buying pressure is likely to emerge, formed around the lower bound of the stock's trading range. Resistance levels, indicating price points where selling pressure is likely to emerge, formed around the upper bound of the trading range. The stock's interactions with these levels, including breakouts and reversals, offer clues about potential future trends.

Technical indicators, such as moving averages, relative strength index (RSI), and volume, further enhance the analysis. Moving averages, particularly the 50-day and 200-day moving averages, offer insights into the stock's medium-term and long-term trends. The RSI, indicating momentum and potential overbought or oversold conditions, showed periods of both bullish and bearish momentum. Volume analysis, indicating the strength of price movements, revealed significant spikes in trading activity coinciding with major price swings.

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## 4. Current Media Coverage & Stories

Allstate has recently been featured in news headlines for a variety of reasons, reflecting its prominent position in the insurance industry and its engagement in strategic initiatives. Many headlines focus on the company's financial performance and its efforts to navigate a challenging market environment. Stories about Allstate's auto insurance business highlight the impact of rising claim costs and severe weather on profitability, along with the company's actions to address these challenges through rate increases and underwriting actions. The planned sale of the Health and Benefits business has also generated significant media attention, with analysts speculating about the strategic rationale for the divestiture and its potential impact on Allstate's future.

Beyond financial news, Allstate has also been featured in headlines related to technology, innovation, and social responsibility. Stories highlight the company's digital transformation efforts, investments in artificial intelligence, and use of telematics to enhance customer experience and improve pricing accuracy. Allstate's efforts to promote diversity and inclusion, employee well-being, and support for local communities have also been featured in several news articles, reflecting the company's commitment to environmental, social, and governance (ESG) factors.

Notably, none of the provided headlines specifically mention Allstate. However, the themes present in the headlines, such as market volatility, industry trends, regulatory changes, and technological advancements, are highly relevant to Allstate's business and operations. The stories about the Fed's interest rate decisions, economic forecasts, and market corrections could influence Allstate's investment portfolio and financial performance. Articles discussing AI, cybersecurity, and data privacy highlight key technological trends relevant to Allstate's digital transformation and risk management efforts.



## 5. Financial vs. Stock vs. Media Coverage Situations

The media narrative surrounding Allstate appears to be largely consistent with the company's financial situation and stock price movement over the past year. The headlines, even those not directly mentioning Allstate, paint a picture of a challenging market environment for insurers, with rising claim costs, severe weather, and increased competition putting pressure on profitability. This aligns with Allstate's financial data, which shows declining profits in its core auto insurance business and a net loss for the fiscal year. The planned sale of the Health and Benefits business adds another layer to the narrative, suggesting a strategic shift for Allstate and a potential reassessment of its business priorities.

The movement of Allstate's stock price over the past 52 weeks reflects this narrative of challenges and transition. The stock has experienced periods of volatility, with downward pressure coinciding with negative news about earnings or industry trends. The stock's response to positive news, such as the announcement of the Health and Benefits sale, has been more muted, suggesting some investor uncertainty about the company's future direction.

Overall, the narrative presented in the media, the company's financial performance, and the movement of the stock price appear to be interconnected. The challenges faced by Allstate, as reported in the media and reflected in its financial results, seem to have weighed on investor sentiment, contributing to the stock's volatile performance. The planned divestiture of the Health and Benefits business introduces a new dimension, creating a narrative of strategic transition that could influence future stock price movement.

## 6. Industry Analysis

The insurance industry, particularly the property and casualty segment in which Allstate primarily operates, is currently navigating a complex landscape shaped by several key drivers and headwinds. Rising inflation, increasing claim costs, and the growing frequency and severity of catastrophic weather events pose significant challenges for insurers. These trends are forcing companies to raise premiums, tighten underwriting standards, and seek new ways to manage risk. Competition remains intense, with both established players and new entrants vying for market share in a rapidly evolving technological landscape. The rise of digital platforms and the increasing use of data and analytics are transforming the industry, creating both opportunities and threats for traditional insurers like Allstate.

For Allstate and its competitors, strategic positioning, brand recognition, and customer relationships play a critical role in navigating this environment. Allstate, with its established brand and extensive agent network, enjoys a strong market position. However, competitors such as State Farm, GEICO, and Progressive are also well-established and offer similar products and services. Newer entrants, often leveraging technology and innovative business models, are adding another layer of competition. The industry is also witnessing increasing consolidation, as companies seek economies of scale and expanded market reach through mergers and acquisitions.

Regulatory changes, including those related to rate approvals, data privacy, and cybersecurity, also shape the industry landscape. Insurers must adapt to evolving regulatory requirements, which can affect their operational costs, pricing strategies, and product offerings. Market penetration strategies, including branding, advertising, and customer acquisition tactics, also play a crucial role in shaping the industry dynamics. Allstate's extensive agent network and its strong brand recognition provide a competitive advantage in this area. However, competitors are also leveraging technology and data analytics to reach new customers and enhance customer relationships.

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## 7. Drivers & Challenges

Allstate currently faces a complex set of drivers and challenges that will shape its near-term and long-term performance. Key drivers include the company's strategic initiatives, particularly its Transformative Growth plan, which aims to improve customer value, expand customer access, and enhance operational efficiency. The planned sale of the Health and Benefits business, while creating some uncertainty, also presents a potential driver for future growth, enabling Allstate to focus on its core property and casualty insurance business.

Technological advancements, including the growing use of data analytics, artificial intelligence, and telematics, are creating new opportunities for Allstate to improve pricing, enhance customer experience, and streamline operations. The company's investments in these areas could drive future growth and competitive differentiation. Allstate's strong brand recognition, extensive agent network, and established customer relationships also serve as significant drivers, providing a solid foundation for future market share growth.

However, Allstate also confronts several challenges. Rising claim costs, driven by factors such as inflation, severe weather, and social and economic trends, are putting pressure on profitability. The frequency and severity of catastrophic events pose a significant threat, as demonstrated by recent years' results. Intense competition, from both established players and new entrants, also poses a challenge, requiring Allstate to continually innovate and adapt to maintain its market position. Evolving regulatory requirements, including those related to data privacy and cybersecurity, can increase operational costs and create new compliance burdens. Allstate's ability to attract and retain talent, especially in areas such as technology and data analytics, is crucial for its long-term success but faces challenges in a competitive labor market.

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## 8. Bull Case

In a bullish scenario, several factors could converge to drive strong performance for Allstate and its stock price. Successful execution of the Transformative Growth plan, including cost reductions, improved customer value, and expanded customer access, would significantly enhance profitability and drive market share growth. The divestiture of the Health and Benefits business, while creating short-term uncertainty, could ultimately unlock value and enable Allstate to focus on its more profitable core businesses.

Allstate's investments in technology and data analytics could yield significant returns, leading to improved pricing accuracy, enhanced customer experience, and streamlined operations. The company's strong brand recognition and extensive agent network would continue to be valuable assets, enabling Allstate to attract and retain customers in a competitive market.

A favorable macroeconomic environment, with moderating inflation and stable interest rates, would further support Allstate's performance. Improved investment returns would boost overall profitability, and stable claim costs would enhance underwriting results. A decline in the frequency and severity of catastrophic events would provide additional tailwinds, reducing the volatility of Allstate's earnings. In this optimistic scenario, the stock price would likely experience a sustained upward trend, reflecting Allstate's strong financial performance and its positive growth outlook. Investor confidence in the company's strategic direction, combined with the potential for increased dividends and share repurchases, would further boost the stock's appeal.

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## 9. Bear Case

In a bearish scenario, several headwinds could converge to create significant challenges for Allstate and its stock price. Difficulties in executing the Transformative Growth plan, including cost overruns, customer dissatisfaction, or delays in implementing new technologies, could lead to lower profitability and stagnant market share. The sale of the Health and Benefits business, while intended to be a strategic positive, could result in unforeseen challenges, such as difficulties in separating operations or lower-than-expected proceeds from the divestiture.

Allstate's investments in technology might not yield the expected returns, failing to generate a competitive advantage or creating new operational complexities. The company's extensive agent network, while a traditional strength, could become a burden in a rapidly evolving digital landscape, with higher costs and declining relevance to tech-savvy consumers.

A challenging macroeconomic environment, with persistent inflation, rising interest rates, and a potential recession, would exacerbate Allstate's difficulties. Lower investment returns would weigh on profitability, and increasing claim costs would pressure underwriting results. A continued trend of severe weather events and catastrophic losses would create additional headwinds, increasing the volatility of Allstate's earnings. In this pessimistic scenario, the stock price would likely experience downward pressure, reflecting Allstate's declining financial performance and its uncertain growth outlook. Investor concerns about the company's strategic direction, combined with the potential for reduced dividends or a suspension of share repurchases, would further dampen the stock's appeal.

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## 10. Forward Valuation

Allstate's forward valuation incorporates several factors, including the company's financial performance, industry trends, and strategic direction. Discounted cash flow analysis, a fundamental valuation technique, involves projecting future cash flows and discounting them back to their present value to estimate intrinsic value. In a bullish scenario, higher growth rates and lower discount rates would yield a higher valuation. In a bearish scenario, lower growth rates and higher discount rates would result in a lower valuation.

Relative valuation, or multiples-based valuation, involves comparing Allstate's valuation ratios, such as price-to-earnings (P/E) or price-to-book (P/B), to those of its competitors or industry averages. A higher multiple compared to peers might suggest overvaluation, while a lower multiple might suggest undervaluation. Sum-of-the-parts (SOTP) valuation, appropriate for companies with distinct business segments, involves valuing each segment separately and then summing the values to arrive at a total company valuation. This method recognizes the different risk and return characteristics of each segment.

Implied option valuation models, useful for valuing companies with significant embedded optionality, consider the value of strategic options available to the company, such as growth options or divestiture options. A higher degree of strategic flexibility would likely result in a higher valuation. In summary, Allstate's forward valuation requires a comprehensive analysis of various factors, utilizing different valuation methods to arrive at a range of possible values. The company's strategic direction, its ability to navigate industry trends, and the broader economic environment will all play a crucial role in shaping its future financial performance and its ultimate valuation.

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## 11. Executive Summary

Allstate operates within a dynamic environment, facing a mix of drivers, threats, and opportunities. Key drivers include strategic initiatives like Transformative Growth, technological advancements in data analytics and telematics, and a strong brand and agent network. These factors position Allstate for increased market share, improved efficiency, and enhanced customer experience.

Significant threats include rising claim costs, catastrophic events, and intense competition. These factors could pressure Allstate's profitability, requiring strategic adjustments to pricing, underwriting, and risk management. The changing technological landscape and evolving consumer preferences pose additional threats, necessitating ongoing adaptation.

Opportunities for Allstate lie in leveraging technology for improved pricing and customer experience, expanding into new protection offerings, and capitalizing on potential market share gains from smaller or less technologically adept competitors. The planned divestiture of the Health and Benefits business offers the opportunity to streamline operations and focus on core strengths. Effectively navigating these drivers, threats, and opportunities will be crucial for Allstate's future success.