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THE PROGRESSIVE CORP (PGR)

September 23, 2024

Insurance – P&C Insurance

Stock Rating **BUY**

Investment Thesis

The Progressive Corporation (PGR) is a US based P&C insurance holding company with significant market share in the auto and commercial insurance industry. We recommend a BUY rating on PGR with a price target range of $320 - $336, representing a potential upside of 27%.

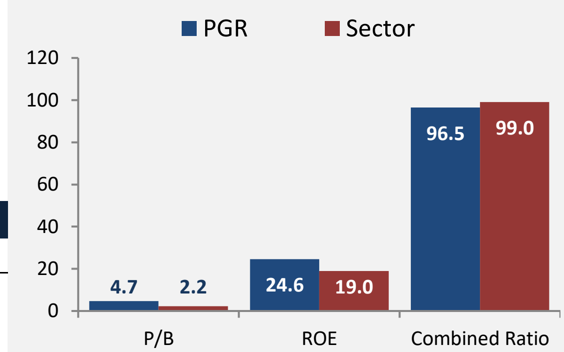
Drivers of Thesis

- PGR holds a 15% market share in the auto insurance segment, strategically positioning itself within the highly competitive P&C insurance industry. We expect its heavy media spend to drive further market share gains and maintain its market leadership position.
- PGR has consistently delivered high double digit premium expansion, maintaining a combined ratio below 97%, even amid rising repair costs. We expect PGR to expand policies in force by 4% on a CAGR basis over 10years
- PGR has a solid balance sheet backed with investment grade securities and preferred equities that has grown from $39bn in 2019 to $66bn in 2023. We expect earnings from the investment portfolio to become stable due to low duration of 3.0 years and the focus of the company on high-grade securities.
- PGR has cutting-edge pricing technology that compares prices across multiple insurance providers to provide the best available offers to direct and agency clients. We expect this technology to support growth in auto and homeowners' policy.

Risks to Thesis

- PGR operates in a vigorously competitive market with large national and international insurance companies. The company's ability to maintain and grow its business depends on its ability to competitively price policies relative to other insurers.
- PGR relies on its network of agents nationwide to generate almost half of its premium revenue. This reliance presents a potential risk, as any disruption or change in this network could significantly impact the company's growth outlook.

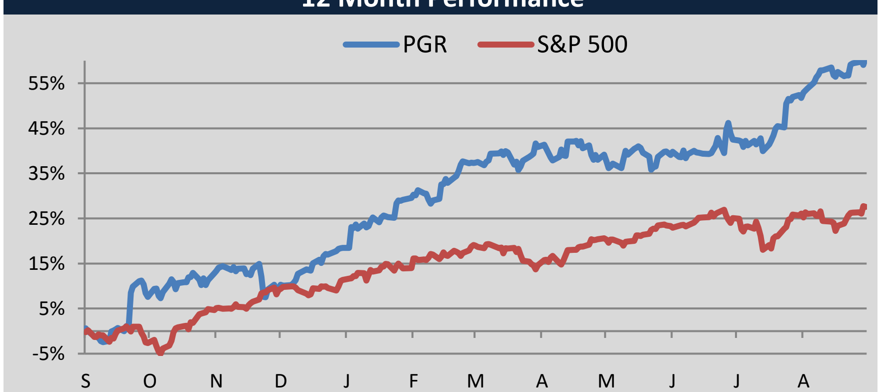
Target Price	$320-336
Henry Fund Equity DCF	$332
Henry Fund DDM	$355
Relative Multiple	$144
Price Data	
Current Price	$251.10
52wk Range	$137.59 – 260.46
Consensus 1yr Target	$262.38
Key Statistics	
Market Cap (B)	$154.53
Shares Outstanding (M)	$585.30
Institutional Ownership	86.25%
Beta	0.43
Dividend Yield	0.46%
Est. 5yr Growth	7.83%
Price/Earnings (TTM)	24.21
Price/Earnings (FY1)	23.59
Price/Book (mrq)	4.71
Price/Tangible BV	4.77
Profitability	
Operating Margin	8.33%
Profit Margin	6.28%
Return on Assets (TTM)	4.63%
Return on Equity (TTM)	24.56%



Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	$5.69	$1.19	$6.61	$13.09	$13.11	$13.46
HF est.				$11. 10	$13.14	$14.97
growth	*-41.42%*	*-79.10%*	*455.91%*	*67.92%*	*18.37%*	*13.93%*

12 Month Performance



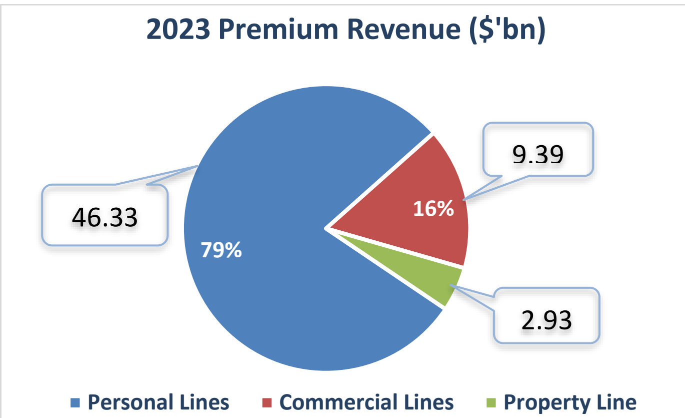
Company Description

Progressive Corp (PGR) is a Property and Casualty insurance holding company with specialization in personal and commercial auto insurance, residential property insurance, and specialty property/casualty insurance related services. PGR operates through three main segments across personal, commercial, and property lines, with the biggest segment being personal auto insurance business conducted through direct and agency lines. PGR offer insurance service country-wide with 100% of its revenue generated locally. PGRs headquarters is located in Mayfield, Ohio.

COMPANY DESCRIPTION

The Progressive Corp. (PGR) is an insurance holding company that provides various types of insurance services, including auto, residential property, and specialty property-casualty insurance. Its operations are divided into three main segments: Personal Lines, Commercial Lines, and Property.

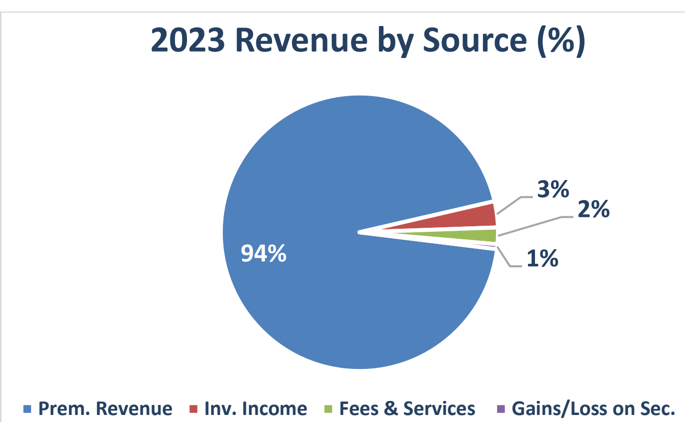
PGR generates 100% of its revenue locally and is licensed to operate in all 50 states in the United states. PGR derives approximately 80% of their revenue from their personal lines segment in 2023, 2022, and 2021 respectively, through direct and agent-based businesses.



Source: PGR's 10k

Notably, revenue generated from premium related business constituted 95% on average in 2023, 2022, and 2021, respectively.

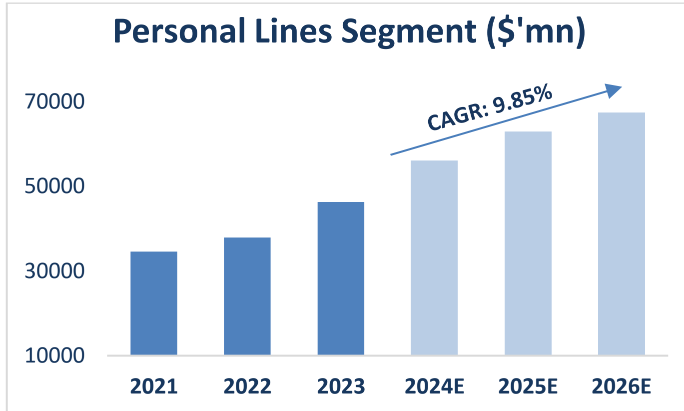
PGR also generates a negligible portion of their revenue from Investment income, Fees and Services business, and gains from securities. The Investment income stems from premiums collected and stowed in fixed income and equity investments, while Fees and Services are charged when PGR acts as broker for other insurance companies.



Source: PGR's 10k

Personal Lines Segment

The personal lines segment writes insurance for personal autos, and recreational vehicles (known as special lines product). The personal line segment represents the biggest revenue driver, with 81%, 79%, and 77% of net premiums written in 2023, 2022, and 2021, respectively.



Source: PGR's 10k, HF Estimate

Personal auto Insurance represented approximately 94% of total personal lines net premiums in 2023, 2022, and 2021. Progressive Corp. holds a significant 15.2%[2] of the highly fragmented auto insurance industry. The personal lines products are written through Agency and Direct channels.

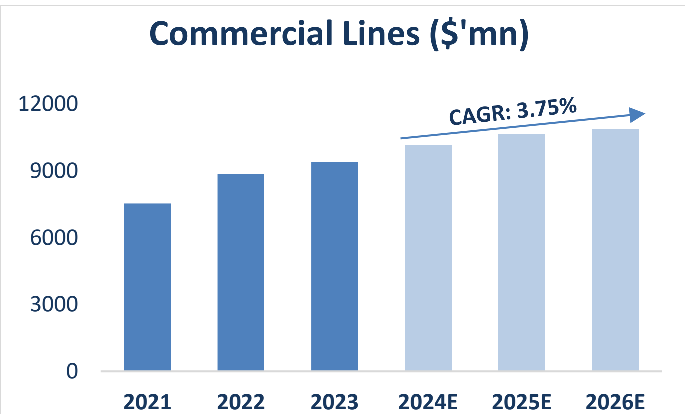
The Direct channel constitutes businesses written directly by PGR either through the Internet, PGR mobile application, or over the phone. Total net premiums written directly by PGR represented 54%[1] of the personal lines business in 2023, 53%[1] in 2022, and 52%[1] in 2021.

On the flip side, the Agency channel constitutes businesses written by PGR's network of independent insurance agents located throughout the United State. These agents and brokers can place business with Progressive for certain coverages, as long as they follow prescribed underwriting guidelines and adhere to the company's procedures. These agents and brokers, however, lack authority to set underwriting guidelines, determine rates, settle claims, or make other binding commitments. The Agency business also partners with other insurance companies, financial institutions, and national agencies to write insurance through strategic alliances. The agency channel was responsible for 46% of PGR's personal line business in 2023, 47% in 2022, and 46% in 2021. The Personal line business through Agency and Direct channels offers customers the opportunity to bundle auto, special lines and property offerings so as to create a seamless experience for both customers and agents alike.

We are projecting a 9.85% CAGR in net premiums generated from this segment on the premise that discretionary spending will increase as the economy navigates the new cycle. We rely on PGRs aggressive advertising strategy to cause policies in force to improve by 5% over 2026E Financial Year.

Commercial Line Segment

The Commercial Lines segment of Progressive focuses on auto-related liability and physical damage insurance, as well as general liability and property insurance, mainly catering to small businesses. Additionally, it provides workers' compensation insurance, particularly for the transportation sector.



Source: PGR's 10k, HF Estimate

In recent years, Progressive has expanded its offerings within this segment, targeting larger fleets and providing workers' compensation coverage specifically for trucking companies and independent contractors within the trucking industry.

In 2021, PGR acquired Protective Insurance Corporation and its subsidiaries, enabling Progressive to broaden its portfolio to include affinity programs. As far as numbers, Commercial Lines contributed 16% of the total net premiums written in 2023, 18% in 2022 and 17% in 2021, respectively.

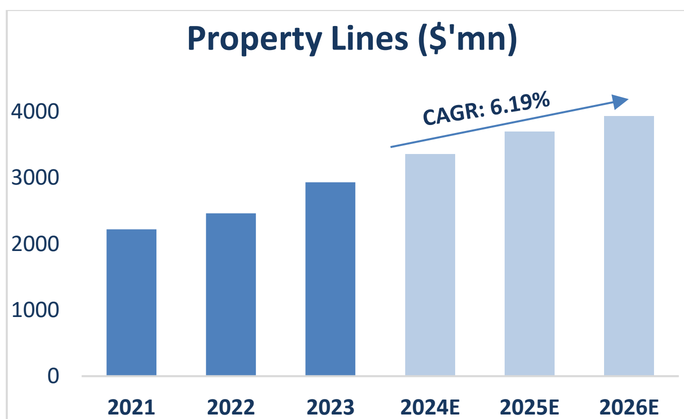
For additional context, the Commercial Lines business operates in the Business auto domain, Contractor, For-hire specialty and Towing services domain. The business autos cater to vans, pick-up trucks, for-hire convoys/fleets, black car services, airport taxis and autos used mainly by small businesses. The contractor line writes insurance for light contractors with vans, pick-up trucks, and dump trucks used in the course of construction. The Tow service domain focuses on insurance products for tow trucks and wreckers.

As of December 2023, PGR provided commercial auto coverage for the transportation network company (TNC) sector, specifically to Uber Technologies subsidiaries in 16 states and Lyft's rideshare operations in 4 states. The TNC business has seen significant growth, accounting for 13% of the Commercial Lines net premiums written in 2023, up from 10% in 2022 and 6% in 2021.

We are projecting a 3.25% and 3.75% compounded annual growth in number of policies written and revenue generated through the commercial lines segment over 2026E FY. We believe increasing consumer confidence and a downward trend in inflation would support continuous growth in this segment.

Property Line Segment

Progressive's Property segment provides residential property and renters insurance across almost all states, primarily through independent agencies and select agents under its Platinum program. Additionally, Progressive participates in the National Flood Insurance Program's (NFIP) "Write Your Own" initiative, offering flood insurance nationwide, with 100% of this business reinsured by the NFIP.



Source: PGR's 10k, HF Estimate

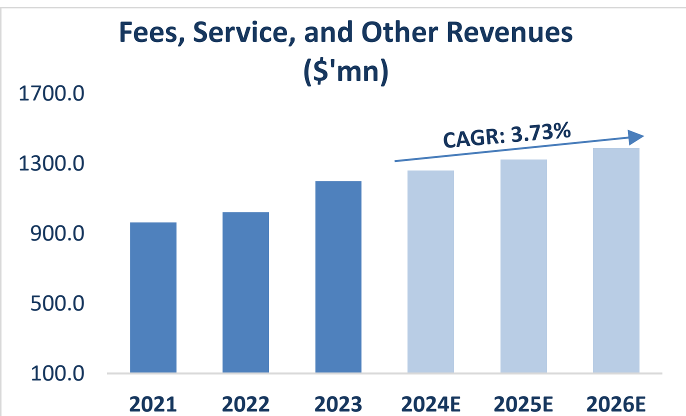
The Property segment tends to see higher business volumes in the second and third quarters due to the seasonal nature of property sales. However, losses typically increase during warmer months when storms are more frequent, exposing the business to weather-related risks such as hurricanes and severe weather events. To manage these risks, Progressive utilizes reinsurance arrangements.

The Property business represented 5% of total net premiums written in 2021, 2022, and 2023. We are projecting a 6.53% growth on a compound annual basis in number of policies written over 2026 in anticipation of improved home insurance market. Although margin in this segment printed negative from 2018 to 2022, consistent rise in premium charged switched margins to positive in 2023. We believe this segment is expanding and management is better managing risk associated to loss claims by reinsuring 100% of this business to NFIP. We do not anticipate any significant upswing in policy rates through 2026, barring any unforeseen weather catastrophe.

Other Revenue Streams

Service Business

PGR's service businesses contributed less than 1% of total revenues in 2023, 2022, and 2021, and had minimal impact on overall operations. These businesses mainly consist of commission or fee-based services, where PGR acts as an agent for other insurance companies.

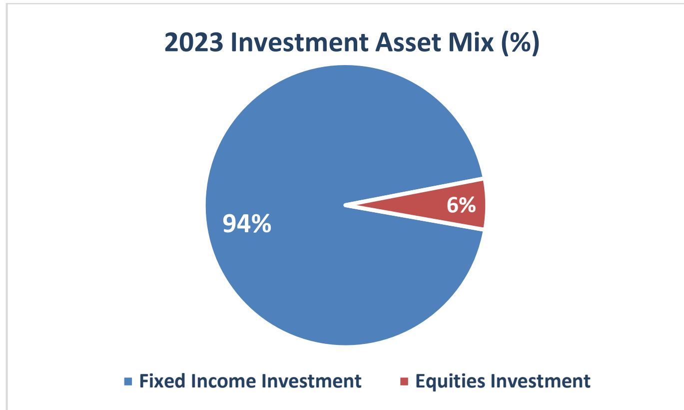


Source: PGR's 10k, HF Estimate

In nearly all states, PGR offers home, condominium, and renters' insurance through unaffiliated insurers, primarily in the direct channel. Additionally, commercial auto customers can package their coverage with other commercial policies provided by unaffiliated insurers. Progressive earns commissions from the policies written under these programs, while also managing marketing and administrative costs to support them. We see a 3.73% CAGR growth in this segment through 2026, especially as PGR continues to dominate the personal and commercial auto industry with cutting edge service offering and competitive rates.

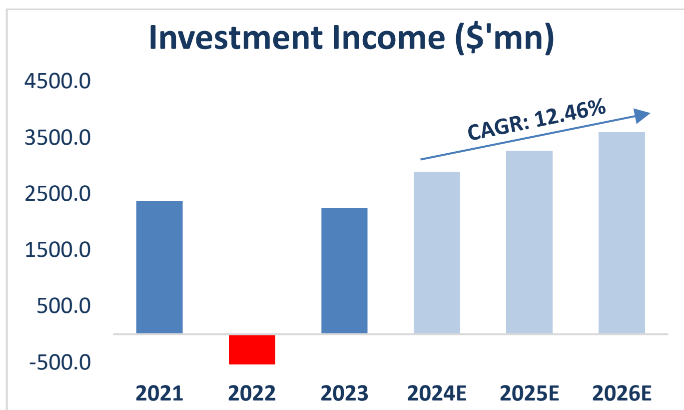
Investment Income

PGR Investment portfolio consists of fixed maturity securities, short-term investments, and equity securities (nonredeemable preferred stocks and common equity securities). PGR's investment portfolio had a fair value of $66.0 billion as of December 31, 2023, up from $53.5 billion at the end of 2022.



Source: PGR's 10k

The company's investment strategy is focused on managing the portfolio on a total return basis to support its insurance operations and contribute to overall income. For additional context, PGRs fixed-income portfolio is actively managed, with an emphasis on short-term and intermediate-term, investment-grade securities.



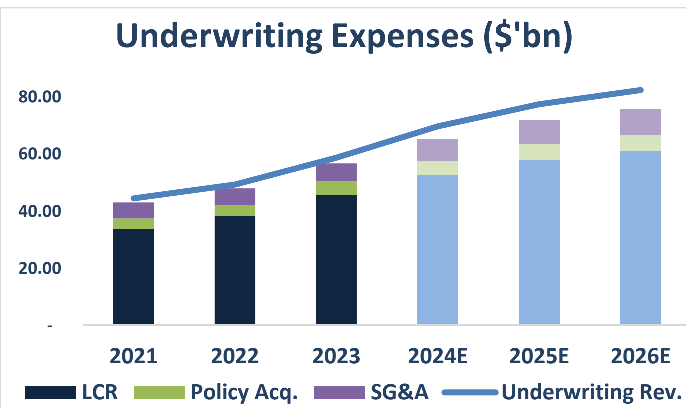
Source: PGR's 10k, HF Estimate

Investment income, which includes interest, dividends, accretion, amortization, and gains or losses on securities, reached $2.3 billion in 2023. This follows a $0.7 billion investment loss in 2022 and $2.4 billion in investment income in 2021. The fluctuation in income is influenced by factors such as portfolio cash flows, changes in the types of investments, and variations in yield.

We feel comfortable with PGRs investment portfolio and strategy. The fixed income portfolio which represented 94% of total investment portfolio in 2023, 92% in 2022, and 87% in 2021 comprises majorly of short-to-intermediate term investment grade securities with average duration of 3.0 years. We have projected investment income to grow in line with short-to-intermediate term yield of 3.42%, while growing dividend income on equity securities by 3year average monthly dividend yield on the S&P 500 of 1.51%. On a compound annual growth basis, investment income is projected to grow at 12.46% over 2026E.

Cost Structure

Similar to other insurance companies and risk service providers, PGRs largest expense category is claims and loss reserves (LCR). Claims expenses reflect the cost of settling policyholder claims, which can fluctuate based on factors such as the frequency and severity of insured events. Loss reserves are set aside to cover future claims liabilities, ensuring that PGR is able to meet its obligations for policies that have already been written.

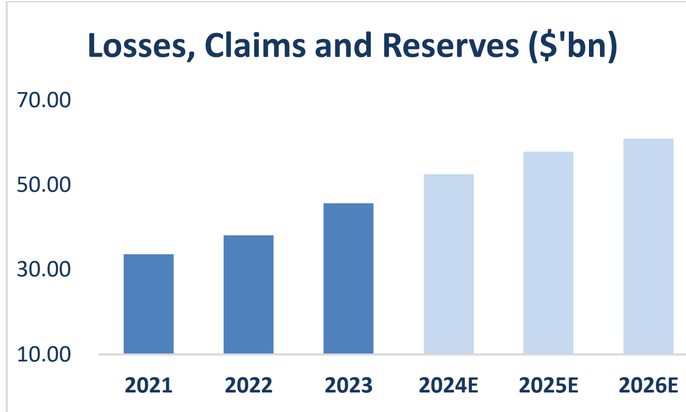


Source: PGR's 10k, HF Estimate

In addition to claims, another significant cost is policy acquisition expenses, which include commissions paid to agents, advertising, and other costs directly associated with acquiring new customers and renewing policies. Other overhead costs associated to generating revenue for PGR is classified as SG&A expenses. Finally, investment expenses represent the costs associated with managing PGRs investment portfolio.

<u>Loss, Claims, and Reserves</u>

PGRs Loss and Loss Adjustment Expense (LAE) reserves represent the company's best estimate of its liability for losses and associated expenses related to events that occurred prior to the end of a given accounting period but have not yet been paid.



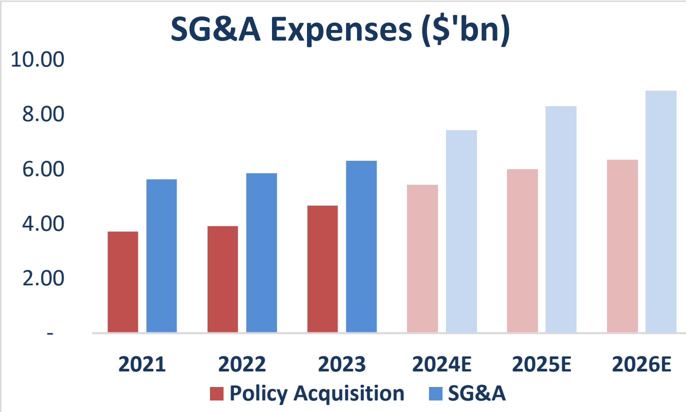
Source: PGR's 10k, HF Estimate

For the Personal and Commercial Lines vehicle businesses, which make up about 92%[1] of total carried reserves, reserves are established after reviewing approximately 400[1] subsets of business data, broken down by state, product, and line coverage. The actuarial staff uses industry-standard methods to project ultimate loss amounts, incorporating factors such as loss frequency, severity, and average premium. This approach allows for more precise reserve estimates.

Despite the thorough approach used in determining the LAE, PGR reported an unfavorable development of $1.09bn in 2023 largely attributable to accidents from the previous year (2022). For context, unfavorable development occurs when estimated reserves are not enough to settle claims, in essence affecting future combined ratio. Although 2022 and 2021 recorded a favorable development of $86.3mn and $4.7mn, respectively. For Losses, Claims, and Reserves, we have projected in line with historical levels and as a percentage of net premium earned over the life of the forecast horizon.

<u>Policy Acquisition & SG&A Expenses</u>

PGR has historically invested heavily in advertising to drive premium growth through both direct and indirect channels. These efforts, which include widespread national campaigns and digital marketing strategies, have been key to acquiring new customers and retaining existing ones. Advertising expenses and policy acquisition costs have traditionally been significant components of the company's cost structure.



Source: PGR's 10k, HF Estimate

However, in the past year, there has been a noticeable shift in management's approach. The emphasis has moved toward improving cost efficiency by reducing advertising and policy acquisition expenses. For context, advertising costs reduced by 21% in 2023 when compared to figures from 2022, with management pointing out their focus on profitability. We calibrated this shift in management tone into the projection of SG&A, and policy acquisition costs. We expect policy acquisition as a percentage of premium earned to print at 7.72% by 2026E compared to 8.0% in 2023. Similarly, we project an 18bps reduction in SG&A expenses as a percentage of net premium earned by 2026E.

Additional Company Analysis

Competitive Factors

The property and casualty insurance markets are highly competitive, with insurers generally competing on price, agent commission rates, product features, claims handling, financial stability, customer service, and geographic coverage.

Top 10 Largest Auto-Insurers	Status	Market Share
State Farm Group	Private	18.31%
Progressive Group	Public	15.24%
Berkshire Hathaway Group	Public	12.31%
Allstate Insurance Group	Public	10.37%
United Serv Auto	Private	6.27%
Liberty Mutual Group	Mutual	4.20%
Farmers Insurance Group	Private	4.18%
American Family Insurance Group	Public	2.14%
Travelers Group	Public	2.08%
Nationwide Corp	Mutual	1.71%

Source: NAIC

Competition comes from both large national companies and smaller regional insurers. In the agency channel, some competitors benefit from broad distribution networks of employed or captive agents, while others heavily invest in marketing and technology to attract customers. The availability of comparative rating services also increases competition, allowing consumers to easily compare prices and products across insurers.

PGRs competitive strategy relies heavily on technology, extensive data gathering, and market segmentation to price risk accurately. The company continues to refine its pricing models and risk measurement tools while focusing on managing expenses and operational efficiency.

Additionally, customer service, fair claims handling, and strong brand recognition remain crucial components of its competitive edge. As competition increasingly hinges on technological advancements, PGRs ability to innovate and adapt to new technologies, including usage-based insurance, plays a significant role in maintaining its competitive position.

Debt Maturity Analysis

The total outstanding debt of PGR as of the end of 2023 FYE printed at $7bn, while there was no short-term debt outstanding or debt maturing until 2026. The next significant maturity is a $1bn debt obligation due in 2027. All of Progressive's debt is redeemable at any time, with the redemption price determined by the greater of the principal amount or a "make-whole" amount based on present value calculations of future payments. Interest on all debt is payable semiannually at the stated rates.

Five-Year Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment ($mil)
2024		0
2025		0
2026		0
2027		1000.0
2028		0
Thereafter		5950.0
Total		$6950

Source: PGRs 10k

PGR also uses interest rate hedging strategies prior to certain debt issuances, recognizing unrealized gains or losses as part of accumulated other comprehensive income. These gains or losses are amortized over the life of the related notes as adjustments to interest expense.

In our view, PGR does not face any material risk in terms of servicing future debt or even obtaining additional facilities, both near and long term. For additional context, PGR generated $10.39bn and $6.56bn in free cash flow during 2023 and 2022 FYE. Additionally, PGR is rated “A” by S&P 500, with a stable outlook.

ESG Analysis

PGR Corporation’s environmental, social, and governance (ESG) performance is increasingly under scrutiny due to regulatory pressures and societal expectations. Given the rising ESG-related risks across industries, PGR faces potential challenges in aligning its investment strategy with new regulations, particularly if insurance regulators limit investments in certain sectors or industries. Activist stakeholders and changing public policies could also push the company to adopt stricter ESG standards, potentially leading to shifts in its investment portfolio that may affect returns or increase costs. Despite efforts, PGRs current ESG scores reflect a below-average performance, with ratings of 20 from S&P Global, 64.3 from MSCI, and 59.6 from Sustainalytics.

ESG Score of Top Insurance Companies in the US		
Company	**S&P Global Rating**	**MSCI Rating**
Berkshire	12	35.7
United Health	79	78.6
Marsh & McLennan	35	64.3
Cigna	77	78.6
Progressive	20	64.3

Source: Bloomberg

On the environmental front, PGR has committed to several sustainability goals aimed at reducing its carbon footprint. These include a target to achieve 75% renewable energy use in owned buildings and data centers by 2027. The auto insurer is also making strides toward achieving carbon neutrality for Scope 1 and 2 emissions by 2025, with a more ambitious goal to reduce these emissions by 40% by 2030, using 2022 as the base year. In the realm of social responsibility, Progressive has seen a modest improvement in diversity, with representation of people of color in senior leadership increasing from 17% to 18% in 2023.

Although current ESG rating is below average, we believe intentional effort of management to boost ESG compliance will restore confidence and improve the score eventually.

RECENT DEVELOPMENTS

Recent Earnings Announcement

In the most recent earnings announcement for August 2024, PGR reported operating earnings per share (EPS) of $1.45, a significant increase compared to $1.30 in July and $0.35 in August 2023. Net premium written grew by 37.2% YoY, up from a 16.2% increase in August 2023. Policies in force also showed robust growth, with agency policies up 10.8% YoY and direct policies up 17.8%. Overall, personal auto policies rose by 14.8%, reflecting an improvement from both July and the same period last year.

On the expense side, PGRs combined ratio improved to 85.5%, down from 88.0% in July and 97.2% in August 2023, with the loss ratio declining to 64.5% from 67.3% in July and 80.7% last year. Catastrophe losses were minimal, contributing only 0.3% to the combined ratio, significantly lower than the 4.5% impact in August 2023. Favorable prior year development helped reduce the overall loss ratio as well. Segment performance was mixed. The combined ratio for the agency segment improved to 82.8%, and personal auto saw a reduction to 87.1%. However, commercial auto posted a higher combined ratio of 90.9%, and homeowners insurance experienced a significant improvement, with a combined ratio of 36.0%, down from 98.0% a year ago.

Net investment income for the month came in at $246.8mn, up from $168mn in August 2023. Book value per share increased by 5.2% to $44.71 from July. In their earnings call transcript, PGR reinforced their commitment to achieving a lifetime combined of 96% or lower whilst grabbing more market share with minimal media spend.

Management Team

In August 2024, PGR announced two leadership departures. Mariann Wojtkun Marshall, Vice President and Chief Accounting Officer, informed the company of her decision to retire in mid-2025 after many years of service. Her early announcement is intended to provide sufficient time to identify her successor and ensure a smooth transition.

Danelle M. Barrett, a member of the Board of Directors, resigned from her position effective August 21, 2024, due to personal health reasons. Barrett's departure was not related to any disagreements with the company and was recognized as a diligent member of the Technology Committee.

INDUSTRY TRENDS

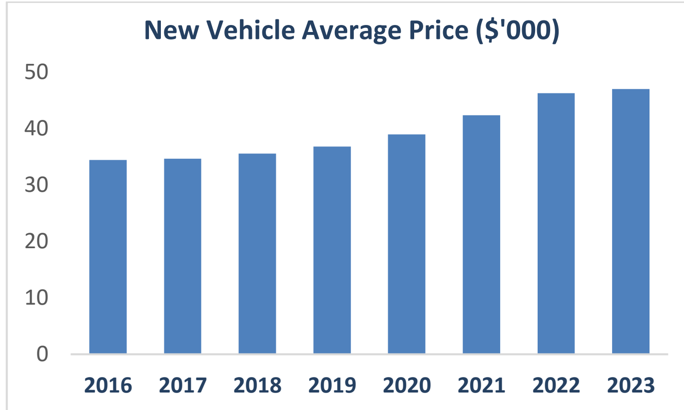
Technology

The use of technology in the P&C insurance industry has increased dramatically, especially with various insurance providers striving to offer seamless and efficient services to customers. Widespread adoption of mobile applications enables insurers to offer policies more efficiently, allowing customers to easily compare and select insurance plans at their convenience. By leveraging mobile platforms, insurers can bypass traditional salesforces and underwriters, reducing operational costs and enabling more competitive pricing.

This shift has the potential to disrupt the traditional insurance model, as mobile apps streamline the customer experience, offering instant policy comparisons and purchases. As technology continues to evolve, insurers who invest in mobile solutions stand to gain a competitive edge in terms of both cost efficiency and customer acquisition. PGR is competitively positioned in this regard as it is equipped to leverage technology to enhance its services, particularly through its usage-based insurance (UBI) program, Snapshot. By utilizing both hardware-based and mobile-app versions of Snapshot across most states, PGR allows customers to personalize their auto insurance rates based on individual driving behavior. The wealth of data collected from billions of driving miles, combined with years of experience in UBI, gives the company a significant competitive edge. PGRs continual enhancements to Snapshot, along with its advanced data analytics, position the company to offer more accurate pricing and improved customer experiences.

Premium Pricing

Premium pricing in the auto insurance industry is expected to rise as economic conditions stabilize and individuals spend more time on the road. With new car sales projected to increase over the next five years[7], insurers are poised to see growth in policy volumes, further supporting revenue expansion. While inflation has moderated due to recent Fed measures, policy rates are likely to remain elevated, particularly as catastrophe losses continue to escalate. This combination of higher premiums and policy volumes will allow insurers to maintain profitability despite a challenging economic environment.



Source: STATISTA

Industry Pricing Cycle

The insurance industry has experienced a hardening price cycle over the past five years, with insurers raising premium prices to rebuild surpluses and improve profitability. This cycle, while making it more costly to own assets, run businesses, and hire employees, has been essential for sustaining financial strength. During hardening price cycles, insurers also focus on strengthening their balance sheets, which positions well-capitalized P&C insurers to pursue mergers and acquisitions, expand into new markets, and diversify their insurance portfolios. Additionally, record level of interest on fixed income securities and general improvement in interest income from the financial market has supported both revenue and profit growth in the last three years, as insurers rely heavily on investment income. By using surplus capital for strategic investments, insurers can mitigate potential underwriting losses, enhance capital reserves for catastrophes, and increase overall profit margins.

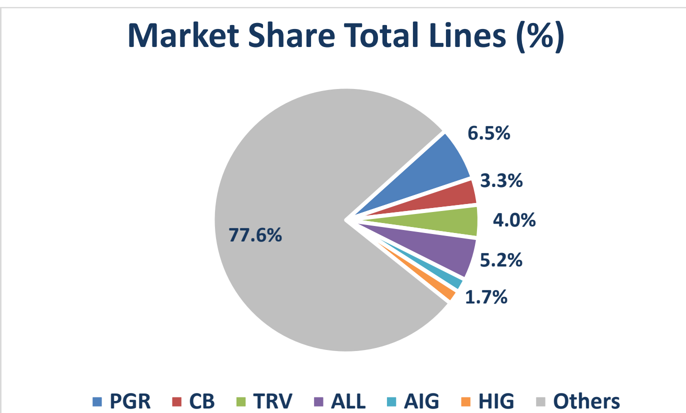
Given the recent pivot to a rate cutting cycle by the Fed, we expect investment income to adjust accordingly, especially on a go-forward basis. This development, however, is expected to be offset by sticky policy rates, at least until the industry gradually navigates a softening cycle.

MARKETS AND COMPETITION

PGR operates in a highly competitive and fragmented market, particularly in the private passenger auto insurance segment, which is the largest contributor to its revenue. The seven largest players in this segment control about 70%[2] of the total market share, making it a fiercely contested space. Additionally, technological advancements, such as mobile apps that streamline the insurance underwriting process, have intensified competition. These tech-driven competitors are able to price policies more competitively since they bypass traditional costs like employing a salesforce or underwriters, allowing them to pass these cost savings onto consumers. This evolving landscape pushes established players like PGR to continuously innovate to maintain and grow their market position.

Peer Comparisons

As previously established, the P&C insurance industry is highly fragmented and fiercely competitive. We have selected peer companies competing closely with PGR to assess competitive dynamics, strengths, and weaknesses of key players within the P&C industry.



Source: NAIC

An assessment of total lines of insurance services offered by peer companies places PGR in the leading position controlling 6.53%[2] of the market share, second only to State Farm Group (9.76%). In the private passenger auto segment, PGR commands a significant 15% share, further solidifying its dominance in both the personal and commercial auto segments of the P&C insurance industry.

Return Ratios Comparison:

To assess the performance of P&C insurers, a peer comparison among key players offers valuable insights into their respective financial strengths.

Companies	Loss Ratio (%)	ROE (%)
PGR	77.82	34.50
CB	60.66	17.10
TRV	69.42	15.80
ALL	80.24	17.80
AIG	74.44	8.80
HIG	67.72	19.50

Source: Factset

PGR led the sect with a 34.5% return on equity, while Hartford Financial (HIG) and Allstate Corp (ALL) trailed with 19.5% and 17.8% respectively. Looking at the Loss Ratio metric, Chubb Limited (CB) had the lowest loss ratio of 60.7%, an indication of how much of the premiums earned are paid out in claims. Travelers Companies Inc. (TRV) and Hartford Financial (HIG) trailed with 67.7% and 69.4% respectively.

Profitability Ratios Comparison:

P&C insurers are generally compared in terms of profitability using combined ratio. Combined Ratio is a key profitability measure that gauges the claims, losses and expenses incurred as a percentage of net premium earned. A lower combined ratio (below 100%) indicates underwriting profitability while a higher ratio, typically above 100%, shows underwriting loss.

Companies	Combined Ratio (%)	Expense Ratio (%)
PGR	96.41	18.59
CB	89.48	28.18
TRV	97.77	30.18
ALL	101.27	28.09
AIG	110.05	38.35
HIG	76.61	10.06

Source: Factset

HIG had the lowest Combined Ratio of 76.61% compared to peers. ALL and AIG are experiencing underwriting loss with their combined ratios above 100%. Similarly, HIG has the lowest expense ratio compared to peers. Expense ratio measures the size of earned premium eaten up by operating expenses. PGR, however, had a competitive combined and expense ratio at 91.25% and 18.59% respectively. PGRs expense ratio is affected largely by advertising and media costs. Despite management's efforts in cutting media spend in the past three years, PGR remains one of the biggest spenders on media in the P&C industry.

Chubb Limited

Chubb Limited (CB) is a global P&C insurance provider, offering a wide range of commercial and personal insurance products. Its operations are segmented into North America Commercial P&C Insurance, North America Personal P&C Insurance, Agricultural Insurance, Overseas General Insurance, Global Reinsurance, and Life Insurance. Chubb specializes in serving both high-net-worth individuals and commercial clients, with a strong presence in North America and extensive international operations.

Metric	2020	2021	2022	2023
Net Premium ($'bn)	33.12	36.35	40.36	45.71
Combined Ratio	97.56	90.83	88.76	88.84
Expense Ratio	29.64	28.44	27.10	28.18
P/BV	1.17	1.38	1.81	1.54
P/TBV	1.81	2.11	3.17	2.77
Pretax Margin (%)	11.54	23.97	15.09	19.05

Source: Factset

In terms of financial performance, CB has shown steady growth in net premiums, increasing from $33.12bn in 2020 to $45.71bn in 2023. Its combined ratio has consistently improved, dropping from 97.56% in 2020 to 88.84% in 2023, reflecting enhanced underwriting profitability. Although its expense ratio has remained relatively stable in the 28% range, Chubb has been able to maintain a low combined ratio, underscoring strong operational efficiency. CB recorded a pretax margin of 19.05% in 2023, after a cycle of premium growth and prudent cost management.

Travelers Companies Inc.

TRV is a prominent U.S.-based provider of commercial and personal P&C insurance products, operating through three core business segments: Business Insurance, Bond and Specialty Insurance, and Personal Insurance. Its Business Insurance segment offers a comprehensive range of P&C insurance solutions for businesses in the U.S., Canada, the U.K., and other global markets through Lloyd's of London. The Bond and Specialty Insurance segment covers surety, management liability, professional liability, and related risk management services, while the Personal Insurance segment provides various P&C products primarily for individual consumers in the U.S. and Canada.

Metric	2020	2021	2022	2023
Net Premium ($'bn)	29.04	30.86	33.76	37.76
Combined Ratio	97.78	97.28	98.28	99.61
Expense Ratio	31.93	31.50	30.59	30.19
P/BV	1.21	1.31	2.02	1.74
P/TBV	1.42	1.54	2.51	2.10
Pretax Margin (%)	10.12	12.80	9.09	8.15

Source: Factset

From 2020 to 2023, TRVs net premiums grew steadily from $29.04bn to $37.76bn, reflecting its solid market position. However, the company's combined ratio has slightly worsened, reaching 99.61% in 2023, indicating increased underwriting pressure compared to prior years. Similarly, its pretax margin has declined to 8.15% in 2023, reflecting profitability challenges. Despite these challenges, TRV has maintained a relatively stable expense ratio, with a slight improvement from 31.93% in 2020 to 30.19% in 2023.

Allstate Corporation

ALL operates primarily in the P&C insurance sector, with services offered through various segments, including Allstate Protection, Protection Services, and Allstate Health and Benefits. ALL Protection segment covers auto, homeowners, and other personal insurance lines. ALL also provides a range of services under its Protection Services segment, including roadside assistance and identity protection.

Metric	2020	2021	2022	2023
Net Premium ($'bn)	38.17	44.04	47.74	52.52
Combined Ratio	87.92	98.95	110.72	108.34
Expense Ratio	28.92	30.07	30.48	28.09
P/BV	1.18	1.42	2.30	2.33
P/TBV	1.31	1.81	3.29	3.25
Pretax Margin (%)	16.23	12.75	-3.56	-0.61

Source: Factset

ALL net premiums rose significantly from $38.17bn in 2020 to $52.52bn in 2023. However, its combined ratio deteriorated during this period, reaching 108.34% in 2023, indicating underwriting losses. The expense ratio showed some fluctuation but improved slightly in 2023 to 28.09%. Profitability challenges were evident, with the pretax margin dropping into negative territory in 2022 and 2023. Despite these challenges, ALL maintains a strong market presence, though its profitability metrics have faced headwinds in recent years.

American International Group

AIG is a global insurance company offering a wide range of property and casualty insurance products, including liability, financial lines, property, and personal accident insurance. The company operates through two main segments: General Insurance, which covers its North

American and International insurance businesses, and Other Operations, which includes income from its assets and corporate subsidiaries.

Metric	2020	2021	2022	2023
Net Premium ($'bn)	28.52	31.26	31.86	33.25
Combined Ratio	129.64	119.38	110.76	112.80
Expense Ratio	42.67	41.36	41.15	38.35
P/BV	0.50	0.71	1.15	1.04
P/TBV	0.53	0.76	1.27	1.13
Pretax Margin (%)	-16.68	23.24	25.81	8.24

Source: Factset

From 2020 to 2023, AIG saw a moderate increase in net premiums, growing from $28.52bn to $33.25bn. However, its combined ratio, although improving, remained elevated, sitting at 112.80% in 2023, reflecting existential challenges in underwriting profitability. AIG's expense ratio saw some improvement, dropping from 42.67% in 2020 to 38.35% in 2023. Despite a return to positive pretax margins after a negative 2020, AIG's profitability remained volatile, with a sharp drop in pretax margin in 2023 to 8.24%. While the company's price-to-book value ratio has improved, profitability remains a concern for the insurer.

Hartford Financial Services

HIG is an insurance and financial services company that operates across several segments: Commercial Lines, Personal Lines, Property & Casualty Other Operations, Group Benefits, Hartford Funds, and Corporate. The company's offerings span from workers' compensation and liability coverage under its Commercial Lines segment to standard auto and homeowners' insurance in Personal Lines, along with group life, accident, and disability in its Group Benefits segment. Additionally, Hartford Funds provides investment products for retail and retirement accounts.

Metric	2020	2021	2022	2023
Net Premium ($'bn)	17.29	18.00	19.39	21.03
Combined Ratio	78.57	80.45	77.61	77.78
Expense Ratio	10.28	9.73	9.83	10.06
P/BV	0.96	1.32	1.80	1.60
P/TBV	1.14	1.57	2.25	1.94
Pretax Margin (%)	10.33	12.93	10.10	12.59

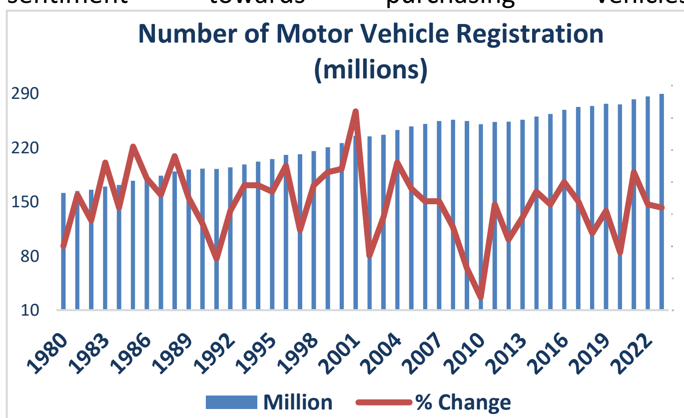
Source: Factset

HIG has steady growth in net premiums from 2020 to 2023, increasing from $17.29bn to $21.03bn. Its combined ratio remained impressively low, fluctuating slightly but staying below 81%, demonstrating strong underwriting discipline. The expense ratio remained consistent, around 10%, while the pretax margin improved to 12.59% in 2023, reflecting overall profitability. The company's P/BV and P/TBV ratios both rose over the period, indicating growth in its valuation relative to its book value.

ECONOMIC OUTLOOK

Motor Vehicle Registration

P&C insurers with a significant presence in auto and commercial insurance segments rely heavily on motor vehicle registrations to grow their policies organically. Factors such as population growth, rising incomes, and the availability of a wide range of budget options have contributed to the steady increase in vehicle registrations over the past two decades. Economic conditions, including interest rates and unemployment levels, also play a crucial role, as they impact both affordability and consumer sentiment towards purchasing vehicles.



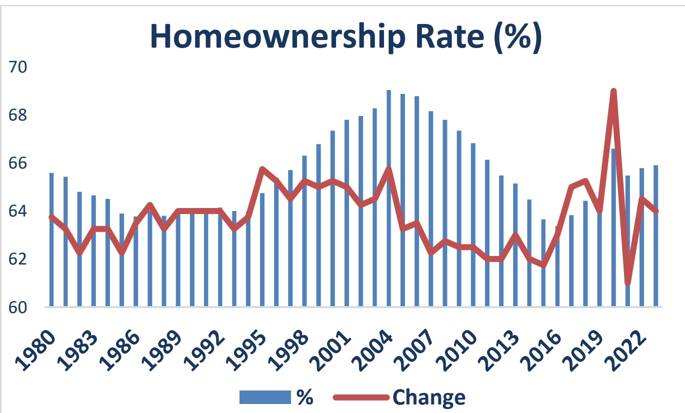
Source: IBIS World

During periods of economic strength, as seen post-2021, vehicle registrations rose in line with consumers' willingness to spend and businesses' need to transport workers. Even with inflationary pressures in 2022 and 2023, vehicle registrations have remained elevated due to limited public transportation options in many areas and the essential nature of car ownership for commuting. Over the 44-year period, the long-term growth rate averaged 1.35%.

Despite rising energy and insurance costs, the need for vehicle registrations has persisted, driven by consumers' reliance on cars for travel and the financial protection they provide. Looking ahead, motor vehicle registrations are expected to remain steady, supported by factors such as new drivers entering the market and continued economic recovery. We believe Feds pivot to a rate cutting cycle will support consumer spending and willingness to purchase a car, as well as increase the number of employed people in the country. Although, Public transit expansion could offer alternative options in the long term, but in the near term, we align with IBIS World that car ownership will remain a necessity for many. In this light, number of motor vehicle registrations is expected to grow on a CAGR basis of 0.97%[7] between 2024 and 2029.

Homeownership Rate

The homeownership rate has a direct impact on the P&C insurance industry, particularly in the homeowners' insurance segment, as more homeowners translate into higher demand for coverage.

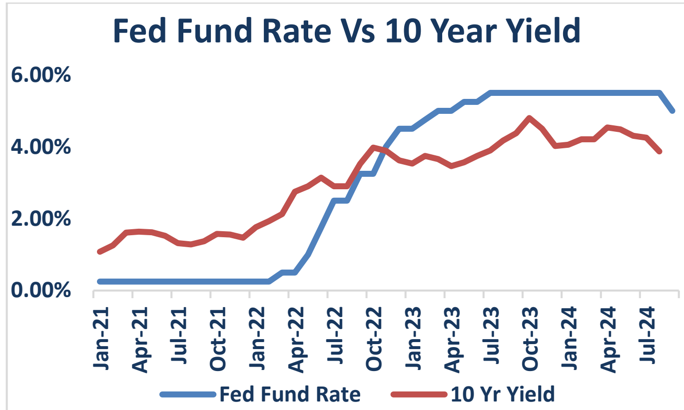


Source: IBIS World

Homeownership rate has gradually increased from 63.0% in 2016 to 64.4% by the end of 2018 and is expected to reach 65.7% by 2024. This upward trend supports steady growth in homeowners' insurance policies. However, with the Federal Reserve raising interest rates aggressively since 2022, homeownership decelerated slightly, declining by 0.3% in 2023 and 2024. The combination of higher financing costs, inflation, and potential recession risks will likely weigh on demand for new homes, impacting future policy growth for P&C insurers. There is a glimmer of hope for homeowners, given the recent 50bps cut in Fed funds rate. We believe a Feds pivot will likely stir growth and improve consumer confidence in the intermediate to long term. The long-term forecast suggests that, as economic conditions recover, homeownership rates should stabilize, providing opportunities for insurers to expand their customer base.

Interest Rates

Interest Rates is a big driver of growth for P&C insurers, both in terms of policy rates and investment income. Elevated interest rates over the past two years have significantly boosted the investment income of P&C insurers, particularly due to higher yields on short- and intermediate-term securities, which insurers favor to match their cash flow needs.



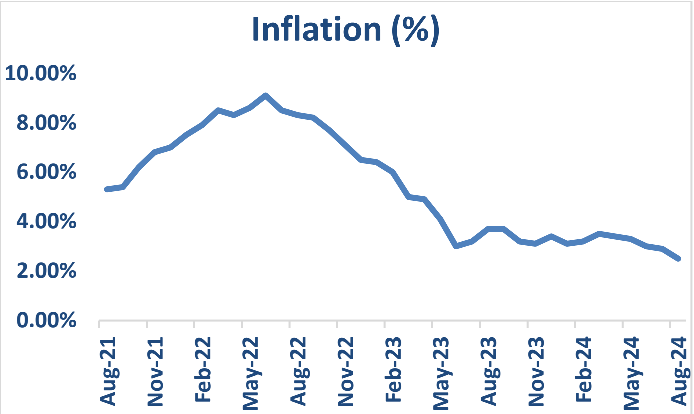
Source: Fred

With the Federal Reserve now embarking on a rate-cutting cycle, investment income for insurers is expected to decline slightly as yields on these securities come down. However, the reduction in borrowing costs could help offset this impact by encouraging more consumer spending on cars and homes, which would, in turn, support growth in policies for auto and homeowners' insurance.

Looking ahead, the Federal Reserve has indicated a potential 100 bps reduction in rates by year-end 2024, which aligns with market expectations. This would still leave interest rates relatively elevated in the short term, continuing to provide some support for investment income, while also stimulating demand for insurance products. Over the longer term, as rates converge towards the 2.5% target, insurers may face reduced investment income but could benefit from increased policies in force as borrowing becomes more affordable for consumers.

Inflation

P&C insurers are particularly sensitive to inflation as their business involves compensating policyholders for repairs, replacements, or restoration, which become more expensive when general prices rise. Inflation in the U.S. saw a sharp increase during the pandemic, jumping from 0.33% in April 2020 to a peak of 9.06% in June 2022. This surge was driven by various factors, including geopolitical tensions in Western Europe, which disrupted markets globally and contributed to supply chain issues and energy price shocks.



Source: Trading Economics

Since then, the Fed efforts to control inflation have been effective, with inflation falling steadily. As of August 2024, inflation slowed to 2.5%. Sectors such as food and transportation saw easing price pressures. Despite these improvements, certain categories like shelter saw a slight uptick, keeping some inflationary pressures in play.

Looking ahead, inflation is expected to remain below 3% and gradually move toward the Fed's 2% target. With inflation no longer a primary concern, the Fed is shifting focus to managing unemployment and ensuring a soft economic landing. For P&C insurers, this stability in inflation bodes well, as it limits the cost escalation in claims payments, allowing them to better manage their financials.

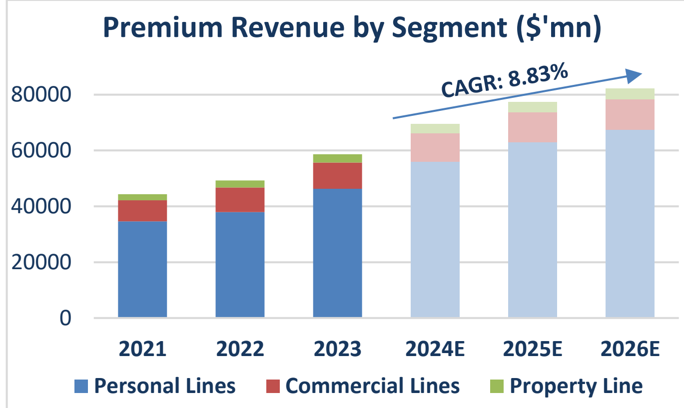
VALUATION

Revenue Assumptions

Premium Revenue

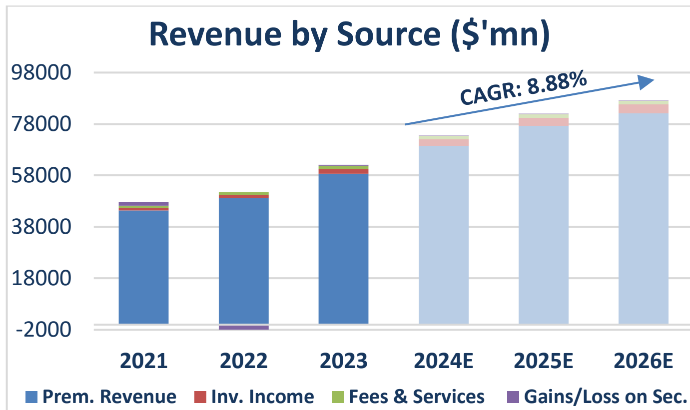
We have discussed revenue assumptions by product lines and segment previously in the company description section. Broadly, we expect revenue to grow by 4.35% on a CAGR basis through 2033. This estimate reflects a conservative outlook, considering the limited population growth and the highly competitive nature of the insurance market. Our forecast is based on PGR's ability to maintain its position as a key player in the P&C insurance industry, driving innovation and leading advancements in premium pricing technologies.

Over the forecast period, we expect net premium earnings to grow at a 4.13% CAGR through 2033.

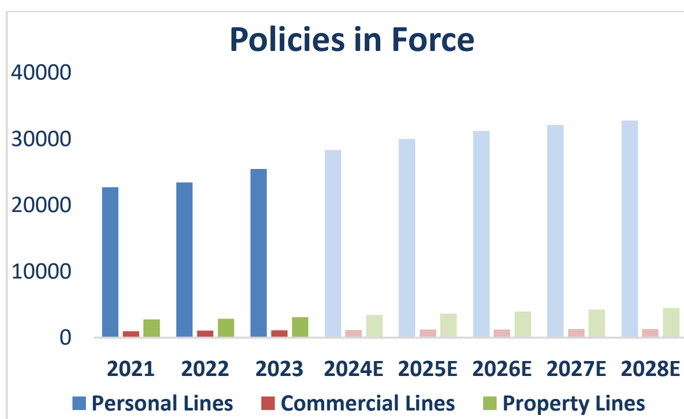


Source: PGR's 10k, HF Estimate

Over the forecast period, we expect net premium earnings to grow at a 4.13% CAGR through 2033. Personal lines, which account for 80% of net premium earnings, are projected to grow at 4.48% CAGR. Meanwhile, commercial and property lines are expected to grow at 1.91% and 4.91% CAGR, respectively.

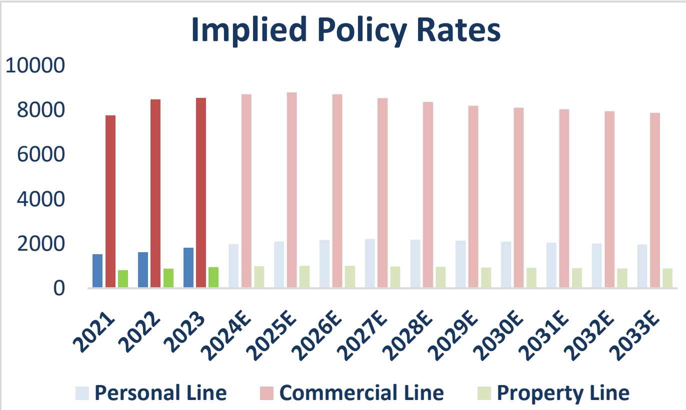


This forecast is primarily driven by growth in policies in force and increases in premium prices.



Source: PGRs 10k, HF Estimate

Given PGR's strong media presence and position as a leading insurance provider, we anticipate modest growth in policies across all lines.



Source: PGR 10k, HF Estimate

The expectation of lower interest rates should also boost consumer spending, leading to an increase in vehicle insurance demand and more homeowners taking out coverage for their properties. We have factored future rate expectations into our implied policy rate forecast, with rates expected to remain elevated in the near term before gradually declining in the intermediate to long term. This outlook assumes inflation will ease and P&C insurers will eventually move toward a softening cycle.

<u>Investment Income</u>

Outside the premium business, P&C insurers earn a portion of their revenue from investment income. As previously discussed, we feel comfortable with PGRs investment portfolio and strategy. The fixed income portfolio which represented 94% of total investment portfolio in 2023, comprises majorly of short-to-intermediate term investment grade securities with average duration of 3.0 years. We have projected investment income to grow in line with short-to-intermediate term yield of 3.42%, while growing dividend income on equity securities by 3-year average monthly dividend yield on the S&P 500 of 1.51%. On a compound annual growth basis, investment income is projected to grow at 12.46% over 2026E.

<u>Services Revenue</u>

PGR's service businesses contributed less than 1% of total revenues in 2023, 2022, and 2021, and had minimal impact on overall operations. These businesses mainly consist of commission or fee-based services, where PGR acts as an agent for other insurance companies. We see the service revenue as a percentage of premiums earned. We projected a 5% CAGR growth over the forecast period (2033E), which we deem conservative. Despite the modest size of the service segment, this growth would enhance diversification and provide a steady stream of fee-based income over time.

Investment Assets

As with all P&C insurance companies, the largest line item on the asset side of the balance sheet is the investment assets. PGRs investment assets represented approximately 80% of total assets in 2023. We have discussed the component of PGRs investment portfolio earlier to be investment grade short-to-intermediate term securities and equities. We grew fixed income assets as if previous investment income were reinvested at medium term treasury yield (3.5%), while pushing any extra cash into fixed income investment (modeled as an additional growth rate). The Equities securities were forecasted as if all dividend yields were reinvested at the 3year average monthly dividend yield on the S&P 500 of 1.51% and an additional growth rate flowing from extra cash (typically 2%). The intuition behind this was that insurance company will only operate with very minimal cash balance and any cash balance would be invested in fixed income and equity securities.

Cost Assumptions

The largest cost for P&C insurers is typically claims expenses, or amounts paid out to policyholders in the event of an accident or catastrophe. Losses, claims, and reserves account for 70%-77% of net premiums earned in any given year. Inflation plays a significant role in driving claim expenses since the cost of repairing or replacing vehicles or homes is closely linked to the inflation rate. For example, claims expenses as a percentage of net premiums earned stood at 70% in both 2018 and 2019 when inflation was around 2%. This figure dropped to 66% in 2020, partially due to lower inflation, but surged to 77% in 2022 as inflation spiked to 9%.

Losses, Claims, and Reserves (2024)

Inflation (5yr Average)	332.36	73.00%	74.00%	75.00%	75.47%	76.00%	77.00%	78.00%
	1.50%	376.99	359.11	341.23	332.81	323.38	305.53	287.70
	1.75%	376.84	358.96	341.09	332.67	323.23	305.38	287.55
	2.00%	376.69	358.81	340.94	332.52	323.08	305.24	287.41
	2.25%	376.54	358.66	340.79	332.36	322.93	305.08	287.25
	2.50%	376.39	358.50	340.63	332.21	322.77	304.93	287.10
	2.75%	376.23	358.35	340.48	332.06	322.62	304.77	286.94
	3.00%	376.07	358.19	340.32	331.90	322.46	304.62	286.79

Over the forecast horizon, we expect claims expenses to decrease in line with our projection of lower inflation going forward. A sensitivity analysis of losses, claims, reserves, and inflation revealed how sensitive PGR's stock price is to these factors.

Policy Acquisition Cost (2024 - 2033)

SG&A Expenses (2024 - 2033)	332.36	6.60%	6.75%	7.00%	7.16%	7.30%	7.45%	7.60%
	10.00%	355.77	353.02	348.44	345.54	342.95	340.20	337.45
	10.20%	351.92	349.17	344.59	341.70	339.10	336.35	333.61
	10.40%	348.07	345.32	340.74	337.85	335.25	332.51	329.76
	10.69%	342.58	339.84	335.26	332.36	329.77	327.02	324.28
	10.80%	340.38	337.63	333.05	330.16	327.56	324.81	322.07
	11.00%	336.53	333.78	329.21	326.31	323.71	320.97	318.23
	11.20%	332.68	329.94	325.36	322.47	319.87	317.13	314.38

Historically, PGR has invested heavily in advertising to drive premium growth through both direct and indirect channels. Advertising expenses and policy acquisition costs have consistently been notable components of the company's cost structure. However, with a shift in management focus toward cost efficiency and profitability, we project a marginal decline in both policy acquisition costs and SG&A expenses. Specifically, policy acquisition costs are expected to decrease from 7.95% in 2023 to 7.60% by 2033, while SG&A expenses are projected to decline from 10.15% to 10% over the same period.

WACC

The weighted average cost of capital (WACC) was estimated using a mix of estimates. For the equity part of the WACC, we used the Henry Fund's equity risk premium estimate of 5.00%, which is based on Damodaran's forward looking ERP estimates as well as historical geometric average. We estimated the Beta by taking the weekly average of 2year, 3year, and 5year weekly Beta of PGR. The 10-year US treasury bond rate represented the risk-free element in our computation resulting in a cost of equity of 6.06%. On the debt portion of the WACC estimate, we adopted the implied YTM on MMC's long term bond, resulting in a cost of debt of 3.46%. PGR has preferred equity as part of their financing mix. We estimated the cost of preferred equity by dividing the annual preferred dividend by the price of preferred shares resulting in a cost of preferred equity of 4.36%. Our debt-to-value ratio amounted to 4.50%, while the equity-to-value ratio printed at 95.18%. Overall, we arrived at our WACC estimate of 5.93%.

Payout Policy

PGRs payout policy over the years has mirrored their performance. Unlike traditional firms, PGR pay both an annual dividend and a quarterly dividend to compensate investors. For additional context, PGR pays regular quarterly dividend and a special annual dividend. This approach is due in part to industry regulations, particularly regarding equity capital. For 2023, management announced an annual dividend of $0.75 and a quarterly dividend of $0.10, resulting in a total payout of $1.15 per share. Historically, payout ratio has been volatile, but we projected payout ratio to stay in the 30% level over the forecast horizon, whilst calibrating a 1.5% growth to capture the quarterly dividend payout.

DCF and EP Valuation

For Insurance companies, the Discounted cash flow and Economic profit approach does not seem an ideal valuation approach due to the definition of operating and non-operating assets and liabilities. Despite this, we employed an equity discounted cash flow and equity economic profit approach to attempt valuing PGR. Our Equity DCF and EP valuation returned an implied price of $332.36. Our key assumptions for arriving at this value were:

- Continuing value FCFE of $271.96bn
- Continuing value ROE of 15.42%
- Continuing value of NI of $12.62bn
- Cost of Equity of 6.06%

We discounted the free cash flow to equity and economic profit with the cost of equity and then arrived at a value of equity of $141bn. We subtracted the value of ESOP and then applied the balance to shares outstanding of 584.1mm to derive our intrinsic value of $241, and an implied price of $250.

Given the complexity in accurately measuring an insurance company's stock valuation using the DCF approach, our recommendation is not based on this valuation technique.

Dividend Discount Model (DDM)

The dividend discount model is a valuation technique based on the fundamental assumption that a firm will continue paying dividends into the future. This valuation technique is well-suited to insurance companies, whose primary objective is to maintain equity capital at the regulatory level while distributing excess cash to shareholders as dividends, after covering operational cash needs. PGR has consistently returned value to shareholders through regular dividends, including quarterly payments aimed at managing equity capital levels. Our assumptions incorporated a CV year ROE of 15.42%, and a cost of equity capital of 6.06% to discount projected dividend per share. Based off these assumptions, we arrived at an intrinsic value of $362.

Given that PGR has an established history of paying both annual dividends and additional quarterly dividends to manage retained earnings, we believe the DDM is the most appropriate valuation technique for the company, compared to other methods.

Relative Valuation

Relative valuation technique for deriving intrinsic value of a share is one that groups peer companies to provide a close-to-accurate range for any typical company within the pack. Our relative valuation con**sid**ered peer companies like Chubb Limited, Travelers Companies Inc, Allstate Corp, American International Group, and Hartford Financial Services. The peer analysis is premised on P&C insurers with similar market to PGR. We conducted a Price/Earnings, Price/Book-value, and Price/Tangible-Book-Value analysis to derive a price range for PGR. Our P/E estimate printed at $144, P/BV printed at $74, while P/TBV printed at $97. Hence, our relative price range of $74 - $135.

Pricing publicly traded companies using relative valuation is limited by sensitivity of valuation metrics to market conditions, cyclical nature of industries, muting growth prospects among other notable limitations.

Valuation Summary

To derive a close to accurate valuation of PGR, we have utilized multiple valuation techniques like the Equity DCF and EP, Relative valuation and Dividend Discounting technique. We arrived at an implied price of $332 using the Equity DCF and EP valuation, our relative valuation returned a price range of $74 -$144, while our DDM printed a price target of $355. We favor the DDM as it captures PGR's consistent dividend payments, which align with the regulatory requirements for maintaining equity capital. PGR has a strong track record of distributing excess cash to shareholders, and we expect this to continue. The company's steady dividend policy, along with its competitive positioning in the P&C insurance sector, supports our confidence in its future growth.

We are fairly confident that PGR will remain a key player in the P&C insurance industry and will continue to take market share, whilst benefiting largely from upswing in number of policies. In this light, we recommend a buy rating on PGR with a target range of $320-$332.

Keys to Monitor

Motor Vehicle Registrations:
Vehicle registration trends directly impact PGR's core auto insurance business. An increase signals a growing pool of insurable assets, while declines may affect premium volumes.

Interest Rates:
Rising rates benefit PGR's investment income but may dampen new vehicle sales and financing, indirectly affecting insurance demand. Monitoring rate shifts is crucial for assessing profitability and premium growth.

Inflation:
Higher repair costs and medical expenses inflate claims, potentially compressing underwriting margins. PGR's ability to manage inflationary pressures while maintaining competitive pricing is critical. Although management has kept costs at reasonable levels, even during inflation peak in 2022.

Robotaxis and Autonomous Driving:
Advances in autonomous vehicles and the adoption of robotaxis pose both risks and opportunities. While reducing accident frequency, these technologies could disrupt traditional auto insurance models, requiring PGR to innovate its product offerings.

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10. Trading Economics

DISCLAIMER

The Progressive Corporation (PGR)

Revenue Decomposition

(In millions)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue Breakdown													
Net Premium Earned	**44,368.70**	**49,241.20**	**58,664.40**	**69,609.01**	**77,394.18**	**82,329.72**	**85,986.56**	**86,859.01**	**86,994.61**	**87,510.27**	**87,655.27**	**87,804.39**	**87,932.15**
Growth rate(%)	***13.01%***	***10.98%***	***19.14%***	***18.66%***	***11.18%***	***6.38%***	***4.44%***	***1.01%***	***0.16%***	***0.59%***	***0.17%***	***0.17%***	***0.15%***
Personal Lines	34,607.59	37,915.72	46,344.88	56,072.67	63,003.25	67,489.08	70,904.03	71,598.88	71,570.25	71,892.31	71,863.55	71,834.81	71,806.08
growth rate(%)	*7.50%*	*9.56%*	*22.23%*	*20.99%*	*12.36%*	*7.12%*	*5.06%*	*0.98%*	*-0.04%*	*0.45%*	*-0.04%*	*-0.04%*	*-0.04%*
Commercial Lines	7,542.68	8,863.42	9,386.30	10,148.47	10,659.95	10,869.96	10,918.87	10,914.50	10,910.14	11,017.06	11,125.02	11,234.05	11,344.14
growth rate(%)	*47.78%*	*17.51%*	*5.90%*	*8.12%*	*5.04%*	*1.97%*	*0.45%*	*-0.04%*	*-0.04%*	*0.98%*	*0.98%*	*0.98%*	*0.98%*
Property Line	2,218.44	2,462.06	2,933.22	3,387.87	3,730.98	3,970.69	4,163.67	4,345.62	4,514.23	4,600.90	4,666.69	4,735.53	4,781.94
growth rate(%)	*13.01%*	*10.98%*	*19.14%*	*15.50%*	*10.13%*	*6.43%*	*4.86%*	*4.37%*	*3.88%*	*1.92%*	*1.43%*	*1.48%*	*0.98%*
Investment Income	**860.90**	**1,260.30**	**1,891.80**	**2,598.92**	**2,997.62**	**3,349.72**	**3,701.54**	**4,003.32**	**4,299.03**	**4,629.28**	**4,975.84**	**5,294.54**	**5,662.30**
Growth rate(%)	*-8.08%*	*46.39%*	*50.11%*	*37.38%*	*15.34%*	*11.75%*	*10.50%*	*8.15%*	*7.39%*	*7.68%*	*7.49%*	*6.40%*	*6.95%*
Realized Gains (Losses) on securities	**1,509.20**	**(1,912.20)**	**353.10**	**353.10**	**353.10**	**353.10**	**353.10**	**353.10**	**353.10**	**353.10**	**353.10**	**353.10**	**353.10**
Growth rate(%)	*-7.33%*	*-226.70%*	*18.48%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Fees, Service, and Other Revenues	**963.20**	**1,021.40**	**1,199.20**	**1,259.16**	**1,322.12**	**1,388.22**	**1,457.64**	**1,530.52**	**1,607.04**	**1,687.39**	**1,771.76**	**1,860.35**	**1,953.37**
Growth rate(%)	*16.06%*	*6.04%*	*17.41%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Total Revenue	**47,702.00**	**49,610.70**	**62,108.50**	**73,820.18**	**82,067.01**	**87,420.77**	**91,498.84**	**92,745.95**	**93,253.79**	**94,180.05**	**94,755.98**	**95,312.38**	**95,900.92**
Growth rate(%)	***11.83%***	***4.00%***	***25.19%***	***18.86%***	***11.17%***	***6.52%***	***4.66%***	***1.36%***	***0.55%***	***0.99%***	***0.61%***	***0.59%***	***0.62%***

Policies In Force

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Personal Lines	22,735.70	23,455.40	25,494.50	28,298.90	29,996.83	31,196.70	32,132.60	32,775.25	33,430.76	34,266.53	34,951.86	35,650.90	36,363.91
Growth rate(%)	*6.17%*	*3.17%*	*8.69%*	*11.00%*	*6.00%*	*4.00%*	*3.00%*	*2.00%*	*2.00%*	*2.50%*	*2.00%*	*2.00%*	*2.00%*
Commercial Lines	971.20	1,046.40	1,098.50	1,164.41	1,210.99	1,247.32	1,278.50	1,304.07	1,330.15	1,356.75	1,383.89	1,411.57	1,439.80
Growth rate(%)	*18.15%*	*7.74%*	*4.98%*	*6.00%*	*4.00%*	*3.00%*	*2.50%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Property Lines	2,776.20	2,851.30	3,096.50	3,406.15	3,695.67	3,972.85	4,250.95	4,527.26	4,798.89	4,990.85	5,165.53	5,294.67	5,400.56
Growth rate(%)	*11.75%*	*2.71%*	*8.60%*	*10.00%*	*8.50%*	*7.50%*	*7.00%*	*6.50%*	*6.00%*	*4.00%*	*3.50%*	*2.50%*	*2.00%*

Implied Policy Rate

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Personal Lines	1,522.17	1,616.50	1,817.84	1,981.44	2,100.33	2,163.34	2,206.61	2,184.54	2,140.85	2,098.03	2,056.07	2,014.95	1,974.65
Growth rate(%)	*1.24%*	*6.20%*	*12.45%*	*9.00%*	*6.00%*	*3.00%*	*2.00%*	*-1.00%*	*-2.00%*	*-2.00%*	*-2.00%*	*-2.00%*	*-2.00%*
Commercial Lines	7,766.35	8,470.39	8,544.66	8,715.55	8,802.70	8,714.68	8,540.38	8,369.58	8,202.18	8,120.16	8,038.96	7,958.57	7,878.99
Growth rate(%)	*25.08%*	*9.07%*	*0.88%*	*2.00%*	*1.00%*	*-1.00%*	*-2.00%*	*-2.00%*	*-2.00%*	*-1.00%*	*-1.00%*	*-1.00%*	*-1.00%*
Property Lines	799.09	863.49	947.27	994.63	1,009.55	999.46	979.47	959.88	940.68	921.87	903.43	894.40	885.45
Growth rate(%)	*1.13%*	*8.06%*	*9.70%*	*5.00%*	*1.50%*	*-1.00%*	*-2.00%*	*-2.00%*	*-2.00%*	*-2.00%*	*-2.00%*	*-1.00%*	*-1.00%*

The Progressive Corporation (PGR)
Income Statement
(In million)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue	**47,702.00**	**49,610.70**	**62,108.50**	73,820.18	82,067.01	87,420.77	91,498.84	92,745.95	93,253.79	94,180.05	94,755.98	95,312.38	95,900.92
Net Premium Earned	44,368.70	49,241.20	58,664.40	69,609.01	77,394.18	82,329.72	85,986.56	86,859.01	86,994.61	87,510.27	87,655.27	87,804.39	87,932.15
Investment Income	860.90	1,260.30	1,891.80	2,598.92	2,997.62	3,349.72	3,701.54	4,003.32	4,299.03	4,629.28	4,975.84	5,294.54	5,662.30
Realized Gains (Losses) on securities	1,509.20	(1,912.20)	353.10	353.10	353.10	353.10	353.10	353.10	353.10	353.10	353.10	353.10	353.10
Fees, Service, and Other Revenues	963.20	1,021.40	1,199.20	1,259.16	1,322.12	1,388.22	1,457.64	1,530.52	1,607.04	1,687.39	1,771.76	1,860.35	1,953.37
Expnses:													
Losses, Claims and Reserves	(33,627.60)	(38,122.70)	(45,654.60)	(52,534.90)	(57,826.38)	(60,898.91)	(62,967.82)	(62,970.64)	(62,438.26)	(62,808.37)	(62,912.44)	(63,019.46)	(63,111.16)
Policy Acquisition Cost	(3,712.80)	(3,917.00)	(4,665.10)	(4,982.69)	(5,512.26)	(5,834.46)	(6,063.15)	(6,094.04)	(6,073.04)	(6,109.03)	(6,119.16)	(6,129.57)	(6,138.49)
SG&A Expenses	(5,627.80)	(5,850.70)	(6,305.00)	(7,437.84)	(8,311.05)	(8,885.26)	(9,326.32)	(9,468.05)	(9,530.25)	(9,586.74)	(9,602.62)	(9,618.96)	(9,632.95)
Depreciation	(279.70)	(305.60)	(285.50)	(233.08)	(237.43)	(247.80)	(263.72)	(284.94)	(311.40)	(343.17)	(380.46)	(423.63)	(473.14)
Investment Expenses	(25.50)	(24.30)	(26.20)	(51.64)	(59.57)	(66.56)	(73.55)	(79.55)	(85.43)	(91.99)	(98.87)	(105.21)	(112.52)
Operating Income before Interest	**4428.60**	**1390.40**	**5172.10**	**8,580.03**	**10,120.33**	**11,487.77**	**12,804.28**	**13,848.72**	**14,815.41**	**15,240.76**	**15,642.42**	**16,015.55**	**16,432.67**
Interest Expense	(218.60)	(243.50)	(268.40)	(351.27)	(381.22)	(401.84)	(418.64)	(426.35)	(432.18)	(440.06)	(447.42)	(455.62)	(464.65)
Pretax Income	**4,210.00**	**1,146.90**	**4,903.70**	**8,228.76**	**9,739.11**	**11,085.93**	**12,385.64**	**13,422.36**	**14,383.24**	**14,800.70**	**15,195.00**	**15,559.93**	**15,968.02**
Income Taxes	859.10	200.60	1,001.30	1,728.04	2,045.21	2,328.04	2,600.98	2,818.70	3,020.48	3,108.15	3,190.95	3,267.59	3,353.28
Net Income	**3,350.90**	**946.30**	**3,902.40**	**6,500.72**	**7,693.90**	**8,757.88**	**9,784.66**	**10,603.67**	**11,362.76**	**11,692.55**	**12,004.05**	**12,292.34**	**12,614.73**

EPS (basic)	5.69	1.19	6.61	**11.10**	**13.14**	**14.97**	**16.78**	**18.26**	**19.64**	**20.27**	**20.88**	**21.45**	**22.09**
Weighted Average Basic Shares Outstanding	584.50	584.40	584.90	585.44	585.67	585.02	583.12	580.76	578.68	576.89	575.01	573.05	571.01
Total Shares Outstanding	584.40	584.90	585.30	**585.59**	**585.75**	**584.28**	**581.96**	**579.56**	**577.80**	**575.97**	**574.05**	**572.05**	**569.97**
Dividends per Share	1.90	0.40	1.15	**3.13**	**3.75**	**4.34**	**4.94**	**5.46**	**5.96**	**6.24**	**6.52**	**6.80**	**7.11**

The Progressive Corporation (PGR)
Balance Sheet
(In millions)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
Current Assets													
Cash	202.10	220.90	99.60	405.20	511.97	537.29	247.54	94.97	412.05	311.70	(191.07)	470.88	85.70
Total Fixed Income Securities	44,815.70	49,513.60	62,168.10	74,241.15	85,837.61	96,069.46	106,272.03	115,007.59	123,541.16	133,078.53	143,086.04	152,272.16	162,885.53
Total Equity Securities	6,698.40	4,034.70	3,830.50	3,964.95	4,104.12	4,248.17	4,439.77	4,640.00	4,895.67	5,165.42	5,450.03	5,750.33	6,067.17
Premium Balance Receivables	9,399.50	10,416.90	11,958.20	14,532.24	16,157.55	17,187.94	17,951.38	18,133.52	18,161.83	18,269.48	18,299.75	18,330.88	18,357.56
Total Current Asset	**61,115.70**	**64,186.10**	**78,056.40**	**93,143.54**	**106,611.25**	**118,042.86**	**128,910.71**	**137,876.08**	**147,010.69**	**156,825.14**	**166,644.75**	**176,824.25**	**187,395.96**
Net Property, Plant & Equipment	1,309.90	1,164.50	1,053.30	1,072.97	1,119.82	1,191.76	1,287.67	1,407.23	1,550.78	1,719.33	1,914.42	2,138.13	2,393.10
Deferred Tax Assets	1,156.00	2,028.00	1,914.70	1,801.40	1,688.10	1,574.80	1,461.50	1,348.20	1,234.90	1,121.60	1,008.30	895.00	781.70
Other Assets	3,268.60	2,855.30	3,301.40	3,512.69	3,737.50	3,976.70	4,231.20	4,502.00	4,790.12	5,096.69	5,422.87	5,769.93	6,139.20
Total Asset	**66,850.20**	**70,233.90**	**84,325.80**	**99,530.60**	**113,156.67**	**124,786.12**	**135,891.09**	**145,133.50**	**154,586.50**	**164,762.75**	**174,990.34**	**185,627.32**	**196,709.96**
LIABILITIES AND EQUITIES													
Current Liabilities													
Unearned Premiums	15,158.20	16,998.10	19,883.90	23,643.84	26,288.20	27,964.64	29,206.75	29,503.09	29,549.15	29,724.30	29,773.55	29,824.20	29,867.60
Policy Claims	21,183.60	24,527.20	29,295.30	34,222.55	38,050.04	40,476.56	42,274.40	42,703.33	42,770.00	43,023.52	43,094.81	43,168.12	43,230.93
Total Current Liabilities	**36,341.80**	**41,525.30**	**49,179.20**	**57,866.39**	**64,338.25**	**68,441.20**	**71,481.15**	**72,206.42**	**72,319.15**	**72,747.82**	**72,868.36**	**72,992.32**	**73,098.53**
Long-Term Debt	5,079.70	6,525.50	7,065.80	8,019.83	8,703.64	9,174.51	9,558.09	9,734.13	9,867.04	10,047.02	10,215.03	10,402.34	10,608.45
Deferred Tax Liabilities	1,308.90	896.50	978.70	1,060.90	1,143.10	1,225.30	1,307.50	1,389.70	1,471.90	1,554.10	1,636.30	1,718.50	1,800.70
Other Liabilities	5,888.20	5,395.60	6,825.00	7,761.60	8,826.72	10,038.01	11,415.53	12,982.09	14,763.62	16,789.63	19,093.68	21,713.91	24,693.71
Total Liabilities	**48,618.60**	**54,342.90**	**64,048.70**	**74,708.72**	**83,011.71**	**88,879.02**	**93,762.27**	**96,312.33**	**98,421.71**	**101,138.57**	**103,813.36**	**106,827.07**	**110,201.39**
Equities													
Non-Redeemable Preferred Stock	493.90	493.90	493.90	493.90	493.90	493.90	493.90	493.90	493.90	493.90	493.90	493.90	493.90
Common Equity	2,357.30	2,477.90	2,598.40	2,731.49	2,864.57	2,891.19	2,891.19	2,891.19	2,891.19	2,891.19	2,891.19	2,891.19	2,891.19
Retained Earnings	15,339.70	15,721.20	18,800.50	23,212.19	28,402.19	34,137.71	40,359.43	47,051.78	54,395.40	61,854.79	69,407.59	77,030.86	84,739.18
Unrealized Gain/Loss of Marketable Securities	56.20	(2,786.30)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)	(1,600.80)
Other Appropriated Reserves	(15.50)	(15.70)	(14.90)	(14.90)	(14.90)	(14.90)	(14.90)	(14.90)	(14.90)	(14.90)	(14.90)	(14.90)	(14.90)
Accumulated Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**18,231.60**	**15,891.00**	**20,277.10**	**24,821.88**	**30,144.96**	**35,907.10**	**42,128.82**	**48,821.17**	**56,164.79**	**63,624.18**	**71,176.97**	**78,800.25**	**86,508.57**
Total Liabilities and Equities	**66,850.20**	**70,233.90**	**84,325.80**	**99,530.60**	**113,156.67**	**124,786.12**	**135,891.09**	**145,133.50**	**154,586.50**	**164,762.75**	**174,990.34**	**185,627.32**	**196,709.96**

The Progressive Corporation (PGR)
Historical Cash Flow Statement
(In million)

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Activities										
Funds from Operations	1,293.70	1,505.80	1,377.50	1,974.40	3,432.50	3,391.40	4,609.20	2,406.50	3,292.00	4,047.90
Changes in Working Capital	431.90	787.10	1,339.00	1,782.40	2,852.30	2,870.20	2,296.40	5,355.20	3,556.80	6,595.40
Net Cash Provided by Operations	**1,725.60**	**2,292.90**	**2,716.50**	**3,756.80**	**6,284.80**	**6,261.60**	**6,905.60**	**7,761.70**	**6,848.80**	**10,643.30**
Investing Activities										
Capital Expenditures	(108.10)	(130.70)	(215.00)	(155.70)	(266.00)	(363.50)	(223.50)	(243.50)	(292.00)	(252.00)
Net Assets from Acquisitions	-	(752.70)	8.50	(18.10)	-	-	-	(313.20)	-	-
Sale of Fixed Assets & Businesses	5.90	10.60	6.20	15.30	9.40	53.30	21.90	66.20	35.10	47.20
Purchase of Investments	(9,213.20)	(9,970.80)	(13,402.00)	(14,843.40)	(21,988.70)	(29,145.10)	(36,381.90)	(34,015.60)	(28,536.70)	(25,863.50)
Sale/Maturity of Investments	8,508.50	8,927.90	11,086.90	11,628.80	14,901.80	25,111.00	30,382.20	31,338.40	21,015.20	15,236.90
Other Uses	(30.00)	(8.20)	-	(33.60)	-	-	-	-	(177.80)	(11.20)
Other Sources	-	-	50.90	-	11.70	6.00	83.60	47.90	-	-
Net Investing Cash Flow	**(836.90)**	**(1,923.90)**	**(2,464.50)**	**(3,406.70)**	**(7,331.80)**	**(4,338.30)**	**(6,117.70)**	**(3,119.80)**	**(7,956.20)**	**(10,842.60)**
Financing Activities										
Common Dividends Paid	(892.60)	(403.60)	(519.00)	(395.40)	(654.90)	(1,643.20)	(1,551.00)	(3,746.50)	(234.00)	(234.00)
Preferred Dividends	-	-	-	-	(13.50)	(26.80)	(26.80)	(26.80)	(26.80)	(43.60)
Repurchase of Common & Preferred Stk.	(271.40)	(208.50)	(192.50)	(62.50)	(79.00)	(95.60)	(354.60)	(223.00)	(99.00)	(140.70)
Sale of Common & Preferred Stock	-	0.20	-	0.50	497.20	1.60	7.30	-	-	-
Issuance of Long-Term Debt	344.70	382.00	495.60	841.10	1,134.00	-	986.30	-	1,486.00	496.30
Reduction in Long-Term Debt	(48.90)	(39.70)	(43.70)	(684.60)	(37.10)	-	-	(520.00)	-	-
Other Sources	12.80	16.80	9.20	-	-	-	-	-	-	-
Net Financing Cash Flow	**(855.40)**	**(252.80)**	**(250.40)**	**(300.90)**	**846.70**	**(1,764.00)**	**(938.80)**	**(4,516.30)**	**1,126.20**	**78.00**
Net Change in Cash	**33.30**	**116.20**	**1.60**	**49.20**	**(200.30)**	**159.30**	**(150.90)**	**125.60**	**18.80**	**(121.30)**
Free Cash Flow	**1,617.50**	**2,162.20**	**2,501.50**	**3,601.10**	**6,018.80**	**5,898.10**	**6,682.10**	**7,518.20**	**6,556.80**	**10,391.30**

The Progressive Corporation (PGR)
Forecasted Cash Flow Statement
(In millions)

Fiscal Years Ending Dec. 31	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**
Cash Flow from Operating Activities										
Net Income	6,500.72	7,693.90	8,757.88	9,784.66	10,603.67	11,362.76	11,692.55	12,004.05	12,292.34	12,614.73
Depreciation	233.08	237.43	247.80	263.72	284.94	311.40	343.17	380.46	423.63	473.14
Changes in Net Working Capital										
Changes in Premiuim Receivable	(2,574.04)	(1,625.31)	(1,030.39)	(763.44)	(182.14)	(28.31)	(107.65)	(30.27)	(31.13)	(26.67)
Changes in Deferred Tax Asset	113.30	113.30	113.30	113.30	113.30	113.30	113.30	113.30	113.30	113.30
Changes in Unearned Premium	3,759.94	2,644.36	1,676.44	1,242.10	296.34	46.06	175.15	49.25	50.65	43.40
Changes in Policy Claims	4,927.25	3,827.50	2,426.51	1,797.85	428.93	66.67	253.52	71.29	73.31	62.82
Changes in Deferred Tax Liability	82.20	82.20	82.20	82.20	82.20	82.20	82.20	82.20	82.20	82.20
Net Cash from Operations	**13,042.45**	**12,973.39**	**12,273.74**	**12,520.39**	**11,627.24**	**11,954.08**	**12,552.23**	**12,670.29**	**13,004.31**	**13,362.91**
Cash Flow from Investing Activities										
Capital Expenditure	(252.75)	(284.28)	(319.74)	(359.63)	(404.50)	(454.96)	(511.71)	(575.55)	(647.35)	(728.11)
Changes in Other Asset	(211.29)	(224.81)	(239.20)	(254.51)	(270.79)	(288.13)	(306.56)	(326.18)	(347.06)	(369.27)
Changes in Other Liabilities	936.60	1,065.13	1,211.29	1,377.52	1,566.56	1,781.53	2,026.01	2,304.04	2,620.23	2,979.80
Changes in Fixeed Income Securities	(12,073.05)	(11,596.47)	########	########	(8,735.56)	(8,533.56)	(9,537.38)	########	(9,186.12)	########
Changes in Equity Securities	(134.45)	(139.17)	(144.05)	(191.59)	(200.23)	(255.66)	(269.75)	(284.61)	(300.30)	(316.84)
Changes in Unrealized gains/loss	-	-	-	-	-	-	-	-	-	-
Changes in Other Reserves	-	-	-	-	-	-	-	-	-	-
Net Cash from Investing Activities	**(11,734.94)**	**(11,179.60)**	**(9,723.55)**	**(9,630.79)**	**(8,044.53)**	**(7,750.78)**	**(8,599.39)**	**(8,889.81)**	**(7,860.60)**	**(9,047.79)**
Cash Flow from Financing Activities										
Changes in Longterm Debt	954.03	683.80	470.87	383.58	176.04	132.91	179.98	168.01	187.32	206.11
Dividend Payment	-1830.78	-2199.08	-2537.19	-2875.04	-3162.20	-3441.31	-3594.03	-3744.83	-3891.99	-4053.67
Share Repurchases	-258.25	-304.82	-485.17	-687.90	-749.11	-577.82	-639.13	-706.43	-777.08	-852.74
Proceeds from Issuance of common stock	133.09	133.09	26.62	-	-	-	-	-	-	-
Net Cash from Financing Activities	**(1,001.91)**	**(1,687.01)**	**(2,524.87)**	**(3,179.36)**	**(3,735.28)**	**(3,886.22)**	**(4,053.18)**	**(4,283.25)**	**(4,481.75)**	**(4,700.31)**
Increase In Cash	305.60	106.77	25.32	(289.75)	(152.57)	317.08	(100.34)	(502.78)	661.95	(385.18)
Cash at the Beginning	99.60	405.20	511.97	537.29	247.54	94.97	412.05	311.70	(191.07)	470.88
End of Period Cash	405.20	511.97	537.29	247.54	94.97	412.05	311.70	(191.07)	470.88	85.70

The Progressive Corporation (PGR)
Common Size Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Net Premium Earned	99.26%	94.45%	94.30%	94.31%	94.18%	93.98%	93.65%	93.29%	92.92%	92.51%	92.12%	91.69%
Investment Income	2.54%	3.05%	3.52%	3.65%	3.83%	4.05%	4.32%	4.61%	4.92%	5.25%	5.55%	5.90%
Realized Gains (Losses) on securities	-3.85%	0.57%	0.48%	0.43%	0.40%	0.39%	0.38%	0.38%	0.37%	0.37%	0.37%	0.37%
Fees, Service, and Other Revenues	2.06%	1.93%	1.71%	1.61%	1.59%	1.59%	1.65%	1.72%	1.79%	1.87%	1.95%	2.04%
Expnses:												
Losses, Claims and Reserves	77.42%	77.82%	75.47%	74.72%	73.97%	73.23%	72.50%	71.77%	71.77%	71.77%	71.77%	71.77%
Policy Acquisition Cost	7.95%	7.95%	7.16%	7.12%	7.09%	7.05%	7.02%	6.98%	6.98%	6.98%	6.98%	6.98%
SG&A Expenses	11.79%	10.15%	10.08%	10.13%	10.16%	10.19%	10.21%	10.22%	10.18%	10.13%	10.09%	10.04%
Depreciation Expense	0.62%	0.49%	0.33%	0.31%	0.30%	0.31%	0.33%	0.36%	0.39%	0.43%	0.48%	0.54%
Investment Expenses	0.05%	0.04%	0.07%	0.07%	0.08%	0.08%	0.09%	0.09%	0.10%	0.10%	0.11%	0.12%
Operating Income before Interest	**2.80%**	**8.33%**	**11.62%**	**12.33%**	**13.14%**	**13.99%**	**14.93%**	**15.89%**	**16.18%**	**16.51%**	**16.80%**	**17.14%**
Interest Expense	0.49%	0.43%	0.48%	0.46%	0.46%	0.46%	0.46%	0.46%	0.47%	0.47%	0.48%	0.48%
Pretax Income	**2.31%**	**7.90%**	**11.15%**	**11.87%**	**12.68%**	**13.54%**	**14.47%**	**15.42%**	**15.72%**	**16.04%**	**16.33%**	**16.65%**
Income Taxes	0.40%	1.61%	2.34%	2.49%	2.66%	2.84%	3.04%	3.24%	3.30%	3.37%	3.43%	3.50%
Net Income	**1.91%**	**6.28%**	**8.81%**	**9.38%**	**10.02%**	**10.69%**	**11.43%**	**12.18%**	**12.42%**	**12.67%**	**12.90%**	**13.15%**

The Progressive Corporation (PGR)
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
Current Assets													
Cash	0.42%	0.45%	0.16%	0.55%	0.62%	0.61%	0.27%	0.10%	0.44%	0.33%	-0.20%	0.49%	0.09%
Total Fixed Income Securities	101.01%	100.55%	105.97%	106.65%	110.91%	116.69%	123.59%	132.41%	142.01%	152.07%	163.24%	173.42%	185.24%
Total Equity Securities	15.10%	8.19%	6.53%	5.70%	5.30%	5.16%	5.16%	5.34%	5.63%	5.90%	6.22%	6.55%	6.90%
Premium Balance Receivables	21.18%	21.15%	20.38%	20.88%	20.88%	20.88%	20.88%	20.88%	20.88%	20.88%	20.88%	20.88%	20.88%
Total Current Asset	137.75%	130.35%	133.06%	133.81%	137.75%	143.38%	149.92%	158.74%	168.99%	179.21%	190.11%	201.38%	213.11%
Net Property, Plant & Equipment	2.95%	2.36%	1.80%	1.54%	1.45%	1.45%	1.50%	1.62%	1.78%	1.96%	2.18%	2.44%	2.72%
Deferred Tax Assets	2.61%	4.12%	3.26%	2.59%	2.18%	1.91%	1.70%	1.55%	1.42%	1.28%	1.15%	1.02%	0.89%
Other Assets	7.37%	5.80%	5.63%	5.05%	4.83%	4.83%	4.92%	5.18%	5.51%	5.82%	6.19%	6.57%	6.98%
Total Asset	150.67%	142.63%	143.74%	142.99%	146.21%	151.57%	158.04%	167.09%	177.70%	188.28%	199.63%	211.41%	223.71%
LIABILITIES AND EQUITIES													
Current Liabilities													
Unearned Premiums	34.16%	34.52%	33.89%	33.97%	33.97%	33.97%	33.97%	33.97%	33.97%	33.97%	33.97%	33.97%	33.97%
Policy Claims	47.74%	49.81%	49.94%	49.16%	49.16%	49.16%	49.16%	49.16%	49.16%	49.16%	49.16%	49.16%	49.16%
Total Current Liabilities	81.91%	84.33%	83.83%	83.13%	83.13%	83.13%	83.13%	83.13%	83.13%	83.13%	83.13%	83.13%	83.13%
Long-Term Debt	11.45%	13.25%	12.04%	11.52%	11.25%	11.14%	11.12%	11.21%	11.34%	11.48%	11.65%	11.85%	12.06%
Deferred Tax Liabilities	2.95%	1.82%	1.67%	1.52%	1.48%	1.49%	1.52%	1.60%	1.69%	1.78%	1.87%	1.96%	2.05%
Other Liabilities	13.27%	10.96%	11.63%	11.15%	11.40%	12.19%	13.28%	14.95%	16.97%	19.19%	21.78%	24.73%	28.08%
Total Liabilities	109.58%	110.36%	109.18%	107.33%	107.26%	107.95%	109.04%	110.88%	113.14%	115.57%	118.43%	121.66%	125.33%
Equities													
Non-Redeemable Preferred Stock	1.11%	1.00%	0.84%	0.71%	0.64%	0.60%	0.57%	0.57%	0.57%	0.56%	0.56%	0.56%	0.56%
Common Equity	5.31%	5.03%	4.43%	3.92%	3.70%	3.51%	3.36%	3.33%	3.32%	3.30%	3.30%	3.29%	3.29%
Retained Earnings	34.57%	31.93%	32.05%	33.35%	36.70%	41.46%	46.94%	54.17%	62.53%	70.68%	79.18%	87.73%	96.37%
Unrealized Gain/Loss of Marketable Securities	0.13%	-5.66%	-2.73%	-2.30%	-2.07%	-1.94%	-1.86%	-1.84%	-1.84%	-1.83%	-1.83%	-1.82%	-1.82%
Other Appropriated Reserves	-0.03%	-0.03%	-0.03%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%
Accumulated Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity	41.09%	32.27%	34.56%	35.66%	38.95%	43.61%	48.99%	56.21%	64.56%	72.70%	81.20%	89.75%	98.38%
Total Liabilities and Equities	150.67%	142.63%	143.74%	142.99%	146.21%	151.57%	158.04%	167.09%	177.70%	188.28%	199.63%	211.41%	223.71%

The Progressive Corporation (PGR)
Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	3.91%	*10-year Treasury bond*
Beta	0.43	*Average of 2, 3, 4, and 5-year weekly beta*
Equity Risk Premium	5.00%	*Henry Fund Estimate*
Cost of Equity	**6.06%**	
Cost of Debt:		
Risk-Free Rate	3.91%	*10-year Treasury bond*
Implied Default Premium	0.47%	
Pre-Tax Cost of Debt	4.38%	*YTM on company's 10-year corporate bond*
Marginal Tax Rate	21%	
After-Tax Cost of Debt	**3.46%**	
Cost of Preferred Stock:		
Annual Pfd. Dividend	43.60	
Price of Pfd. Shares	1000	
Cost of Preferred:	**4.36%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	585.30	
Current Stock Price	$251.10	
MV of Equity	**146,968.83**	95.10%
Market Value of Debt:		
Short-Term Debt	0	
Current Portion of LTD	0	
Long-Term Debt	7,065.80	
PV of Operating Leases	0	
MV of Total Debt	**7,065.80**	4.57%
Market Value of Preferred Stock:		
Total Shares Outstanding	0.50	
Price of Pfd. Shares	1000	
MV of Preferred	**500.00**	0.32%
Market Value of the Firm	**154,534.63**	100.00%

Estimated WACC	**5.93%**

The Progressive Corporation (PGR)
Free Cash Flow to Equity Estimation
(In millions)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net Income	3350.90	946.30	3902.40	6500.72	7693.90	8757.88	9784.66	10603.67	11362.76	11692.55	12004.05	12292.34	12614.73
Change In Total Asset	6092.80	3383.70	14091.90	15204.80	13626.07	11629.45	11104.97	9242.41	9453.00	10176.25	10227.59	10636.98	11082.64
Change in Total Liabilities	4899.80	5724.30	9705.80	10660.02	8302.99	5867.31	4883.25	2550.06	2109.37	2716.86	2674.80	3013.70	3374.32
FCFE	**2157.90**	**3286.90**	**-483.70**	**1955.94**	**2370.82**	**2995.74**	**3562.94**	**3911.32**	**4019.13**	**4233.16**	**4451.26**	**4669.07**	**4906.41**
Economic Profit	**2,318.53**	**(158.35)**	**2,939.56**	**5272.13**	**6189.94**	**6931.40**	**7609.04**	**8051.08**	**8404.68**	**8289.53**	**8149.06**	**7979.73**	**7840.23**

The Progressive Corporation (PGR)
Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of Net Income	2.00%
CV Year ROIC	8.03%
WACC	5.93%
Cost of Equity	6.06%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
DCF Model:										
Free Cash Flow to Equity (FCFE)	1955.9	2370.8	2995.7	3562.9	3911.3	4019.1	4233.2	4451.3	4669.1	4906.4
Continuing Value (CV)										271956.9
PV of FCFE	1844.2	2107.7	2511.1	2815.9	2914.6	2823.9	2804.3	2780.4	2749.8	160166.7

Value of Equity:	183518.6
Less: ESOP	-450.7
Value of Equity	183068.0
Shares Outstanding	571.0
Intrinsic Value of Last FYE	$ 320.61
Implied Price as of Today	$ 332.36

EP Model:	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Economic Profit (EP)	5272.1	6189.9	6931.4	7609.0	8051.1	8404.7	8289.5	8149.1	7979.7	7840.2
Continuing Value (CV)										193156.6
PV of EP	4970.9	5502.9	5810.0	6013.7	5999.5	5905.2	5491.6	5090.1	4699.6	113758.0

Total PV of EP	163241.5
Beginning TSE	20277.1
Value of Equity:	183518.6
Less: ESOP	-450.7
Value of Equity	183068.0
Shares Outstanding	571.0
Intrinsic Value of Last FYE	$ 320.61
Implied Price as of Today	$ 332.36

The Progressive Corporation (PGR)

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EPS	$ 11.10	$ 13.14	$ 14.97	$ 16.78	$ 18.26	$ 19.64	$ 20.27	$ 20.88	$ 21.45	$ 22.09
Key Assumptions										
CV growth of EPS	2.50%									
CV Year ROE	16.01%									
Cost of Equity	6.06%									
Future Cash Flows										
P/E Multiple (CV Year)										23.71
EPS (CV Year)										$ 22.09
Future Stock Price										$ 523.80
Dividends Per Share	3.13	3.75	4.34	4.94	5.46	5.96	6.24	6.52	6.80	
Discounted Cash Flows	2.95	3.34	3.64	3.90	4.07	4.18	4.13	4.07	4.01	308.49
Intrinsic Value as of Last FYE	$ 342.78									
Implied Price as of Today	$ 355.36									

The Progressive Corporation (PGR)
Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	BV Equity	Tangible BV Equity	P/B	Tangible P/B
CB	Chubb Limited	$284.18	$21.59	$23.48	13.16	12.10	146.83	81.54	1.94	3.49
TRV	Travelers Companies Incorporation	$228.07	$17.44	$20.57	13.08	11.09	109.21	90.57	2.09	2.52
ALL	Allstate Corporation	$188.94	$14.75	$17.84	12.81	10.59	60.19	43.13	3.14	4.38
AIG	American International Group	$77.05	$5.40	$7.01	14.27	10.99	65.13	60.00	1.18	1.28
HIG	Hartford Financial Services Group	$116.10	$10.12	$11.59	11.47	10.02	50.23	41.46	2.31	2.80
				Average	12.96	10.96			2.13	2.89
PGR	The Progressive Corporation (PGR)	$251.10	$11.10	$13.14	22.6	19.1	34.64	33.41	7.25	7.52

Implied Relative Value:

P/E (EPS24)	**$ 143.89**
P/E (EPS25)	**$ 143.95**
P/B	**$ 73.84**
P/Tangible BV	**$ 96.68**

The Progressive Corporation (PGR)

Key Management Ratios

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Current Ratio (Current Asset/Current Liabilities)	168.17%	154.57%	158.72%	160.96%	165.70%	172.47%	180.34%	190.95%	203.28%	215.57%	228.69%	242.25%	256.36%
Cash Ratio (Cash/Current Liabilities)	0.56%	0.53%	0.20%	0.70%	0.80%	0.79%	0.35%	0.13%	0.57%	0.43%	-0.26%	0.65%	0.12%
Quick Ratio (Cash & Receivables/Current Liabilities)	26.42%	25.62%	24.52%	25.81%	25.91%	25.90%	25.46%	25.24%	25.68%	25.54%	24.85%	25.76%	25.23%
Asset-Management Ratios:													
Receivables Turnover (Revenue/Receivables)	5.07	4.76	5.19	5.08	5.08	5.09	5.10	5.11	5.13	5.16	5.18	5.20	5.22
Average Collection Period (365/Revenue/Receivables)	71.92	76.64	70.28	71.85	71.86	71.76	71.61	71.36	71.09	70.80	70.49	70.20	69.87
Total Asset Turnover (Revenue/Total Asset)	0.71	0.71	0.74	0.74	0.73	0.70	0.67	0.64	0.60	0.57	0.54	0.51	0.49
Equity to Asset Ratio (TSE/TA)	27.27%	22.63%	24.05%	24.94%	26.64%	28.77%	31.00%	33.64%	36.33%	38.62%	40.67%	42.45%	43.98%
Financial Leverage Ratios:													
Debt to Asset Ratio (Total Debt/Total Asset)	0.08	0.09	0.08	0.08	0.08	0.07	0.07	0.07	0.06	0.06	0.06	0.06	0.05
Debt to Capital Ratio (Total Debt/Total Liabilities & Equities)	0.08	0.09	0.08	0.08	0.08	0.07	0.07	0.07	0.06	0.06	0.06	0.06	0.05
Debt to EBIT (Total Debt/Operating Income)	1.15	4.69	1.37	0.93	0.86	0.80	0.75	0.70	0.67	0.66	0.65	0.65	0.65
Debt to Equity (Total Debt/Total Equity)	0.28	0.41	0.35	0.32	0.29	0.26	0.23	0.20	0.18	0.16	0.14	0.13	0.12
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	19.67%	5.19%	24.56%	32.06%	31.00%	29.05%	27.25%	25.17%	23.27%	20.82%	18.87%	17.27%	16.01%
Profit Margin (Net Income/Revenue)	7.02%	1.91%	6.28%	6.28%	8.81%	9.38%	10.02%	10.69%	11.43%	12.18%	12.42%	12.67%	12.90%
Return on Assets (Net Income/Total Asset)	5.01%	1.35%	4.63%	4.63%	6.53%	6.80%	7.02%	7.20%	7.31%	7.35%	7.10%	6.86%	6.62%
Combined Ratio	96.84%	97.26%	96.52%	93.31%	92.58%	91.85%	91.13%	90.41%	89.71%	89.71%	89.71%	89.71%	89.71%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	33.41%	33.65%	17.40%	28.16%	28.58%	29.01%	29.44%	29.88%	30.33%	30.79%	31.25%	31.72%	32.19%
Total Payout Ratio ((Divs. + Repurchases)/NI)	119.26%	38.02%	10.72%	32.14%	32.54%	34.51%	36.41%	36.89%	35.37%	36.20%	37.08%	37.98%	38.89%
Retention Ratio (1-Total Payout Ratio)	-19.26%	61.98%	89.28%	67.86%	67.46%	65.49%	63.59%	63.11%	64.63%	63.80%	62.92%	62.02%	61.11%

The Progressive Corporation (PGR)

Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year 1	46.2	46.2	50.4	49.8	53.6	64.1	77.6	78.9	72.4	69.0	74.0
Year 2	43.7	43.7	47.8	45.1	44.2	65.5	64.3	48.7	56.4	46.7	54.6
Year 3	37.2	37.2	37.3	32.6	28.5	52.8	33.1	29.1	39.3	17.0	37.6
Year 4	27.1	27.1	24.7	17.0	16.9	24.3	18.5	18.4	13.8	5.0	15.8
Year 5	16.4	16.4	9.6	8.1	8.0	8.5	11.9	9.8	3.1	1.4	6.0
Thereafter	4.4	4.4	1.8	2.3	1.1	3.8	6.1	0.5	0.1	1.8	4.8
Total Minimum Payments	175.0	175.0	171.6	154.9	152.3	219.0	211.5	185.4	185.1	140.9	192.8
Less: Cumulative Interest	18.5	18.5	16.7	14.5	13.8	20.8	19.1	15.7	15.2	10.3	16.9
PV of Minimum Payments	**156.5**	**156.5**	**154.9**	**140.4**	**138.5**	**198.2**	**192.4**	**169.7**	**169.9**	**130.6**	**175.9**
Implied Interest in Year 1 Payment		**6.9**	**6.9**	**6.8**	**6.1**	**6.1**	**8.7**	**8.4**	**7.4**	**7.4**	**5.7**
Pre-Tax Cost of Debt	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%	4.38%
Years Implied by Year 6 Payment	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.3	1.0
Expected Obligation in Year 6 & Beyond	4.4	4.4	1.8	2.3	1.1	3.8	6.1	0.5	0.1	1.4	4.8
Present Value of Lease Payments											
PV of Year 1	44.3	44.3	48.3	47.7	51.4	61.4	74.3	75.6	69.4	66.1	70.9
PV of Year 2	40.1	40.1	43.9	41.4	40.6	60.1	59.0	44.7	51.8	42.9	50.1
PV of Year 3	32.7	32.7	32.8	28.7	25.1	46.4	29.1	25.6	34.6	14.9	33.1
PV of Year 4	22.8	22.8	20.8	14.3	14.2	20.5	15.6	15.5	11.6	4.2	13.3
PV of Year 5	13.2	13.2	7.7	6.5	6.5	6.9	9.6	7.9	2.5	1.1	4.8
PV of 6 & beyond	3.4	3.4	1.4	1.8	0.9	2.9	4.7	0.4	0.1	1.4	3.7
Capitalized PV of Payments	156.5	156.5	154.9	140.4	138.5	198.2	192.4	169.7	169.9	130.6	175.9

The Progressive Corporation (PGR)

Valuation of Options Granted under ESOP

Current Stock Price	$251.10
Risk Free Rate	3.91%
Current Dividend Yield	0.46%
Annualized St. Dev. of Stock Returns	21.59%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	2.89	101.18	2.20	$ 155.74	$ 451
Range 9					$ -
Total	3	$ 101.18	2.20	$ 158.27	**$ 451**

The Progressive Corporation (PGR)

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	3
Average Time to Maturity (years):	2.20
Expected Annual Number of Options Exercised:	1
Current Average Strike Price:	$ 101.18
Cost of Equity:	6.06%
Current Stock Price:	$251.10

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Increase in Shares Outstanding:	1.32	1.32	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Average Strike Price:	$ 101.18	$ 101.18	$ 101.18	$ 101.18	$ 101.18	$ 101.18	$ 101.18	$ 101.18	$ 101.18	$ 101.18
Increase in Common Stock Account:	**133**	**133**	**27**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share Repurchases ($)	258	305	485	688	749	578	639	706	777	853
Expected Price of Repurchased Shares:	$ 251.10	$ 265.16	$ 280.01	$ 295.68	$ 312.24	$ 329.72	$ 348.18	$ 367.68	$ 388.26	$ 410.00
Number of Shares Repurchased:	**1**	**1**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Shares Outstanding (beginning of the year)	585	586	586	584	582	580	578	576	574	572
Plus: Shares Issued Through ESOP	1	1	0	0	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	1	1	2	2	2	2	2	2	2	2
Shares Outstanding (end of the year)	**586**	**586**	**584**	**582**	**580**	**578**	**576**	**574**	**572**	**570**

The Progressive Corporation (PGR)

Sensitivity Tables

Beta (rows: Risk Free Rate)

332.36	0.36	0.38	0.40	0.43	0.45	0.48	0.50
3.60%	408.85	395.35	382.61	364.80	353.72	338.16	328.44
3.70%	395.34	382.61	370.57	353.72	343.21	328.44	319.19
3.80%	382.61	370.57	359.19	343.21	333.24	319.19	310.39
3.91%	369.52	358.19	347.45	332.36	322.93	309.61	301.25
4.00%	359.18	348.40	338.16	323.76	314.73	301.99	293.98
4.10%	348.39	338.16	328.44	314.73	306.14	293.98	286.33
4.20%	338.16	328.43	319.19	306.13	297.94	286.33	279.01

Losses, Claims, and Reserves (2024) (rows: Inflation (5yr Average))

332.36	73.00%	74.00%	75.00%	75.47%	76.00%	77.00%	78.00%
1.50%	376.99	359.11	341.23	332.81	323.38	305.53	287.70
1.75%	376.84	358.96	341.09	332.67	323.23	305.38	287.55
2.00%	376.69	358.81	340.94	332.52	323.08	305.24	287.41
2.25%	376.54	358.66	340.79	332.36	322.93	305.08	287.25
2.50%	376.39	358.50	340.63	332.21	322.77	304.93	287.10
2.75%	376.23	358.35	340.48	332.06	322.62	304.77	286.94
3.00%	376.07	358.19	340.32	331.90	322.46	304.62	286.79

Marginal Tax Rate (rows: Pre-tax Cost of Debt)

332.36	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%	26.00%
4.00%	337.52	333.22	328.93	324.63	320.34	316.04	311.75
4.10%	337.29	333.00	328.70	324.41	320.12	315.83	311.54
4.20%	337.06	332.77	328.48	324.19	319.90	315.61	311.32
4.38%	336.65	332.36	328.08	323.79	319.51	315.23	310.94
4.50%	336.38	332.09	327.81	323.53	319.25	314.97	310.69
4.70%	335.92	331.64	327.37	323.09	318.81	314.54	310.27
4.90%	335.46	331.19	326.92	322.65	318.38	314.11	309.84

Policy Acquisition Cost (2024 - 2033) (rows: SG&A Expenses (2024 - 2033))

332.36	6.60%	6.75%	7.00%	7.16%	7.30%	7.45%	7.60%
10.00%	355.77	353.02	348.44	345.54	342.95	340.20	337.45
10.20%	351.92	349.17	344.59	341.70	339.10	336.35	333.61
10.40%	348.07	345.32	340.74	337.85	335.25	332.51	329.76
10.69%	342.58	339.84	335.26	332.36	329.77	327.02	324.28
10.80%	340.38	337.63	333.05	330.16	327.56	324.81	322.07
11.00%	336.53	333.78	329.21	326.31	323.71	320.97	318.23
11.20%	332.68	329.94	325.36	322.47	319.87	317.13	314.38

CV Growth of EPS (rows: Cost of Equity)

332.36	1.50%	2.50%	3.50%	4.50%	5.50%	6.50%	7.50%
5.00%	472.04	472.04	472.04	472.04	472.04	472.04	472.04
4.00%	742.73	742.73	742.73	742.73	742.73	742.73	742.73
5.50%	395.34	395.34	395.34	395.34	395.34	395.34	395.34
6.06%	332.36	332.36	332.36	332.36	332.36	332.36	332.36
7.06%	255.16	255.16	255.16	255.16	255.16	255.16	255.16
8.06%	204.28	204.28	204.28	204.28	204.28	204.28	204.28
9.06%	168.43	168.43	168.43	168.43	168.43	168.43	168.43

5-year Treasury Yield (rows: S&P 500 Dividend Yield)

332.36	2.80%	3.00%	3.20%	3.42%	3.60%	3.80%	4.00%
1.45%	306.22	314.35	322.74	332.28	340.34	349.56	359.07
1.47%	306.25	314.38	322.76	332.31	340.37	349.59	359.10
1.50%	306.29	314.42	322.81	332.35	340.41	349.63	359.15
1.51%	306.31	314.43	322.82	332.36	340.42	349.65	359.16
1.53%	306.34	314.46	322.85	332.39	340.45	349.67	359.19
1.55%	306.37	314.49	322.88	332.42	340.48	349.70	359.22
1.57%	306.39	314.52	322.91	332.45	340.51	349.73	359.25