financijski klub

FK_USD2

Buy Recommendation
Borna Čujić, Junior Analyst

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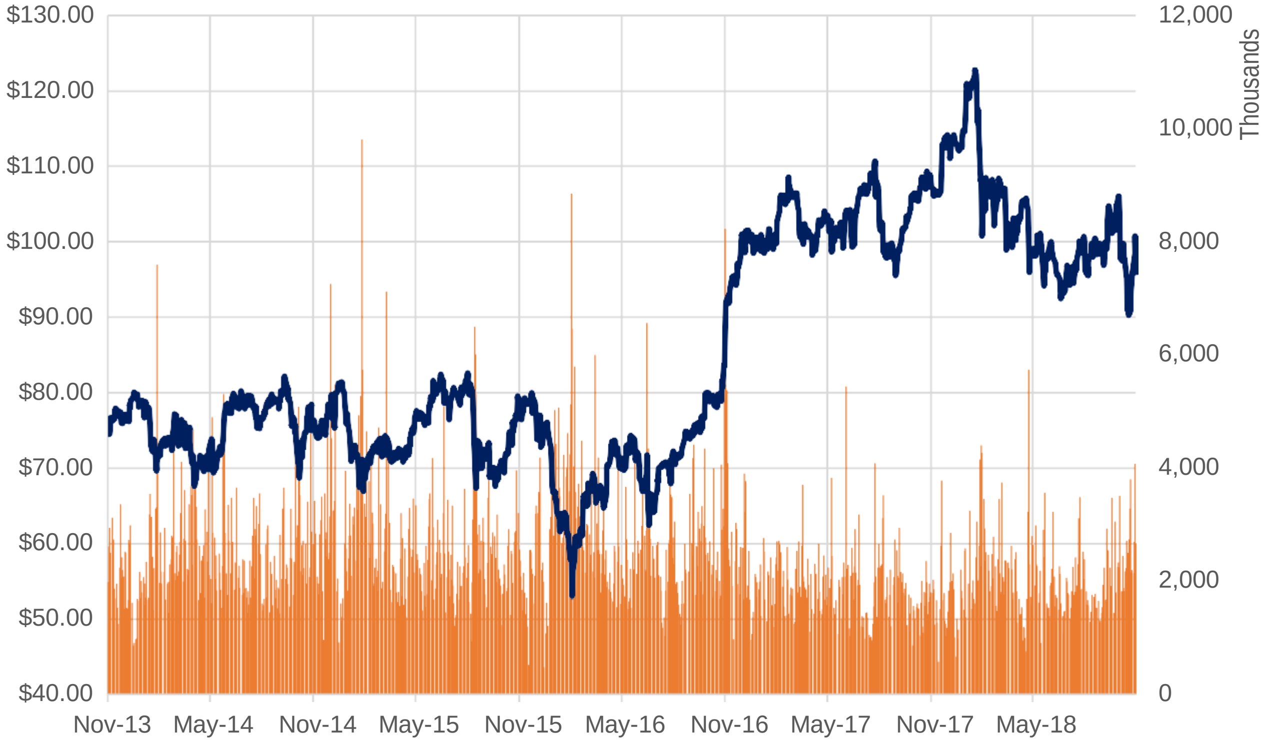
Prudential Financial, Inc.



Ticker: **PRU**

Market: **NYSE**

Market Cap: **40.038B**

Previous Close: **96.97**

52-Week Range: **89.33 – 127.14**

Avg. Volume: **2,068,734**

Beta: **1.55**

P/E: **5.52**

Dividend & Yield: ***3.60%* (*3.75%*)**

1y Return: ***-13.21%***

1y Target Est.: **119.07**

Prudential Financial, Inc., a financial services leader, has operations in the United States, Asia, Europe, and Latin America. Prudential Financial has helped individual and institutional customers grow and protect their wealth. Prudential's diverse and talented employees are committed to helping individual and institutional customers grow and protect their wealth through a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds and investment management.

The company operates with 5 divisions: U.S. Individual Solutions Division comprising Individual Annuities Segment and Individual Life Segment, U.S. Workplace Solutions Division comprising Retirement Segment and Group Insurance Segment, Investment Management Division, International Insurance Division and Closed Block Division.

Individual Annuities segment manufactures and distributes individual variable and fixed annuity products. **Individual Life** segment manufactures and distributes universal life, term life and variable life insurance products. **Retirement** segment provides retirement investment and income products and services. **Group Insurance** segment offers a full range of group life, long-term and short-term group disability, and group corporate-, bank- and trust-owned life insurance in the United States. The **Investment Management** segment provides a broad array of investment management and advisory services**. International Insurance** segment manufactures and distributes individual and group life insurance, retirement and related products, including certain health and personal accident products with fixed benefits.

Reasons To Buy:

- Prudential will witness huge demand for retirement benefits' products for baby boomers. The U.S. Census Bureau projects that nearly *25%* of the population will be 65 years or older by 2050. Prudential's vast distribution network, superior brand image and time-tested presence will give it a competitive edge.

- Prudential has a strong international presence that gives it more organic growth opportunities than its peers. Expanding its international business (mainly in Japan, Korea and China) is vital for long-term growth.

- Prudential has successfully generated investors' value by resorting to shareholder-friendly measures such as dividend payments and share repurchases, over time. The company has **increased its dividend at an annual rate of *16%*** over the last nine years. It currently yields *~3.6%* and its payout ratio is close to *30%*, giving the dividend much more room to grow.

- Prudential will be safe from selling pressure due to rise in interest rates, as their earnings per share will rise in line with interest rates. This, combined with the current extremely low valuation at only ~7.8x times forward earnings and a shareholder-friendly capital return policy, sets Prudential to outperform most of the market.

- Prudential is undervalued when looking at valuations to peers in insurance industry and to S&P500 in general. With a forward P/E ratio of only 7.85 it is quite undervalued compared to the S&P500 average of 17.69. But not only P/E shows undervaluation, PEG ratio (P/E divided by EPS growth) is much lower as well.

	PRU	Industry	S&P 500
P/E (forward)	**7.85**	**12.04**	**17.69**
P/B	**0.85**	**1.17**	**3.15**
Div Yield	***3.76%***	***1.95%***	***1.91%***
PEG ratio	**0.87**	**1.22**	**1.74**

Source: Yahoo Finance

About Financijski klub

Financijski klub (the Financial Club) is a specialized student association which aims to provide its members with additional financial education. That being our core business, we organize different projects, lectures, workshops and numerous other social events. The Club has been active since 2005, and is situated at the Faculty of Economics and Business of the University of Zagreb.

With our ongoing activities we have established a significant role within the finance oriented academic population. Through the years, our work has been recognized with numerous Dean's and Rector's Awards, and our members with internships and jobs at leading companies. Our most recent highlight has been the award for outstanding contribution to financial markets education, awarded by the Zagreb Stock Exchange in 2013.

FK Portfolio Management

DOMINIK VUGIĆ SAKAL
Head of Portfolio Management
dominik.vugic-sakal@finance.hr

KARLO JURIĆ
Senior Analyst
karlo.juric@finance.hr

DOMINIK VUKUŠIĆ
Senior Analyst
dominik.vukusic@finance.hr

SARA LONČAREVIĆ
Analyst
sara.loncarevic@finance.hr

BRUNO ŠEGOVIĆ
Analyst
bruno.segovic@finance.hr

JURE BOROVAC
Analyst
jure.borovac@finance.hr

ANTONIO GRACIN
Junior Analyst
antonio.gracin@finance.hr

BORNA ČUJIĆ
Junior Analyst
borna.cujic@finance.hr

DARIO BUDEN
Junior Analyst
dario.buden@finance.hr

DIJANA IVANKIC
Junior Analyst
dijana.ivankic@finance.hr

JOSIP HALUŽAN
Junior Analyst
josip.haluzan@finance.hr

PAVE REBIĆ
Junior Analyst
pave.rebic@finance.hr

ROBERT ZUBANOVIĆ
Junior Analyst
robert.zubanovic@finance.hr

TIN VRANJEŠ
Junior Analyst
tin.vranjes@finance.hr

TIN BARIŠIN
Junior Analyst
tin.barisin@finance,hr

FRAN KARAŽIJA
Junior Analyst
fran.karazija@finance.hr

VIKTOR NOVAK
Junior Analyst
viktor.novak@finance.hr

DARIA BUBALO
Junior Analyst
daria.bubalo@finance.hr

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