

AFLAC (AFL) – Long PT: \$54



Today's Price: \$38.20
 Dividend Yield: 2.9%
 Market Cap: \$27B
 Industry: Insurance
 Headquarters: Columbus, GA

A promising company operating in a struggling industry due to COVID-19 but should rebound shortly.

Business Overview

Aflac is an American insurance provider company that mainly operates in the U.S and Japan. They provide supplementary insurance to over 50 million people. Supplementary insurance works in hand with primary insurance and covers any remaining costs and health expenses.

Revenue Segmentation: 70% Aflac Japan, 30% Aflac U.S

Thesis Points

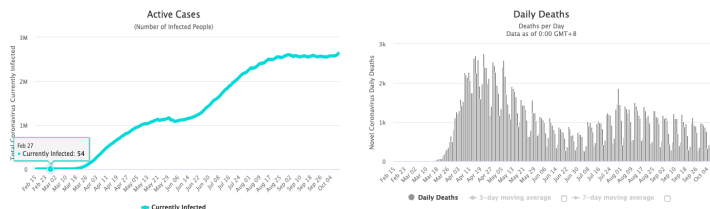
- Aflac Japan:** Nearly 70% of Aflac's revenue comes from Japan and insures 1-4 household. While COVID-19 has dropped the price of the whole insurance industry by 25%, Aflac should be in a better position compared to other companies due to their customer base. Furthermore, as more people consider getting supplementary insurance and as the population gets older, Aflac should see an increase in premium collected.
- COVID-19:** Two potential ends to the COVID-19 pandemic:
Epidemiological end - Occurs when society achieves widespread herd immunity (proportion immune enough to prevent ongoing transmission)
Return to normalcy - More likely to occur first, occurs when most social/economic activities can resume without fear of continued mortality (i.e. mortality rate returns to historical levels)
- Digital platform:** Aflac has invested heavily in a digital platform which will make the operating system more consumer-centric. A couple of digital implementations include guest checkout, enabling online consultation in Japan, and an updated digital enrollment tool.



Industry Overview

Aflac operates within the insurance industry which relies upon risk-management. Insurance companies rely on premiums that it collects from customers and its main expenses are claims that the company will have to pay out. Two main profit drivers for insurance companies are increasing customers and having a better rate/risk determination formula. Currently, the insurance industry is down around 25% due to COVID-19. As more deaths occur, claims will add up, lowering net income. Furthermore, many companies have a float, basically a portfolio using customer premium. As interest rates continue to be 0.25%, companies need to reallocate their portfolio to maintain returns. However, as we continue to navigate COVID-19, there is a promising future for the industry as claims will drop.

Active Cases in the United States



Additional Commentary – Valuation/Risks/News

Valuation: Aflac hold 4% of the domestic insurance market but has a net margin of 14.9% compared to the industry average of 10.7%.

Risks: COVID-19, assessment of risk moving forward, portfolio float

News: Recently contributed \$1.5 million to Sickle Cell Disease

