

# THE TRAVELERS CO NYSE-TRV

RECENT PRICE **97.49**

P/E RATIO **10.3** (Trailing: 9.1 Median: 8.5)

RELATIVE P/E RATIO **0.61**

DIV'D YLD **2.5%**

VALUE LINE

**TIMELINESS** 3 Lowered 6/26/15  
**SAFETY** 1 Raised 9/16/11  
**TECHNICAL** 3 Raised 9/4/15  
**BETA** .80 (1.00 = Market)

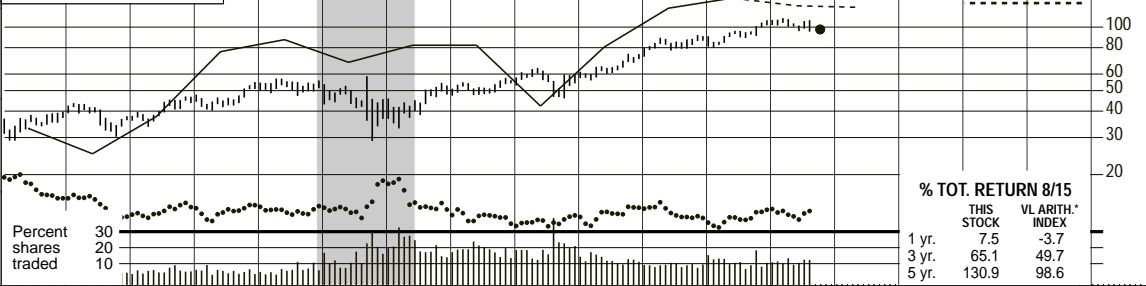
High: 43.6 47.0 55.0 57.0 58.6 54.5 57.6 64.2 74.7 91.7 107.9 110.5  
 Low: 30.2 33.7 40.2 47.3 28.9 33.1 47.3 46.0 55.9 72.5 79.9 95.2

**LEGENDS**  
 — 13.0 x Earnings p sh  
 .... Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession

**2018-20 PROJECTIONS**  
 Price Gain Ann'l Total  
 High 160 (+65%) 15%  
 Low 130 (+35%) 10%

**Insider Decisions**  
 O N D J F M A M J  
 to Buy 0 1 0 0 0 1 0 0  
 Options 1 8 1 2 9 0 1 5 2  
 to Sell 1 9 1 2 10 0 1 5 2

**Institutional Decisions**  
 4Q2014 1Q2015 2Q2015  
 to Buy 415 376 391  
 to Sell 383 431 440  
 Hld's(000) 265829 259379 250150



| 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006F  | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | © VALUE LINE PUB. LLC   | 18-20  |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------------|--------|
| 23.51  | 27.20  | 35.14  | 32.58  | 30.72  | 28.40  | 29.34  | 30.61  | 34.20  | 36.88  | 41.16  | 49.31  | 56.24  | 59.24  | 64.04  | 73.60  | 77.00  | 81.00  | P/C Prem Earned per sh  | 90.00  |
| 6.92   | 7.45   | 5.86   | 5.15   | 4.89   | 3.97   | 4.56   | 5.19   | 5.99   | 4.77   | 5.34   | 7.04   | 7.33   | 7.66   | 7.68   | 8.65   | 8.00   | 8.75   | Investment Inc per sh   | 12.50  |
| d.54   | .23    | d10.76 | d2.80  | d.86   | d2.75  | d.82   | 3.01   | 3.68   | 3.06   | 4.19   | 3.06   | d3.59  | 1.10   | 6.54   | 7.44   | 6.95   | 6.90   | Underwriting Inc per sh | 6.30   |
| 3.37   | 4.32   | d4.84  | 1.24   | 2.55   | 1.93   | 2.90   | 5.88   | 6.72   | 5.24   | 6.32   | 6.31   | 3.25   | 6.21   | 9.46   | 10.56  | 9.70   | 9.55   | Earnings per sh         | 11.25  |
| 1.03   | 1.07   | 1.11   | 1.15   | 1.16   | .95    | .91    | 1.01   | 1.13   | 1.19   | 1.26   | 1.44   | 1.64   | 1.79   | 1.96   | 2.15   | 2.38   | 2.48   | Div'ds Decl'd per sh    | 2.80   |
| 28.66  | 33.10  | 24.35  | 25.05  | 26.84  | 31.35  | 31.94  | 36.87  | 42.22  | 43.12  | 52.54  | 58.39  | 62.31  | 67.32  | 70.14  | 77.08  | 83.05  | 89.65  | Book Value per sh       | 110.00 |
| 225.00 | 216.85 | 207.60 | 226.80 | 229.11 | 670.30 | 693.40 | 678.30 | 627.80 | 585.10 | 520.30 | 434.60 | 392.80 | 377.40 | 353.50 | 322.20 | 310.00 | 305.00 | Common Shs Outst'g      | 300.00 |
| 111%   | 119%   | 189%   | 153%   | 131%   | 122%   | 127%   | 125%   | 124%   | 105%   | 84%    | 89%    | 91%    | 95%    | 119%   | 120%   |        |        | Price to Book Value     | 135%   |
| 9.4    | 9.1    | --     | 31.0   | 13.8   | 19.9   | 14.0   | 7.8    | 7.8    | 8.7    | 7.0    | 8.2    | 17.4   | 10.3   | 8.8    | 8.8    |        |        | Avg Ann'l P/E Ratio     | 13.0   |
| .54    | .59    | --     | 1.69   | .79    | 1.05   | .75    | .42    | .41    | .52    | .47    | .52    | 1.09   | .66    | .49    | .46    |        |        | Relative P/E Ratio      | .80    |
| 3.2%   | 2.7%   | 2.4%   | 3.0%   | 3.3%   | 2.5%   | 2.2%   | 2.2%   | 2.2%   | 2.6%   | 2.8%   | 2.8%   | 2.9%   | 2.8%   | 2.3%   | 2.3%   |        |        | Avg Ann'l Div'd Yield   | 1.9%   |

**CAPITAL STRUCTURE as of 6/30/15**  
 Total Debt \$6350 mill. Due in 5 Yrs \$1750 mill.  
 Leases, Uncapitalized \$160 mill.  
 Pension Assets 12/14-\$3235 mill.  
 Pfd Stock None

**Common Stock** 311,205,624 shs.  
 as of 7/17/15  
**MARKET CAP: \$30.3 billion (Large Cap)**

| FINANCIAL POSITION | 2013   | 2014   | 6/30/15 |
|--------------------|--------|--------|---------|
| Fixed Maturities   | 63956  | 63474  | 61933   |
| Stocks             | 943    | 899    | 828     |
| Premiums Due       | 6125   | 6298   | 6764    |
| Other              | 32788  | 32407  | 32139   |
| Total Assets       | 103812 | 103078 | 101664  |
| Unearned Premis    | 11850  | 11839  | 12153   |
| Reserves           | 50895  | 49850  | 48833   |
| Other              | 16271  | 16553  | 16557   |
| Total Liabilities  | 79016  | 78242  | 77543   |

| ANNUAL RATES       | Past 10 Yrs. | Past 5 Yrs. | Est'd '12-'14 |
|--------------------|--------------|-------------|---------------|
| of change (per sh) |              |             |               |
| Premium Inc        | 8.0%         | 12.0%       | 5.5%          |
| Invest Income      | 5.5%         | 8.5%        | 7.5%          |
| Earnings           | 16.5%        | 7.5%        | 4.5%          |
| Dividends          | 6.0%         | 10.5%       | 6.0%          |
| Book Value         | 10.0%        | 9.0%        | 7.5%          |

| Cal-endar | NET PREMIUMS EARNED (\$ mill.) <sup>A</sup> |        |        |        | Full Year |
|-----------|---|--------|--------|--------|-----------|
|           | Mar.31                                      | Jun.30 | Sep.30 | Dec.31 |           |
| 2012      | 5523  | 5529   | 5666   | 5639   | 22357     |
| 2013      | 5517  | 5603   | 5666   | 5851   | 22637     |
| 2014      | 5823  | 5928   | 5983   | 5979   | 23713     |
| 2015      | 5888  | 5931   | 6000   | 6051   | 23870     |
| 2016      | 6100  | 6150   | 6200   | 6250   | 24700     |

| Cal-endar | EARNINGS PER SHARE <sup>B</sup> |        |        |        | Full Year |
|-----------|---------------------------------|--------|--------|--------|-----------|
|           | Mar.31                          | Jun.30 | Sep.30 | Dec.31 |           |
| 2012      | 2.01                            | 1.26   | 2.22   | .72    | 6.21      |
| 2013      | 2.30                            | 2.13   | 2.35   | 2.68   | 9.46      |
| 2014      | 2.95                            | 1.93   | 2.61   | 3.07   | 10.56     |
| 2015      | 2.53                            | 2.52   | 2.08   | 2.57   | 9.70      |
| 2016      | 2.33                            | 2.30   | 2.20   | 2.72   | 9.55      |

| Cal-endar | QUARTERLY DIVIDENDS PAID C |        |        |        | Full Year |
|-----------|----------------------------|--------|--------|--------|-----------|
|           | Mar.31                     | Jun.30 | Sep.30 | Dec.31 |           |
| 2011      | .41                        | .41    | .41    | .41    | 1.64      |
| 2012      | .41                        | .46    | .46    | .46    | 1.79      |
| 2013      | .46                        | .50    | .50    | .50    | 1.96      |
| 2014      | .50                        | .55    | .55    | .55    | 2.15      |
| 2015      | .55                        | .61    |        |        |           |

| 20341  | 20760  | 21470  | 21579  | 21418  | 21432  | 22090  | 22357  | 22637  | 23713  | 23870  | 24700  |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 73.4%  | 59.0%  | 57.7%  | 60.2%  | 57.9%  | 61.1%  | 73.7%  | 65.6%  | 58.8%  | 58.5%  | 60.0%  | 61.0%  |
| 29.4%  | 31.2%  | 31.5%  | 31.5%  | 31.9%  | 32.7%  | 32.7%  | 32.5%  | 31.0%  | 31.4%  | 31.0%  | 30.5%  |
| -2.8%  | 9.8%   | 10.8%  | 8.3%   | 10.2%  | 6.2%   | -6.4%  | 1.9%   | 10.2%  | 10.1%  | 9.0%   | 8.5%   |
| 22.9%  | 26.7%  | 25.6%  | 23.2%  | 23.0%  | 24.1%  | --     | 21.7%  | 25.7%  | 27.3%  | 26.0%  | 26.0%  |
| 2047.4 | 4187.4 | 4509.6 | 3174.5 | 3616.4 | 3066.0 | 1379.2 | 2439.0 | 3549.5 | 3644.6 | 3005   | 2915   |
| 5.0%   | 5.2%   | 5.4%   | 4.3%   | 4.0%   | 4.6%   | 4.2%   | 4.1%   | 3.9%   | 4.0%   | 4.2%   | 4.5%   |
| 113187 | 113761 | 115224 | 109751 | 109650 | 105181 | 104602 | 104938 | 103812 | 103078 | 102000 | 103250 |
| 22303  | 25135  | 26616  | 25319  | 27415  | 25445  | 24477  | 25405  | 24796  | 24836  | 25750  | 27350  |
| 9.2%   | 16.7%  | 16.9%  | 12.5%  | 13.2%  | 12.0%  | 5.6%   | 9.6%   | 14.3%  | 14.7%  | 11.5%  | 10.5%  |
| 6.4%   | 13.9%  | 14.2%  | 9.7%   | 10.7%  | 9.4%   | 2.9%   | 6.9%   | 11.4%  | 11.7%  | 9.0%   | 8.0%   |
| 31%    | 17%    | 16%    | 23%    | 19%    | 22%    | 48%    | 28%    | 21%    | 20%    | 25%    | 26%    |

**BUSINESS:** The Travelers Companies, Inc. (formerly St Paul Travelers) is a leading provider of commercial property/casualty insurance and asset management services. Following the April 1, 2004 acquisition of Travelers, the company is now a leading underwriter of homeowners insurance and automobile insurance through independent agents. Has approximately 30,200 employees.

**Travelers enjoyed a solid second quarter.** Specifically, operating earnings, which exclude capital gains and losses from the investment portfolio, came in at \$2.52 a share, which was \$0.40 above our initial expectation. The top line was relatively unchanged from last year, both on a net premiums earned and revenue basis. What's more, net investment income declined 9.1%, year to year, reflecting subdued reinvestment rates on bonds. That said, the primary factor behind the solid performance was on the expense side of the equation. The combined ratio came in at 90.8% during the interim, a 4.3% improvement from last year. This figure means Travelers made \$9.20 a share in pretax income for every \$100 in policies underwritten. Catastrophes comprised only 3.7% of net premiums earned in the June period, compared to 7.3% last year.

**We are more upbeat about full-year 2015.** We look for share net of \$9.70 this year, a \$0.35 increase from our view in mid-June. This upgrade reflects the strong June-quarter performance, as our estimates for the back half of the year remain roughly unchanged. Rate increases

are likely to continue in some segments, though at a more measured pace. Therefore, we don't look for much of an uptick in premiums earned this year. Investment income should remain under pressure, reflecting lackluster bond yields, coupled with volatile equity markets. The saving grace appears to be the underwriting margin, which ought to remain in positive territory, barring an overage of catastrophes. **Earnings gains ought to average mid-single digits over the pull to 2018-2020, assuming decent conditions in the broader insurance market.** Investment income ought to be a larger contributor to profit growth by then.

**Travelers stock has performed quite well on a relative basis since our June report.** That said, these shares still offer worthwhile total return potential over the 3 to 5 years ahead. A decent dividend helps to sweeten the pot, while share buybacks provide a level of support. It should be noted that Alan Schnitzer will succeed Jay Fishman as CEO effective December 1st of this year. Mr. Fishman will become executive chairman.

Alan G. House September 11, 2015