Fundamental Valuation: Progressive Corp.

Team:	Cash Me If You Can (CMIYC)
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Date Presented:	3/24/2024
Investment Decision:	Purchased 50 Shares, ~$13,500

Introduction:

To diversify the portfolio while reducing the risk, our screen was to find an undervalued, low-beta stock with consistent growth potential. Our screening resulted in Progressive, an insurance company whose stock is currently undervalued.

Company Overview:

Ticker:	PGR	**Exchange:**	NYSE
Current Stock Price:	$ 272.86	**Date Reported:**	3/21/2025
Target Stock Price:	$ 307.73	**Target Date:**	3/24/2025

The Progressive Corporation is an American insurance company that offers a wide range of insurance products, including personal and commercial auto, motorcycle, boat, recreational vehicle, and home insurance. Founded in 1937 by Joseph Lewis and Jack Green, the company is headquartered in Mayfield Village, Ohio. Progressive operates through various channels, including direct online sales and a network of over 30,000 independent insurance agents. The company employs approximately 61,400 people.

Historical Performance:

The Progressive Corporation became a publicly traded company in 1971 and has built a long track record of growth and profitability. In 2023, the company reported net income of $3.86 billion, followed by a 21.7% increase in revenue in 2024, driven by strong personal and commercial auto insurance demand. As insurance premiums rose, so did investor confidence, with share volume increasing alongside quarterly earnings. Progressive currently ranks #1 in U.S. commercial auto insurance market share and #2 in personal auto. With more than $75 billion in annual revenue, the company continues expanding its market position while investing heavily in AI and digital technologies to improve pricing, claims, and customer experience.

Valuation Summary:

We conducted a 5-year pro forma using both a discounted cash flow (DCF) and comparable company analysis. The DCF projected revenue with 10% growth in years 1–2 and 5% in years 3–5, with free cash flow estimated using NOPAT and changes in net operating assets. Using a 5.97% WACC and 3% terminal growth rate, the model produced an equity value of $188M and an implied share price of $320.76. Our comparables analysis examined EV/Sales, EV/EBITDA, P/E, and Price-to-Book across large-cap insurers, yielding a share price range of $163.75 to $333.81. From this, we derived a comps-based share price of $255.62. Weighting the DCF at 80% and comps at 20%, our final valuation resulted in a target share price of $307.73, reflecting a 12.8% upside.