

The Hartford (HIG): 7.1x EV/EBITDA and 6.8x EV/FCF Pricing a High-ROE Insurer as a Peak-Cycle Financial

HIG | The Hartford Financial Services Group, Inc. | Financial Services | Insurance - Property & Casualty | FY 2025 | 2026-06-11T13:37:02.181Z

At 7.1x EV/EBITDA and 6.8x EV/FCF with ROE of 22.0% and ROIC of 29.2%, HIG trades at multiples consistent with peak-cycle skepticism despite capital efficiency and earnings growth that have remained above 20%.

SIGNALCORE VIEW	SIGNAL SCORE	FUNDAMENTAL QUALITY	EXPANSION POTENTIAL	THEISIS RISK
Mixed but researchable candidate	65 / 100	74 / 100	0 / 100	0 / 100
Value / Quality Candidate				

PRIMARY DEBATE — The investable debate centers on whether a business generating ROE of 22.0% and ROIC of 29.2% should trade at 7.1x EV/EBITDA and 6.8x EV/FCF, or whether those returns reflect a cyclical peak for a P&C insurer with exposure to macro sensitivity and asbestos liabilities. EPS growth of 28.5% and a 5Y EPS CAGR of 25.5% suggest sustained compounding, while free cash flow growth of -0.2% versus a 3Y average of 16.1% suggests recent deceleration. The implication is that valuation hinges on whether earnings durability outweighs near-term cash-flow variability.

INVESTMENT NARRATIVE

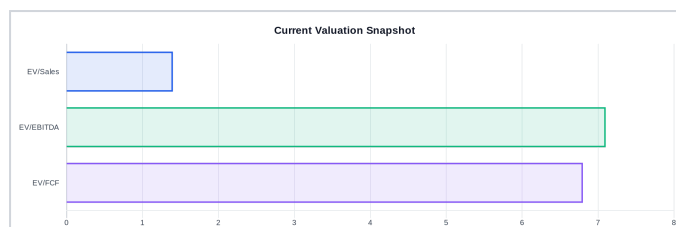
Archetype	High-ROE compounder priced as a peak-cycle financial	<p>Core Tension: Are elevated earnings/ROE sustainable versus cyclical and cash conversion volatility?</p> <p>Market Assumption: Current earnings power is near-cycle highs and cash generation is volatile, so multiples should stay low</p> <p>Trajectory: Estimates/guidance in focus with analyst revisions; AI/efficiency narrative emerging; steady revenue growth and supported EPS trend sustained, but FCF conversion remains uneven</p> <p>Mispricing Hypothesis: The market is pricing in mean reversion of earnings and unreliable FCF; if HIG sustains >20% ROE and mid-single-digit revenue growth, the current ~7x EV/EBITDA and ~6.8x EV/FCF (16% FCF yield) imply undervaluation</p>
Company Type	Multi-line insurer (Commercial & Personal P&C, Group Benefits) with an asset management arm (Hartford Funds)	
Key Monitoring Metric	ROE sustained at or above ~20%	

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTING EVIDENCE
EV/EBITDA 7.05 and EV/FCF 6.84 despite supported profitability indicate a discounted multiple consistent with peak-cycle skepticism	ROE 22.0% and ROIC 29.2% demonstrate supported, efficient profitability
FCF yield 16.35% alongside negative FCF growth (-0.2) suggests concerns about durability of cash generation	EPS growth is supported by supplied metrics both latest (28.5%) and 5Y (25.5%), indicating sustained compounding rather than a one-off spike
Revenue beat rate 37.5% vs EPS beat rate 75% implies earnings outpacing top line, potentially viewed as less durable	EPS beat rate of 75% shows consistent execution versus expectations
Narrative clusters include macro_sector and earnings_guidance, reinforcing macro sensitivity and guidance dependence	Revenue growth steady at 7.1% latest and 6.8% over 5Y, supporting underlying business trend
Presence of asbestos and environmental liabilities within P&C Other Operations adds perceived tail risk	Net debt/EBITDA 0.75 reflects a conservative balance sheet

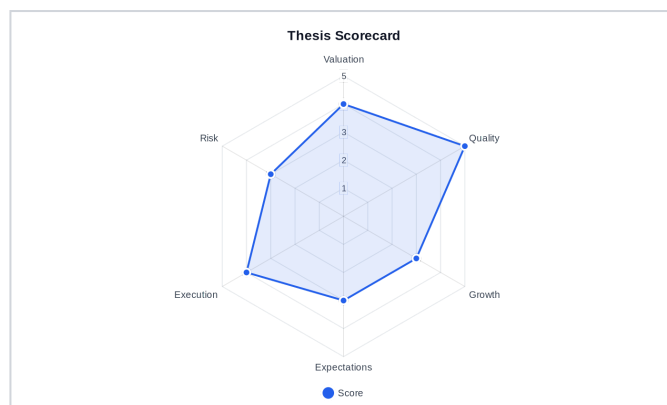
SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
4	5	3	3	4	3	4
SUPPORTED	SUPPORTED	MIXED	MIXED	SUPPORTED	MODERATE	SUPPORTED



CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



THEESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
7.1x	6.8x	16.3%	29.2%	7.1%	28.5%	-0.2%	75.0%

EXECUTIVE SUMMARY

Core Tension	Are elevated earnings/ROE sustainable versus cyclical and cash conversion volatility?
Market Assumption	Current earnings power is near-cycle highs and cash generation is volatile, so multiples should stay low
Current Pricing	At a price of \$129.87 and market cap of \$35.6B, the company trades at 1.4x EV/Sales, 7.1x EV/EBITDA, and 6.8x EV/FCF, with an 11.2% earnings yield and 16.3% FCF yield.
Valuation	Current EV/EBITDA of 7.1x and EV/FCF of 6.8x compare to fiscal-year latest EV/EBITDA of 8.1x and 3Y average of 8.2x, while latest EV/FCF was 7.5x versus a 3Y average of 7.0x.
Quality	ROE of 22.0%, ROIC of 29.2%, and income quality of 1.5 indicate earnings are supported by operating cash flow relative to net income.
Growth	Latest EPS growth was 28.5% versus a 3Y average of 35.0% and 5Y average of 25.5%, while revenue growth was 7.1% versus a 5Y average of 6.8%.
Cash Flow	Operating cash flow growth of 0.2% combined with free cash flow growth of -0.2% indicates conversion pressure in the latest year.
Execution	Over 8 quarters, EPS beat rate was 75.0% with an average EPS surprise of 10.7%, while revenue beat rate was 37.5% with an average revenue surprise of -0.1%.
Primary Monitor	Can ROE remain at or above 22.0% through a full underwriting cycle?

THEESIS DRIVERS

SUPPORTING DRIVERS			CONSTRAINTS / MONITORS		
1	EPS Beat Rate	75.0%	1	Revenue Beat Rate	37.5%
2	ROIC	29.2%	2	FCF Growth	-0.2%
3	EPS Growth	28.5%			
4	FCF Yield	16.3%			
5	Revenue Growth	7.1%			

COMPANY & BUSINESS MODEL

The Hartford Financial Services Group, Inc., founded in 1810 and headquartered in Hartford, Connecticut, operates globally, providing a comprehensive array of insurance and financial services to individual and business clients in the United States, United Kingdom, and other international markets. Its Commercial Lines division delivers a full suite of property, casualty, and specialty insurance offerings, including workers' compensation, automobile, general liability, umbrella, various bond types, marine, livestock, and reinsurance. This segment also provides tailored risk management and insurance solutions like professional liability and surety, distributed through a wide network including regional offices, branches, sales and service centers, independent agents, brokers, wholesale channels, and reinsurance brokers. The Personal Lines segment caters to individuals with automobile, homeowners, and personal umbrella coverages, made available directly to consumers and through independent agents. Separately, Property & Casualty Other Operations addresses specific liabilities such as asbestos and environmental exposures. The Group Benefits segment supplies group life, disability, and other collective insurance products to employer

groups, associations, and affinity organizations, either directly or by reinsuring other carriers. These offerings include both employer-paid and voluntary options, as well as disability underwriting, administration, and claims processing for self-funded plans and integrated leave management solutions. Distribution for this segment occurs through brokers, consultants, third-party administrators, trade associations, and private exchanges. Finally, Hartford Funds offers investment products designed for retail and retirement accounts, including exchange-traded products, distributed via broker-dealers, independent financial advisors, defined contribution platforms, financial consultants, bank trust departments, and registered investment advisors. This segment also provides essential investment management and administrative services, from product design to oversight.

INVESTMENT THESIS

The core tension is whether ROE of 22.0% and ROIC of 29.2% are sustainable or represent peak-cycle outcomes for a multi-line P&C and benefits insurer with exposure to macro conditions and legacy liabilities. The current valuation of 7.1x EV/EBITDA and 6.8x EV/FCF, alongside a 16.3% free cash flow yield and 11.2% earnings yield, implies the market is discounting durability of current earnings and cash generation. Evidence shows EPS growth of 28.5% and net income growth of 23.3% in the latest fiscal year, while revenue growth was 7.1%, indicating margin and underwriting expansion rather than purely top-line acceleration. The implication is that if ROE remains at or above 20.0% and revenue growth sustains near the 5Y average of 6.8%, the current multiples embed mean reversion assumptions that may not align with supplied capital efficiency data. However, free cash flow growth of -0.2% and operating cash flow growth of 0.2% introduce conversion volatility, reinforcing the market assumption that cash generation may be uneven.

INVESTABLE DEBATE

The investable debate centers on whether a business generating ROE of 22.0% and ROIC of 29.2% should trade at 7.1x EV/EBITDA and 6.8x EV/FCF, or whether those returns reflect a cyclical peak for a P&C insurer with exposure to macro sensitivity and asbestos liabilities. EPS growth of 28.5% and a 5Y EPS CAGR of 25.5% suggest sustained compounding, while free cash flow growth of -0.2% versus a 3Y average of 16.1% suggests recent deceleration. The implication is that valuation hinges on whether earnings durability outweighs near-term cash-flow variability.

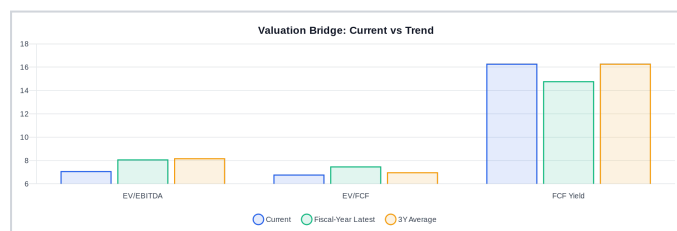
MARKET EXPECTATIONS

At a price of \$129.87 and market cap of \$35.6B, the company trades at 1.4x EV/Sales, 7.1x EV/EBITDA, and 6.8x EV/FCF, with an 11.2% earnings yield and 16.3% FCF yield. These multiples imply the market assumes current earnings are elevated and that free cash flow may revert, particularly given free cash flow growth of -0.2% and operating cash flow growth of 0.2%. Compared to fiscal-year trend data showing latest EV/EBITDA of 8.1x versus a 3Y average of 8.2x, the current 7.1x multiple sits below recent historical levels despite ROIC of 29.2% exceeding the 3Y average of 19.7%, indicating valuation is not expanding alongside capital efficiency.

CURRENT VALUATION VS HISTORICAL TREND

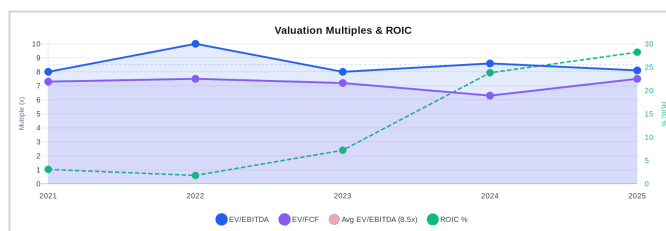
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	7.1x	8.1x	8.2x	8.5x
EV/FCF	6.8x	7.5x	7.0x	7.2x
FCF Yield	16.3%	14.8%	16.3%	16.2%

Current EV/EBITDA is 7.1x, while fiscal-year trend data shows latest EV/EBITDA of 8.1x versus a 3Y average of 8.2x. Current EV/FCF is 6.8x, while fiscal-year trend data shows latest EV/FCF of 7.5x versus a 3Y average of 7.0x.



VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 7.1x, while fiscal-year trend data shows latest EV/EBITDA of 8.1x versus a 3Y average of 8.2x.



VALUATION MULTIPLES & ROIC OVERLAY

Current EV/EBITDA of 7.1x and EV/FCF of 6.8x compare to fiscal-year latest EV/EBITDA of 8.1x and 3Y average of 8.2x, while latest EV/FCF was 7.5x versus a 3Y average of 7.0x.

VALUATION ANALYSIS

Current EV/EBITDA of 7.1x and EV/FCF of 6.8x compare to fiscal-year latest EV/EBITDA of 8.1x and 3Y average of 8.2x, while latest EV/FCF was 7.5x versus a 3Y average of 7.0x. Evidence shows ROIC of 29.2% versus a 3Y average of 19.7% and ROE of 22.0% versus a 3Y average of 18.5%. The interpretation is that capital efficiency has improved relative to history while current multiples are below recent averages. The implication is that valuation is not fully reflecting improved return metrics, although the 16.3% FCF yield versus a 3Y average of 16.3% indicates cash yield is broadly in line with history.

QUALITY & CAPITAL EFFICIENCY

ROE of 22.0%, ROIC of 29.2%, and income quality of 1.5 indicate earnings are supported by operating cash flow relative to net income. Net debt/EBITDA of 0.7 and a current ratio of 18.2 suggest conservative leverage and liquidity for an insurer. The interpretation is that underwriting and investment profitability translate into high returns on invested capital without balance-sheet strain. The implication is that the quality profile aligns more closely with a compounder classification than a cyclical recovery.

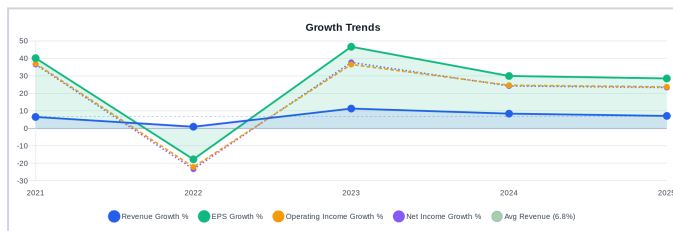


QUALITY & RETURN PROFILE

ROE of 22.0%, ROIC of 29.2%, and income quality of 1.5 indicate earnings are supported by operating cash flow relative to net income.

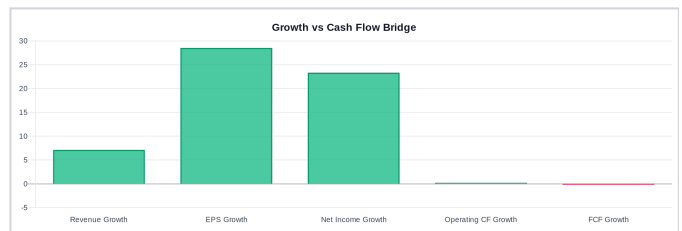
GROWTH TRAJECTORY

Latest EPS growth was 28.5% versus a 3Y average of 35.0% and 5Y average of 25.5%, while revenue growth was 7.1% versus a 5Y average of 6.8%. Free cash flow growth was -0.2% versus a 3Y average of 16.1% and 5Y average of 10.1%. The interpretation is that earnings growth remains above long-term averages, but cash-flow growth has decelerated sharply relative to history. The implication is that growth is currently earnings-led rather than cash-led, increasing sensitivity to conversion trends.



HISTORICAL GROWTH TRENDS

Latest EPS growth was 28.5% versus a 3Y average of 35.0% and 5Y average of 25.5%, while revenue growth was 7.1% versus a 5Y average of 6.8%.



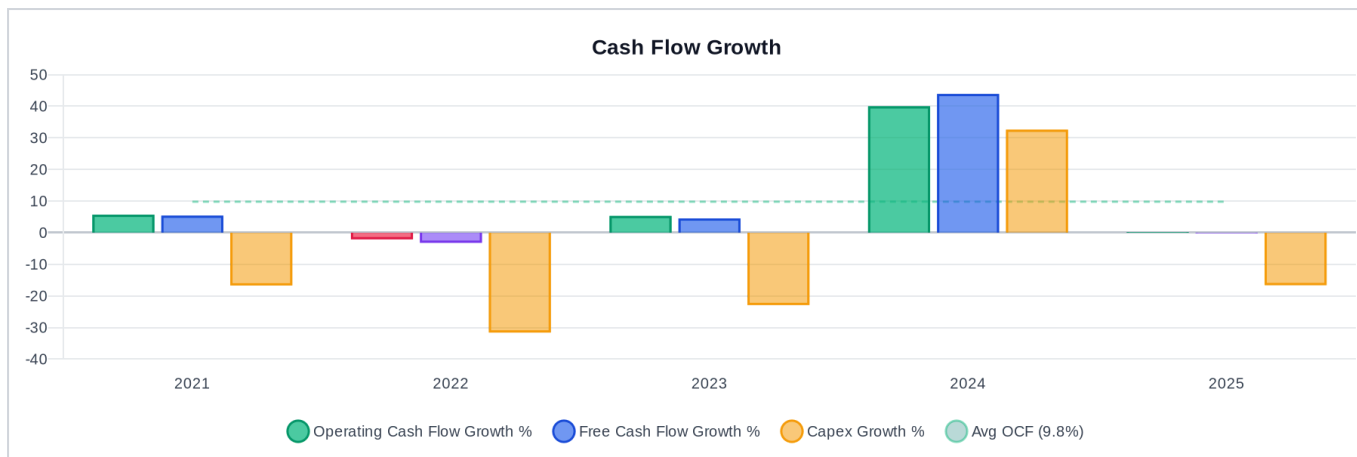
GROWTH VS CASH FLOW BRIDGE

Latest EPS growth was 28.5% versus a 3Y average of 35.0% and 5Y average of 25.5%, while revenue growth was 7.1% versus a 5Y average of 6.8%.

CASH FLOW GROWTH & CONVERSION

Operating cash flow growth of 0.2% combined with free cash flow growth of -0.2% indicates conversion pressure in the latest year. This compares to 3Y average operating cash flow growth of 15.2% and 3Y average free cash flow growth of 16.1%. The interpretation is that cash-flow trend has slowed relative to historical norms despite net income growth of 23.3%. The implication is that the market's caution on cash durability is grounded in recent data.

Capex growth was -16.6% while operating cash flow growth was 0.2%, yet free cash flow growth was -0.2%, suggesting working capital or other items limited conversion. Income quality of 1.5 indicates operating cash flow exceeded net income on an aggregate basis. The implication is that while accounting earnings appear supported by cash flow, year-to-year free cash flow volatility remains a monitoring point, particularly given a cash conversion cycle of 70.7 days versus 66.9 days in the fiscal-year trend.



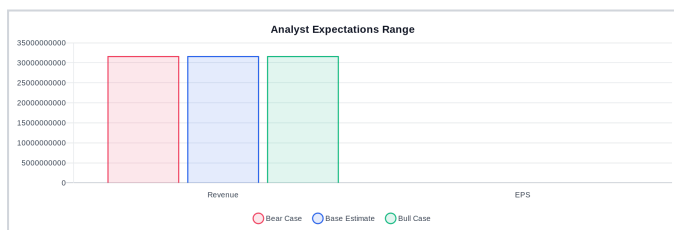
CASH FLOW GROWTH — OCF, FCF & CAPEX

Operating cash flow growth of 0.2% combined with free cash flow growth of -0.2% indicates conversion pressure in the latest year.

ANALYST EXPECTATIONS

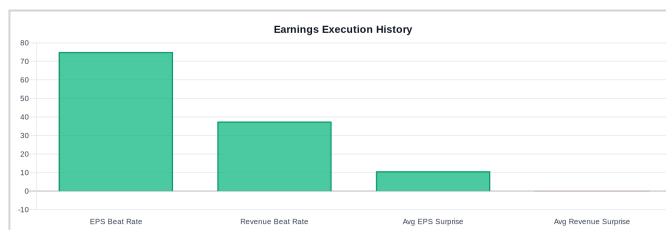
Next Revenue Estimate	\$31.7B
Revenue Bull Case	\$31.7B
Revenue Bear Case	\$31.7B
Next EPS Estimate	15.48
EPS Bull Case	16.7
EPS Bear Case	14.48
Revenue Dispersion	0%
EPS Dispersion	14.29%
Revenue Coverage	4
EPS Coverage	3

Next revenue estimate is \$31.7B with analyst coverage of 4 and revenue dispersion near 0.0%, while next EPS estimate is \$15.48 with dispersion of 14.3% and coverage of 3. The interpretation is that top-line expectations are tightly clustered but earnings expectations show moderate variability. Given latest EPS growth of 28.5% and a 75.0% EPS beat rate, expectations appear Reasonable rather than Demanding. The implication is that estimate risk is present but not extreme, particularly with limited coverage.



ANALYST EXPECTATIONS RANGE

Next revenue estimate is \$31.7B with analyst coverage of 4 and revenue dispersion near 0.0%, while next EPS estimate is \$15.48 with dispersion of 14.3% and coverage of 3.



EXECUTION HISTORY

Over 8 quarters, EPS beat rate was 75.0% with an average EPS surprise of 10.7%, while revenue beat rate was 37.5% with an average revenue surprise of -0.1%.

EXECUTION QUALITY

Quarters Analysed	8
EPS Beat Rate	75.0%
Revenue Beat Rate	37.5%
Avg EPS Surprise	10.7%
Avg Revenue Surprise	-0.1%
EPS Beats / Misses	6 / 2
Revenue Beats / Misses	3 / 5

Over 8 quarters, EPS beat rate was 75.0% with an average EPS surprise of 10.7%, while revenue beat rate was 37.5% with an average revenue surprise of -0.1%. The interpretation is that management has delivered earnings above expectations more consistently than revenue, suggesting margin or underwriting execution outpaced top-line forecasts. The most recent quarter showed an EPS miss of -8.9%, indicating variability. The implication is that earnings execution has been credible but not without volatility.

A 75.0% EPS beat rate and 28.5% latest EPS growth support credibility of the \$15.48 EPS estimate, but dispersion of 14.3% and only 3 EPS analysts limit confidence. Revenue dispersion near 0.0% suggests consensus alignment on the \$31.7B revenue estimate. The implication is that expectations are Reasonable but sensitive to earnings variability.

BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
If ROE remains at or above 22.0% and EPS approaches the bull case of \$16.70 while revenue holds near \$31.7B, and valuation remains near 7.1x EV/EBITDA, then the current multiple would appear conservative relative to sustained capital efficiency.	If revenue tracks the \$31.7B estimate, EPS remains near \$15.48, and EV/EBITDA stays around 7.1x, while ROIC remains near 29.2%, then the stock reflects steady underwriting and benefits performance without multiple expansion.	If EPS falls toward the bear case of \$14.48 and free cash flow growth remains at -0.2% while ROE declines from 22.0%, and EV/EBITDA remains 7.1x, then the current multiple would reflect earnings mean reversion consistent with peak-cycle concerns.
<div style="display: flex; gap: 5px;"> <div style="border: 1px solid black; padding: 2px;">ROE 22.0%</div> <div style="border: 1px solid black; padding: 2px;">EPS Bull Case \$16.70</div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 2px;">EV/EBITDA 7.1x</div>	<div style="display: flex; gap: 5px;"> <div style="border: 1px solid black; padding: 2px;">Revenue Estimate \$31.7B</div> <div style="border: 1px solid black; padding: 2px;">EPS Estimate \$15.48</div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 2px;">ROIC 29.2%</div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">EPS Bear Case \$14.48</div> <div style="display: flex; gap: 5px;"> <div style="border: 1px solid black; padding: 2px;">Free Cash Flow Growth -0.2%</div> <div style="border: 1px solid black; padding: 2px;">ROE 22.0%</div> </div>

SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
37%	50%	13%	70 / 100

12-24 MONTH CONDITIONAL OUTLOOK

Revenue growth of 7.1% versus a 5Y average of 6.8% suggests mid-single-digit expansion is embedded in the \$31.7B estimate.

EPS growth of 28.5% and a next EPS estimate of \$15.48 indicate continued earnings trend, subject to underwriting and benefits margins.

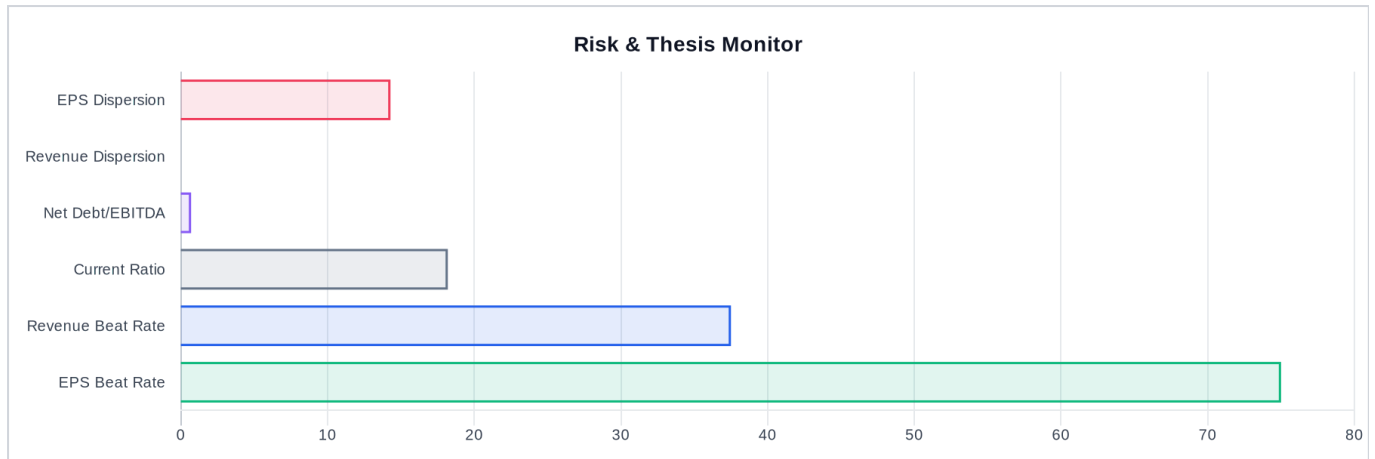
At 7.1x EV/EBITDA and 6.8x EV/FCF, valuation assumes moderation of earnings and cash generation relative to ROIC of 29.2%.

A 75.0% EPS beat rate over 8 quarters supports operational consistency, though the latest EPS surprise of -8.9% highlights variability.

If ROE remains above 20.0% and free cash flow growth improves from -0.2%, the valuation case would be supported by sustained capital efficiency rather than peak-cycle reversion.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can ROE remain at or above 22.0% through a full underwriting cycle?	If ROE rises above 22.0% while EV/EBITDA remains at 7.1x, then the valuation would appear less aligned with capital efficiency.	If ROE falls below the 3Y average of 18.5%, then the compounder classification would be challenged.
Will Free Cash Flow Growth revert toward the 3Y average of 16.1%?	If Free Cash Flow Growth increases above the 3Y average of 16.1%, then concerns about cash durability would diminish.	If Free Cash Flow Growth remains below 0.0% while EPS Growth falls below the 5Y average of 25.5%, then earnings and cash deceleration would align.
Does ROIC remain above the 3Y average of 19.7% if revenue growth slows from 7.1%?	If ROIC increases above the 3Y average of 19.7% while EV/FCF stays at 6.8x, then the return profile would exceed embedded valuation assumptions.	If Net Debt/EBITDA rises above 0.7 from 0.7, then balance-sheet conservatism would be challenged.



RISK & THESIS MONITOR

Can ROE remain at or above 22.0% through a full underwriting cycle?

RISK ASSESSMENT

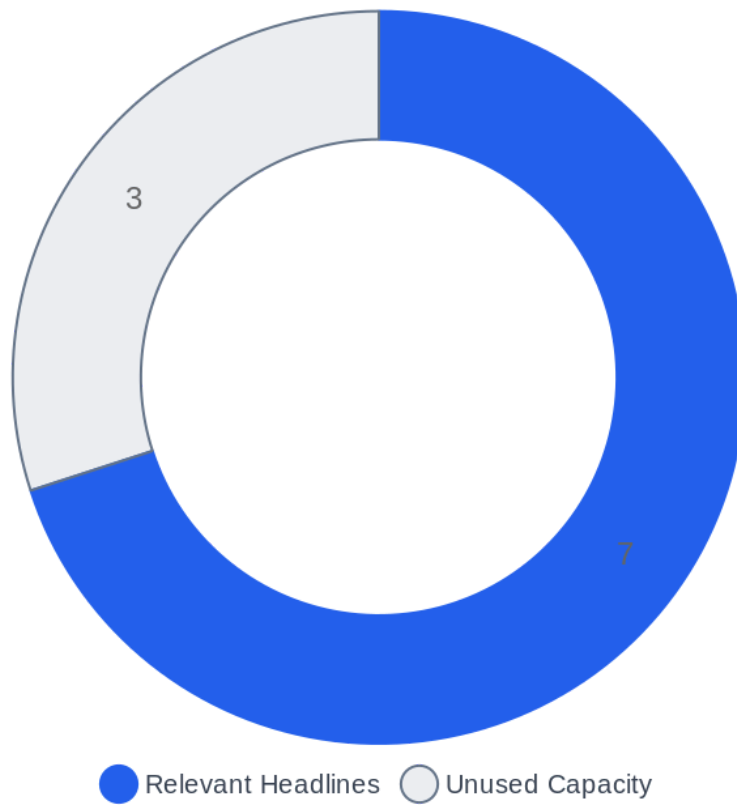
DIMENSION	SCORE	LEVEL
Valuation Risk	2 / 5	Low
Growth Risk	3 / 5	Moderate
Execution Risk	2 / 5	Low
Forecast Risk	3 / 5	Moderate
Quality Risk	1 / 5	Low
Overall Risk	3 / 5	Moderate
Composite Risk Score	2.3 / 5	

- Asbestos exposure resides in P&C Other Operations within a \$39.8B enterprise value structure.
- Operating Cash Flow Growth 0.2%
- Revenue Beat Rate 37.5%

NEWS NARRATIVE

The headline "Wellington Management to Acquire Hartford Funds from The Hartford" is relevant to monitoring segment mix and capital allocation, but additional evidence is required to determine financial impact. The headline "The Hartford Reports First Quarter 2026 Financial Results" is relevant to tracking EPS of 3.09 versus estimate of 3.39 in the most recent quarter, but additional evidence is required to determine durability. Recent news clusters around earnings_guidance and macro_sector themes and do not by themselves alter the thesis anchored on ROE of 22.0% and EV/EBITDA of 7.1x.

News Context Coverage



NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: earnings_guidance, analyst_revision, ai_technology, macro_sector.

INVESTMENT VIEW

EVIDENCE BALANCE

Positive evidence balance

CONVICTION

High

RISK LEVEL

Moderate

CLASSIFICATION

Value / Quality Candidate

Core Thesis: At 7.1x EV/EBITDA and 6.8x EV/FCF with ROE of 22.0% and ROIC of 29.2%, HIG trades at multiples consistent with peak-cycle skepticism despite capital efficiency and earnings growth that have remained above 20%.

Primary Risk: Free Cash Flow Growth -0.2%

Monitor: Can ROE remain at or above 22.0% through a full underwriting cycle?