

Initiated 2026-10-16 · Price \$40.01 (as of 2026-10-15 close, stockanalysis) · Mkt cap \$7.66bn · Financials / life & annuity insurance · Model: lite — P&C insurer module mapped onto a life/annuity P&L; LibreOffice-verified

Rating: Buy — Conviction: High

Lincoln trades at about half its book value excluding AOCI and under 5x forward earnings, even though adjusted operating earnings to common rose from \$908mm (FY2023) to \$1,537mm (FY2025) and the H1 2026 run-rate is holding. At that price the market is charging for a repeat of the 2022 reserve blow-up, not for the slow, uneven normalization the filings show. The risk is real, but the price already sits much nearer the bear case than the base.

Conviction tests (3a-v-c): T1 pass (Base +28.8% at +1pp, +62.4% at -1pp) · T2 pass (residual income +36.6%, justified P/B +51.0%) · T3 pass · T4 pass

My own read is Medium: the module is a calibrated adaptation, and GAAP book is not distributable capital. The rotation records the rule's High.

MODEL VALUE RANGE VS PRICE



Business overview

Lincoln sells annuities (variable, RILA, fixed and indexed), life insurance (largely universal life, much of it legacy secondary-guarantee business), group disability, life and dental through employers, and retirement plans. In FY2025, after tax, Annuities earned \$1,198mm, Group Protection \$532mm, Retirement Plan Services \$163mm and Life \$117mm, while Other Operations lost \$382mm (q4rel). Three variables drive earnings. The first is the spread and fee earned on ~\$182bn of annuity account balances. The second is mortality and morbidity experience in Life and Group, including the annual assumption review each Q3. The third is the yield on a ~\$143bn investment portfolio. GAAP net income swings with market-risk-benefit marks, so this uses adjusted operating income.

Competition

In annuities, Lincoln competes with Corebridge, Equitable, Jackson, Brighthouse and private-equity-backed writers such as Athene. US retail annuity sales hit a record \$464.1bn in 2025, and RILAs grew 20% to \$79.5bn (LIMRA, 2026). Corebridge alone sold a record ~\$42bn in 2025 (Insurance Business). Lincoln's \$7.45bn in H1 2026 annuity sales, roughly \$15bn annualized (est.), puts it at only ~3% of the market. Competitive pressure is already showing in flows: annuity net outflows were -\$5.1bn in H1 2026, versus -\$2.8bn a year earlier (q2rel). Peers trade at 2.5–6.7x forward earnings; Brighthouse, the closest legacy-VA comparable, at 0.43x GAAP book.

Bull case

1. **Life segment normalizes** — Life earned \$117mm in FY2025 after a \$29mm assumption-review drag, and \$98mm in H1 2026 alone (Q2 \$57mm vs \$32mm). Mortality running near expectation would lift it toward \$300mm a year. Plays out if Q3 reviews stop producing charges. *Model: combined_ratio*
2. **Group Protection and RPS margins hold** — Group earned a record \$532mm in FY2025, and RPS account balances reached a record \$131bn. Plays out if disability incidence stays benign and equity markets hold. *Model: combined_ratio*
3. **Higher-for-longer reinvestment** — new money above book yield lifts portfolio yield (4.52% FY2025, 4.58% H1 2026 annualized). Plays out if the 10Y stays near 5%. *Model: investment_yield*
4. **Cheaper capital stack** — the \$500mm subordinated debt raised in Q2 2026 is earmarked for redeeming or repurchasing preferred stock that costs \$91mm a year in dividends. *Model: other_expense*

Bear case

1. **Legacy reserve charge** — the secondary-guarantee UL and VA blocks produced a ~\$2bn charge in 2022. A repeat at the Q3 2026 review would cut book value and statutory capital. Plays out if mortality or lapse experience worsens. *Model: combined_ratio (Bear Y1 earnings \$650mm)*
2. **Annuity and RPS outflows shrink the earning base** — net outflows of ~\$5.1bn and ~\$2.4bn (Q2 RPS) show surrenders outrunning sales. Plays out if competitors keep outpricing Lincoln on spread products. *Model: combined_ratio, ia_growth*
3. **Credit and alternatives** — impairments in private credit and commercial mortgages, plus weak alternative-investment income, compress yield. Plays out in a default cycle. *Model: investment_yield*
4. **Book that doesn't convert to cash** — GAAP earnings reach the holding company only after statutory capital needs. Holdco liquidity is \$903mm net of prefunding, and buybacks are absent. The market may be right to value the book well below par. *Model: cost_of_equity (bear)*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/B ex-AOCI (price ÷ BVPS ex-AOCI)	0.52x on \$77.39 (6/30/26); 0.56x on model FY0 \$71.16 diluted	BVPS ex-AOCI \$55.30 FY23 · \$72.06 FY24 · \$73.10 FY25; P/B history n/a (unverified)	GAAP P/B incl. AOCI: BHF 0.43x · JXN 0.95x · CRBG 1.51x (EQH 11.94x, near-zero GAAP equity); LNC 0.74x	q2rel; q4rel; stockanalysis 2026-10-16
Forward P/E (stockanalysis consensus)	4.90x	n/a (unverified)	BHF 2.46x · JXN 4.49x · EQH 6.63x · CRBG 6.73x	stockanalysis 2026-10-16
Adjusted operating ROE (adj. op. income to common ÷ avg ex-AOCI common book, derived)	11.7% FY25 (est.)	11.3% FY24 (est.)	n/a (unverified)	q4rel; EDGAR
Dividend yield	4.50%	n/a	CRBG 2.90% · JXN 2.74% · EQH 2.24% · BHF none	stockanalysis 2026-10-16

Model-implied value range (from `model-summary.json`; insurer, residual income and justified P/BV, midpoints): Bear \$32.91 · Base \$57.53 · Bull \$79.14 per share, i.e. implied returns of -17.7% / +43.8% / +97.8% vs \$40.01. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits about a third of the way from Bear to Base, so the market is pricing a large part of a reserve-charge outcome. Bain Capital's 2025 purchase at \$44.00 came with a 10-year asset-management mandate, so it is no endorsement. Re-rating: today's multiple on the model's own basis is 0.56x FY0 ex-AOCI book. Base justified P/B (\$60.43) embeds 0.85x (+51% re-rating), and residual income (\$54.64) embeds 0.77x (+37%). The two methods differ by ~11%. Justified P/B is higher because it capitalizes the Y1–Y3 average ROE (~11%) in perpetuity against a 12.35% cost of equity, while residual income charges that cost on a growing book. A tail sensitivity gives \$19.31 (-51.7%). Drivers: Y1 loss \$500mm (~\$2bn charge), then flat \$1,150mm earnings, revenue -2%/yr, yield 4.30%, CoE 14.35%, terminal growth 1.5%.

Balance sheet: Holdco debt is \$6,465mm (6/30/26, incl. the new \$500mm sub debt). Model debt / (debt + ex-AOCI book) is 29.9% in Y1. Coverage is 6.1x on a placeholder 5% coupon. RBC exceeds 420% (company estimate). Holdco liquidity is \$1,803mm gross, or \$903mm net of prefunding. The nearest material maturity is a 2026 note prefunded with \$400mm (exact tranche n/a, unverified). Preferred stock is \$986mm. Ratings: AM Best ICR bbb+, outlook stable (Feb 2025). S&P, Moody's and Fitch letter ratings are n/a (unverified); all outlooks were stable per the FY2025 10-K.

Model note: Lite tier, verified (LibreOffice recalculated all formulas and they match). The insurer module is built for P&C, so the P&L is mapped onto it. "Premiums" are GAAP revenues less net investment income. The earnings line holds the company's after-tax adjusted operating income available to common, so the tax rate is zero. The "combined ratio" is a pseudo-ratio, calibrated to each case's earnings path (FY0 1.335). Book value is common equity excluding AOCI. Revenue growth is carried through the calibrated ratio, and yield shocks are sized ~0.4x gross for crediting and tax. Unverified inputs: none. Assumptions without basis: none. The debt coupon and maturity are placeholders that affect only the credit display. Scenario consistency checks: all OK. There is no EPS guidance. Base Y1 EPS of \$8.42 is ~3% above the ~\$8.17 implied by the forward P/E.

RELATIVE VALUE VS PEERS

Metric	LNC	CRBG	EQH	JXN	BHF	Peer median	vs median
P/E (TTM)	3.5x	19.2x	n/a	n/a	3.9x	11.5x	-70%
P/E (forward)	4.9x	6.7x	6.6x	4.5x	2.5x	5.6x	-12%
PEG	1.3x	0.4x	n/a	n/a	n/a	n/a	
P/B	0.7x	1.5x	11.9x	0.9x	0.4x	1.2x	-40%
Dividend yield	4.5%	2.9%	2.2%	2.7%	n/a	2.7%	+1.8pp

P/E (TTM)

CRBG

19.2x

BHF

3.9x

LNC

3.5x

P/E (forward)

CRBG

6.7x

EQH

6.6x

LNC

4.9x

JXN

4.5x

BHF

2.5x

PEG

LNC

1.3x

CRBG

0.4x

P/B

EQH

11.9x

CRBG

1.5x

JXN

0.9x

LNC

0.7x

BHF

0.4x

Dividend yield

LNC

4.5%

CRBG

2.9%

JXN

2.7%

EQH

2.2%

As of 2026-10-16. One source and one definition for every company: aggregator TTM and consensus-forward P/E; P/B on GAAP book including AOCI. Not the model's own ex-AOCI book basis (see the report's valuation table). Quotes are the 2026-10-15 4:00 PM ET close, fetched 2026-10-16. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-16.

Notes. GAAP earnings for life insurers swing with market-risk-benefit marks. EQH reported a TTM net loss (null); JXN's 156.4x on \$59mm TTM net income is above 100x (null). The source's PEG figures, based on its analyst growth estimates; shown as n/a on the

EQH, JXN and BHF pages. GAAP book including AOCI. EQH's 11.94x reflects near-zero GAAP common equity after AOCI and is not comparable; LNC is 0.52x on book excluding AOCI (\$77.39, 6/30/26). BHF pays no common dividend (source shows n/a). Omitted: EV-based multiples are not meaningful for insurers (the source counts policyholder-backing cash in EV).

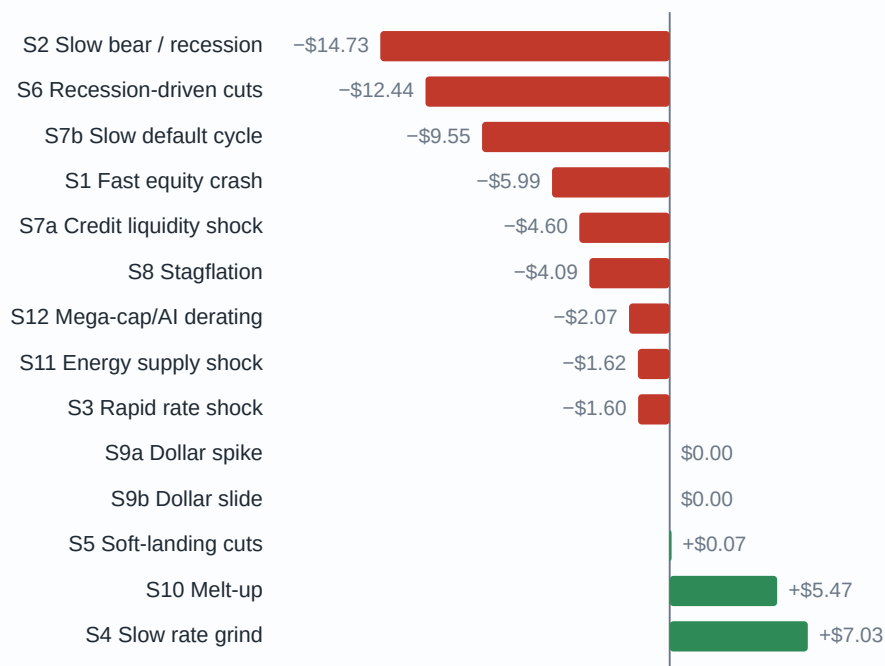
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	VA/RPS fee base and hedge costs; risk premium on a levered life insurer	Med	–\$5.99
S2 Slow bear / recession	–	Fee income on smaller balances, group disability claims, credit impairments. About 60% of Base–Bear because it's transitory, while Bear includes a permanent reserve hit	High	–\$14.73
S3 Rapid rate shock	±	New-money yield helps spreads; higher CoE and fixed-annuity surrender risk offset; AOCI not modeled	Low	–\$1.60
S4 Slow rate grind	+	Gradual reinvestment widens spreads on the annuity book	Med	+\$7.03
S5 Soft-landing cuts	±	Lower yields vs lower CoE and stronger markets	Low	+\$0.07
S6 Recession-driven cuts	–	Falling yields plus recessionary claims and fee pressure	High	–\$12.44
S7a Credit liquidity shock	–	Holdco funding stress for a BBB-area issuer; marks proxied in CoE	Low	–\$4.60
S7b Slow default cycle	–	Impairments in private credit and commercial mortgages over three years	Med	–\$9.55
S8 Stagflation	–	Expense inflation and weaker equities outweigh slightly higher yields	Low	–\$4.09
S9a Dollar spike	0	no material effect, not modeled	Low	\$0.00
S9b Dollar slide	0	no material effect, not modeled	Low	\$0.00
S10 Melt-up	+	Higher account balances lift fees; lower risk premium	Med	+\$5.47
S11 Energy supply shock	–	Indirect: rate volatility and weaker equities	Low	–\$1.62
S12 Mega-cap/AI derating	–	Equity derating trims VA/RPS fees; risk premium rises	Low	–\$2.07

Currently active/on watch per the playbook: S3 partially active; S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: (Already Buy.) A neutral Q3 2026 review, Life $\geq$ \$75mm a quarter and a retired preferred would firm conviction. **Downgrades if:** The Q3 review produces an after-tax charge above ~\$1bn, annuity net outflows exceed ~\$10bn for FY2026, or holdco liquidity falls below its stated buffer and forces a dividend cut.

Watch items

- **W1:** Q3 2026 annual assumption review — after-tax impact; charge >\$500mm is a negative — Q3 2026 earnings release — ~late Oct/early Nov 2026 — *Model: combined_ratio*
- **W2:** Life segment income from operations — $\geq$ \$75mm per quarter sustained — quarterly releases — *Model: combined_ratio*
- **W3:** Annuity net flows — FY2026 outflows beyond ~\$10bn (H1 ~\$5.1bn) — quarterly releases — *Model: ia_growth*
- **W4:** Preferred redemption or repurchase funded by the Q2 sub debt — preferred dividends fall below \$91mm a year — 8-K / Q3–Q4 releases — *Model: other_expense*

Sources

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- Macro log (10Y 5.10%, 2026-10-15) — logs/macro-2026-10.md

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.