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Jefferson-Pilot

NYSE: JP

Buy

March 6, 2002

S&P Sector – Financials

Industry – Life Insurance

MARKET DATA

Price	52-Wk Range	Price Target	Shares Out.	Market Cap.	Beta	Dividend	Price to Earnings	Book Value	LT Debt/Equity	Credit Rating
3-05-02 Close	Low Mid-Sept.	Valuation Result	(Million)	(Billion)	Yahoo	Yield	Forward	Per Share	Per Share	Moody's
\$52.40	38.00 to 52.40	\$61.28	150.5	\$7.836	0.62	2.4%	15.2	\$22.61	13%	A1

Jefferson-Pilot Corp
as of 1-Mar-2002

Splits: ▼



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COMPANY OVERVIEW – FROM YAHOO! FINANCE

Jefferson-Pilot Corporation is solely a holding company. Through its subsidiaries, the Company primarily offers individual and group life insurance, annuities, and investments; and also operates radio and television broadcast properties. For the fiscal year ended 12/31/01, revenues rose 3% to \$3.33 billion. Net income before accounting change and applicable to Common rose less than 1% to \$512.8 million. Revenues reflect higher average policyholder funds and higher earnings on investments. Net income was partially offset by higher insurance and annuity benefits expense. The Company's principal subsidiaries, which are wholly owned, are Jefferson-Pilot Life Insurance Company, Jefferson Pilot Financial Insurance Company, Jefferson Pilot LifeAmerica Insurance Company, Jefferson Pilot Securities Corporation, a full service NASD registered broker/dealer and Jefferson-Pilot Communications Company. Jefferson-Pilot is also involved in the communications business, owning and operating television and radio stations as well as Jefferson-Pilot Sports, a production and syndication business.

INVESTMENT RECOMMENDATION: Buy 200 shares of JP

REASONS FOR RECOMMENDATION (SEE PAGE 3 FOR OUTLOOK)

- ❑ On February 20, 2002, Jefferson-Pilot Corp. raised its quarterly dividend to 30.25 cents a share from 27.5 cents, a very good sign of consistency in growing earnings.
- ❑ JP reported 4Q01 operating EPS of \$0.82, beating the estimate of the Street by \$0.03. Upside was across the board, with each segment exceeding the Street's projections, testament to JP's strong franchise given the weak economy. The upside in earnings came from a corporate tax benefit, stronger communication sales, and higher annuity revenues.
- ❑ I believe that because of its modest size and slow organic growth, Jefferson-Pilot could be a potential acquisition candidate.
- ❑ In 2001, Jefferson-Pilot repurchased 4.4 million shares, or roughly 3% of shares outstanding at the beginning of the year, for a cost of \$188 million. Jefferson-Pilot generates about \$200 million in cash flow each year, and the company had excess capital of approximately \$600-800 million at the end of 2001, part of which management intends for opportunistic share repurchases during 2002 or for small acquisitions.

INVESTMENT RATIONAL

Background

Jefferson-Pilot Corporation, incorporated in 1968, is solely a holding company. Through its subsidiaries, the Company is primarily engaged in the business of writing life insurance policies, writing annuity policies and selling other investment products, writing group life, disability income and dental policies, operating radio and television facilities and producing sports programming. The Company's principal subsidiaries, which are wholly owned, are Jefferson-Pilot Life Insurance Company (JP Life), Jefferson Pilot Financial Insurance Company (JPFIC), Jefferson Pilot LifeAmerica Insurance Company (JPLA), Jefferson Pilot Securities Corporation, a full-service NASD registered broker/dealer and Jefferson-Pilot Communications Company (JPCC). The Company is also involved in the communications business, owning and operating television and radio stations as well as Jefferson-Pilot Sports, a production and syndication business.

JP Life began business in 1903. It is authorized to write insurance in 49 states, the District of Columbia, Guam, the Virgin Islands and Puerto Rico. It primarily writes universal life, term and endowment insurance policies on an individual basis, and individual non-variable annuities, including equity indexed annuities.

Insurance subsidiaries offer individual life insurance policies including traditional life products, as well as universal life and variable universal life policies and level and decreasing term policies. On most policies, accidental death and disability benefits are available in the form of riders, and IRA riders also are available, as are other benefits. At times, the Company accepts

substandard risks at higher premiums.

JPCC owns and operates television and radio stations, as well as Jefferson-Pilot Sports, a production and syndication business. JPCC owns and operates three television stations. WBTV, Channel 3 in Charlotte, North Carolina is affiliated with CBS. WWBT, Channel 12 in Richmond, Virginia is affiliated with NBC and WCSC, Channel 5 in Charleston, South Carolina is affiliated with CBS. JPCC owns and operates one AM and one FM station in Atlanta, Georgia, one AM and two FM stations in Charlotte, two AM and three FM stations in Denver, Colorado, one AM and two FM stations in Miami, Florida and one AM and three FM stations in San Diego, California.

Outlook

I believe that JP's outlook is very strong mainly for the following 3 reasons:

Superior earnings. JP's operating performance is considered to be extremely strong, with a statutory earnings adequacy ratio of 626% on a consolidated basis for 1996-2000 and a GAAP pretax ROA of 2.5%. Expense efficiency is a hallmark of JP's operating performance, with general expenses as a percent of premium improving from 10% in 1996 to 6.6% in 2000.

Solid acquisition track record. JP has a solid track record of making acquisitions that enhance its market position. Recent acquisitions have included Alexander Hamilton Life Insurance Co. in 1995, which added personal producing general agent distribution; Chubb Corp.'s life insurance and broker/dealer operations in 1997, which added a variable universal life (VUL) product platform; and Guarantee Life Insurance Co. in 1999, strengthening group benefits production and management capacity. Each of the units has been folded into the overall operation effectively and cost efficiently.

Very strong market position. JP has solid market positions in a number of areas, including a top 10 position in UL, a top 15 position in fixed annuities, a top 20 position in VUL, and a growing position in group life, disability, and dental. There are no loss leaders among the product lines, each contributing effectively to the bottom line.

INVESTMENT IMPACT

Overall Effect on Wright Fund

The Financials Sector is currently 6.5% underweight, and I believe that Jefferson-Pilot represents a very good investment opportunity at the current levels. This investment will bring our Financials sector weight to 13.09% with the S&P 500 corresponding weight at 17.9%.

VALUATION	
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Valuepro.net	Using the default settings, Valuepro values JP at \$71.56, a 36.5% premium to the current price.
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Bloomberg DDM	Using the default settings, the Bloomberg dividend discount model values JP's stock at \$61.28, a 16.9% premium to the current price.
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Conclusion	I believe a price of approximately \$62 per share is a reasonable target price given the strong growth of the company and the potential of an acquisition bid. A stop loss \$38, at the 52 week low will protect from excessive loss if something very unpredictable occurs.
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FINANCIAL INFORMATION

RATIO COMPARISON

Valuation Ratios	Jefferson-Pilot	ING	Prudential	MetLife	Industry	Sector	S&P 500
P/E Ratio (TTM)	15.28	11.8	26.45	54.81	29.75	25.25	31
Price to Cash Flow (TTM)	15.26	4.2	20.01	18.29	22.17	20.09	23.44
% Owned Institutions	51.5	2.62	0.19	36.17	40	51.55	61.05
Dividends	Jefferson-Pilot	ING	Prudential	MetLife	Industry	Sector	S&P 500
Dividend Yield	2.37	NA	NA	0.63	1.41	1.98	1.74
Dividend Yield - 5 Year Avg.	1.9	1.9	NA	NA	1.97	1.64	1.28
Dividend 5 Year Growth Rate	11.53	19.3	NM	NM	12.11	12.32	2.12
Growth Rates(%)	Jefferson-Pilot	ING	Prudential	MetLife	Industry	Sector	S&P 500
Sales (TTM) vs TTM 1 Yr. Ago	2.9	5.15*	-4.5	0.64*	2.33	4.46	3.02
Sales - 5 Yr. Growth Rate	9.41	25.66	NM	7.88	5.83	14.18	13.55
EPS (TTM) vs TTM 1 Yr. Ago	1.74	-76.94*	-43.73	-52.14*	-28.11	-7.98	-6.64
EPS - 5 Yr. Growth Rate	13.01	49.33	NM	21.75	5.46	13.43	11.94
Net Profit Margin (TTM)	16.15	7.81*	4.61	1.47*	4.7	12.81	8.33
Net Profit Margin - 5 Yr. Avg.	16.89	10.8	NA	3.86	7.12	15.71	11.33
Management Effectiveness (%)	Jefferson-Pilot	ING	Prudential	MetLife	Industry	Sector	S&P 500
Return On Assets (TTM)	1.91	0.70*	0.43	0.19*	0.47	1.87	5.89
Return On Assets - 5 Yr. Avg.	1.94	1.13	NA	NA	1.05	2.53	8.2
Return On Investment (TTM)	15.25	3.40*	10.42	2.47*	5.09	7.27	9.49
Return On Investment - 5 Yr. Avg.	15.49	5	NA	NA	9.68	9.93	13.13

ANNUAL INCOME STATEMENT					
In Millions of U.S. Dollars (except for per share items)	12 Months Ending 12/31/2001	12 Months Ending 12/31/2000	12 Months Ending 12/31/1999	12 Months Ending 12/31/1998 Reclass. 12/31/1999	12 Months Ending 12/31/1997 Reclass. 12/31/1999
Total Premiums Earned	1,536.0	1,496.0	984.0	1,117.0	1,170.0
Net Investment Income	1,535.0	1,430.0	1,272.0	1,202.0	1,103.0
Realized Gains/Losses	65.0	102.0	101.0	93.0	111.0
Other Revenue, Total	196.0	210.0	204.0	198.0	194.0
Total Revenue	3,332.0	3,238.0	2,561.0	2,610.0	2,578.0
Losses, Benefits, and Adjustments, Total	1,928.0	1,794.0	1,301.0	1,391.0	1,453.0
Amort. Of Policy Acquisition Costs	237.0	261.0	200.0	196.0	172.0
Selling/General/Admin. Expenses, Total	171.0	180.0	131.0	177.0	181.0
Other Operating Expenses, Total	194.0	189.0	178.0	176.0	181.0
Total Operating Expense	2,530.0	2,424.0	1,810.0	1,940.0	1,987.0
Operating Income	802.0	814.0	751.0	670.0	591.0
Income Before Tax	802.0	814.0	751.0	670.0	591.0
Income Tax - Total	264.0	277.0	256.0	226.0	195.0
Income After Tax	538.0	537.0	495.0	444.0	396.0
Net Income Before Extra. Items	538.0	537.0	495.0	444.0	396.0
Accounting Change	1.0	0.0	—	0.0	0.0
Net Income	539.0	537.0	495.0	444.0	396.0
Preferred Dividends	(25.0)	(25.0)	(25.0)	(26.0)	(26.0)
Inc Avail To Com Ex XOrd	513.0	512.0	470.0	418.0	370.0
Inc Avail To Com In XOrd	514.0	512.0	470.0	418.0	370.0
Basic/Primary Weighted Average Shares	151.91	154.58	157.73	159.20	159.33
Basic/Primary EPS Excl. Extra Items	3.377	3.312	2.980	2.626	2.322
Basic/Primary EPS Incl. Extra Items	3.383	3.312	2.980	2.626	2.322
Dilution Adjustment	—	—	—	—	—
Diluted Weighted Average Shares	153.41	155.92	159.35	160.58	160.17
Diluted EPS Excl. Extra Items	3.344	3.284	2.950	2.603	2.310
Diluted EPD Incl. Extra Items	3.350	3.284	2.950	2.603	2.310
DPS-Common Stock	1.070	0.960	0.857	0.770	0.693
Gross Dividends Common	—	152.0	138.0	125.0	114.0
Stock Based Compensation	—	33.0	33.0	33.0	30.0
Pro Forma Net Income	—	504.0	462.0	411.0	366.0
Pro Forma Basic EPS	—	3.260	2.927	2.580	2.300
Pro Forma Diluted EPS	—	3.233	2.900	2.560	2.287
Interest Expense	—	67.0	50.0	46.0	—
Depreciation	—	29.0	37.0	45.0	45.0
Total Special Items	—	—	—	—	—
Normalized Pre-Tax Income	802.0	814.0	751.0	670.0	591.0
Effect of Sp.Charge on Inc.Taxes (Anlst)	—	—	—	—	—
Income Taxes Ex. Impact of Special Items	264.0	277.0	256.0	226.0	195.0
Normalized Income After Taxes	538.0	537.0	495.0	444.0	396.0
Normalized Income Available To Common	513.0	512.0	470.0	418.0	370.0

ANNUAL BALANCE SHEET					
In Millions of U.S. Dollars (except for per share items)	As of 12/31/2001	As of 12/31/2000	As of 12/31/1999	As of 12/31/1998	As of 12/31/1997
Cash & Equivalents	22,274.0	26.0	62.0	21.0	9.0
Total Receivable, Net	—	—	—	—	0.0
Prepaid Expenses	—	—	—	—	—
Property/Plant/Equip., Net Total	—	—	—	—	0.0
Goodwill, Net	312.0	323.0	303.0	229.0	225.0
Intangibles, Net	—	—	—	—	—
Long Term investments	660.0	4,391.0	4,354.0	4,475.0	4,149.0
Insurance Receivables	—	—	—	—	—
Other Long Term Assets, Total	—	—	—	—	—
Deferred Policy Acquisition Costs	1,410.0	1,959.0	2,040.0	1,412.0	1,364.0
Other Assets, Total	4,340.0	20,622.0	19,687.0	18,201.0	17,384.0
Total Assets	28,996.0	27,321.0	26,446.0	24,338.0	23,131.0
Accounts Payable	—	—	—	—	—
Payable/Accrued	604.0	373.0	381.0	310.0	321.0
Policy Liabilities	23,939.0	22,276.0	21,715.0	19,421.0	18,779.0
Notes Payable/Short Term Debt	447.0	544.0	651.0	616.0	616.0
Current Port. LT Debt/Capital Leases	—	—	—	—	—
Other Current liabilities, Total	315.0	60.0	36.0	43.0	13.0
Long Term Debt	—	—	—	—	—
Capital Lease Obligations	—	—	—	—	—
Total Long Term Debt	—	—	—	—	—
Total Debt	447.0	544.0	651.0	616.0	616.0
Deferred Income Tax	—	212.0	87.0	301.0	222.0
Minority Interest	—	—	—	—	—
Other Liabilities, Total	300.0	697.0	823.0	592.0	395.0
Total Liabilities	25,605.0	24,162.0	23,693.0	21,283.0	20,346.0
Redeemed Preferred Stock, Total	—	—	—	3.0	53.0
Preferred Stock (Non Redeemable), Total	—	—	—	—	—
Common Stock, Total	188.0	131.0	129.0	133.0	93.0
Additional Paid-In Capital	—	—	—	—	0.0
Retained Earnings/Accum. Deficit	2,789.0	2,683.0	2,358.0	2,191.0	1,964.0
Treasury Stock Common (\$ Amount)	—	—	—	—	0.0
Unrealized Gain/Loss	414.0	345.0	266.0	728.0	675.0
Unrealized Gain/Loss	414.0	345.0	266.0	728.0	675.0
Other Equity, Total	—	—	—	—	—
Total Equity	3,391.0	3,159.0	2,753.0	3,055.0	2,785.0
Total Liability & Shareholders' Equity	28,996.0	27,321.0	26,446.0	24,338.0	23,131.0

FINANCIALS CORRELATION MATRIX

	<i>FBF</i>	<i>AIG</i>	<i>C</i>	<i>FRE</i>	<i>LM</i>	<i>KRB</i>	<i>WM</i>	<i>JP</i>
FBF	1							
AIG	0.509823	1						
C	0.554121	0.636349	1					
FRE	0.007953	0.397117	0.352827	1				
LM	-0.03926	-0.05547	0.43321	0.133638	1			
KRB	0.419123	0.062836	0.55231	0.183355	0.461449	1		
WM	0.432239	0.110458	-0.0342	-0.27086	-0.24282	-0.05631	1	
JP	0.13522	-0.06867	-0.06816	-0.09517	0.064045	0.000626	0.542308	1