*INSTRUCTIONS: You may use this file as a template by replacing images, numbers, data, formulas, etc. with information relevant to your firm. This is only a sample, and you are free (and encouraged!) to make changes as you see fit in the overall style, so long as you remain organized.*

*MAX 15 pages. No minimum.*

*DELETE these red-text instructions before you turn in your file.*

*UPLOAD as a PDF with the title LastnameFirstnameCompanyname i.e., FarizoJoeMarkel.*

**Financial Analysis Report**



Joe Farizo

# Using the 10-K:

1. **Summarize Item 1 (Business) and Item 1A (Risk Factors) of your firm’s 10-K to describe your firm and its risks. In *simple* terms, how does your company make money? What are the biggest threats to its business?**

Item 1: Business

Markel Group Inc. is a diversified financial holding company that makes money through three main business engines:

* + - 1. Insurance: underwriting niche and hard-to-place insurance risks through its global insurance and reinsurance platforms. It also earns fees by offering program services (writing insurance policies on behalf of other carriers) and managing insurance-linked securities for institutional investors. ($8.7 billion – or 52% of total revenue.)
			2. Investments: Markel invests the capital it holds from insurance premiums in equity and fixed-income markets, generating returns from interest, dividends, and capital gains. ($2.7 billion or 16% of total revenue)
			3. Markel Ventures: the company owns a collection of non-insurance businesses operating in various industries such as construction, consumer goods, and technology consulting, providing a steady stream of income outside the financial markets. ($5.1 billion in revenue – or 31% of total revenue)

Item 2: Risk Factors

Risks include

* exposure to large insurance losses from catastrophes or rising claims costs
* failure to calculate/manage exposure to losses
* climate change
* failure of analytical models
* losses in excess of reserves
* volatility in investment markets
* inability to purchase reinsurance at favorable terms
* increasing competition from traditional insurers and new tech-driven entrants.

The company is also subject to extensive global regulation, and changes in laws or interest rates could significantly impact its operations and profitability.

1. **Reference the “Management Discussion and Analysis” (MD&A),** **the Statement of Cash Flow, Notes to the Statement of Cash Flow, and 10-K overall. Discuss the firm’s investments, investment activities, projects, acquisitions, and divestitures. Discuss specifically NPV and IRR and how they might be used in the context of investing in projects.**

**Condensed Statement of Cash Flow (in billions)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2024** | **2023** | **2022** |
| Operating | $2.59 | $2.79 | $2.71 |
| Investing | ($2.39) | ($2.70) | ($1.67) |
| Financing | ($0.297) | ($0.999) | ($0.595) |

Cash flows from operating activities has remained relatively stable over the previous three years, while cash flows from investing activities has fallen from 2023, but still exceeds 2022 figures. These results are largely driven by....

Cash outflows from financing activities of $297 million in 2024 is substantially lower than in the previous two years, indicating that management.... While additions to long-term debt were sizable, repayments of older debt and repurchases...

Markel, and in particular Markel Ventures, is likely to use NPV and IRR analysis when considering investment opportunities. Management specifically discusses investments in Educational Partners International, Valor Environmental,...

Management states that Markel Ventures seeks to invest in “profitable companies, with honest and talented management...”

# Using the 10-Qs:

1. **Provide a screenshot of the income statement that shows this quarter’s results with the quarter over the same period a year ago. Discuss any significant differences and management’s explanation in the MD&A for those differences. Why do you think the 10-Q compares results relative to the same period a year ago and not relative to the previous quarter?**



There is a sizable reduction in Net Income for the three months ended March 31 of 2024 and 2025. Management states that the decrease was “primarily due to pre-tax net investment losses of $147.2 million on our equity securities during the quarter compared to pre-tax net investment gains on our equity securities of $906.8 million in the same period of 2024.” Underwriting result premiums improved...

Markel, like other firms, is subject to cyclicality in its operations. For that reason...

# Using the Earnings Call Transcript:

1. **What are the key topics that management is discussing in its most recent earnings call? What are the types of questions analysts on the call are asking? Do you think management answers the questions well? What’s the overall “sentiment” of the call?**

The key topics management is discussing include:

* + - 1. **Leadership Transition & Strategic Vision**: Appointment of Simon Wilson as CEO of Markel Insurance, emphasizing simplification, efficiency, and focus on U.S. wholesale/specialty.
			2. **Capital Allocation**: Deployment across share buybacks, equity purchases, and interest payments with a long-term focus on double-digit returns.
			3. **Insurance Operations**: Moderate growth, improved attritional loss ratio, and reduced catastrophe exposure due to past re-underwriting efforts.
			4. **Markel Ventures**: Flat revenue, but viewed as steady and resilient.
1. **Expense Management**: Commitment to reducing expense ratio through operational realignment and simplification.
2. **Investment Results**: Q1 impacted by equity market softness, but long-term gains and rising fixed income yields highlighted.

Analysts asked about...

In my opinion, management did an adequate job in addressing questions. However, management could have...

# Using the DEF14A (Proxy Statement):

1. **In a table, list the items up for election (the “Proposals”) on the DEF14A. List if each is submitted by the firm or by the firm’s shareholders (“Sponsor”), as well as the directors’ recommendation (“Recommendation”) on how shareholders should cast their votes. List how you would vote on each item and explain why.**

**Voting Items**

|  |  |  |  |
| --- | --- | --- | --- |
| **Proposal** | **Sponsor** | **Recommendation** | **My Vote** |
| 1. Elect 11 Directors | Firm | FOR | FOR |
| 2. Advisory vote on executive compensation | Firm | FOR | FOR |
| 3. Ratify selection of KPMG as auditor | Firm | FOR | FOR |
| 4. Report on Greenhouse Gas Emissions | Shareholder | AGAINST | AGAINST |
| 5. Simple majority vote | Shareholder | AGAINST | AGAINST |

I would vote in the same way that the board recommended for each item. I believe this is optimal because...

1. **Which board members are “independent” or do not work for the company? Is the CEO also the Chairperson of the Board? Explain how board independence relates to the agency problem, commenting specifically on the concerns about the agency problem at your firm.**

The agency problem exists when... At Markel, the independent board members are... The CEO is not the Chairman of the Board, though it is worth noting that the Chair, Steven Markel, is not independent and is the grandson of the founder of the firm...

# Using the Financial Statements from S&P NetAdvantage:

1. **Provide each of the following ratios for your firm over the last three years (listed on the “Ratios” tab of your S&P NetAdvantage financials). Describe what each ratio means and discuss whether each of the firm’s ratios are improving or getting worse. Finally, provide your *overall assessment* of your firm’s health given the results of your ratio analysis.**
	1. **ROA**
	2. **ROE**
	3. **Gross Margin**
	4. **Net Income Margin (Net Income/Revenue)**
	5. **Total Asset Turnover**
	6. **Current Ratio**
	7. **Quick Ratio**
	8. **LT Debt/Equity**
	9. **EBITDA/Interest Expense (Cash Coverage)**

In the table that follows, I provide a summary of key ratios for Markel over the last 3 years from S&P NetAdvantage. Several of the ratios show improvement from 2022 to 2024. Return on Assets, which represents the percentage of net income relative to assets, was negligible in 2022 but has grown to 4%, showing that Markel earned $0.04 in net income for every $1 of assets...Margins, both net and gross have grown...and the firm shows a healthy and rising cash coverage ratio coupled with falling long term debt relative to equity...My overall assessment given these results is that Markel is...

**Summary of Key Ratios**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratio** | **2022** | **2023** | **2024** |
| ROA | (0.0%) | 3.5% | 4.0% |
| ROE | (0.7%) | 14.4% | 17.3% |
| Gross Margin | 40.4% | 48.3% | 51.7% |
| Net Income Margin | (1.9%) | 12.6% | 16.5% |
| Total Asset Turnover | 0.2x | 0.3x | 0.3x |
| Current Ratio | 3.2x | 2.9x | 2.9x |
| Quick Ratio | 1.4x | 1.3x | 1.1x |
| Long Term Debt/Equity | 33.9% | 28.6% | 28.9% |
| Cash Coverage | 2.2x | 18.4x | 20.7x |

1. **Conduct a Dupont analysis. Discuss each of the components and their interpretations.**

Below I conduct a Dupont Analysis for the fiscal year ending Dec. 31, 2024, using data from S&P NetAdvantage:

**Dupont Analysis**

$$ROE=\frac{Net Income}{Equity}=\frac{Net Income}{Sales}×\frac{Sales}{Assets}×\frac{Assets}{Equity}=ROE$$

$$ROE=\frac{2,747}{17,469.0}=\frac{2,747}{16,620.8}×\frac{16,620.8}{61,898}×\frac{61,898}{17,469.0}=15.7\%$$

$$ROE=0.157=0.1653×0.2685×3.543=15.7\%$$

S&P differs slightly in how it defines its ratios, which is why my numbers above are slightly different than theirs. Nevertheless, the interpretation is the same: ROE for Markel is healthy, largely driven by strong margins and turnover, and an adequate level of leverage (given Markel’s healthy cash coverage ratio)...

# Stock and Markets Research

1. **Lookup your stock at Finviz:** [**https://finviz.com/quote.ashx?t=VOO&ty=l&ta=0&p=d**](https://finviz.com/quote.ashx?t=VOO&ty=l&ta=0&p=d)**. Take a screenshot of the stock price chart from that page (please do this within about a week from when you turn your project in so that the figure is up to date). Does your firm’s stock price movement appear to be supported by the ratio analysis you’ve done?**



Generally, Markel’s stock price has risen over the previous year. This appears to be consistent with the improvements in many ratios presented...

1. **Do you see that your firm’s stock price moved significantly on the date of your earnings call? What might have explained that movement? How does this relate to “market efficiency”?**

On the date of the most recent earnings call, the stock price appears to have risen somewhat, but not at a magnitude much greater than several other days over the previous year. Market efficiency implies that stock prices...

1. **Using the beta of your stock presented on Finviz, calculate your stock’s expected return assuming the expected return of the market is 10% and T-bills yield 4.5%.**

Markel’s beta (according to Finviz) is 0.82. By the capital asset pricing model:

$$E\left(R\_{Markel}\right)=r\_{f}+β\_{Markel}(E\left(R\_{M}\right)-r\_{f})$$

I plug in the appropriate values and find...

$$E\left(R\_{Markel}\right)=r\_{f}+β\_{Markel}(E\left(R\_{M}\right)-r\_{f})$$

1. **Interpret your firm’s “Price to Book” or P/B ratio and “Price to Earnings” or P/E ratio as presented on Finviz. Identify two of your firm’s primary competitors by reading the MD&A in the 10-K or by doing your own research. Compare your firm’s P/B and P/E ratio with its competitors’ ratios (as listed on Finviz). By these metrics, which firm appears to be the “better value” and why?**

In the table below, I summarize the P/B and P/E ratio for Markel and two of its competitors or peers, AIG and Travelers. The P/B ratio is defined as... while the P/E ratio is defined as... Based on these results, I determine that ... is the best value because...

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Ratio** | **Markel** | **AIG** | **Travelers** |  |
| P/B | 1.53 | 1.08 | 1.97 |  |
| P/E | 14.71 | 17.19 | 11.40 |  |

1. **Make a recommendation on whether an investor should buy your company’s stock and explain why.**

I believe an investor... Markel stock because...