

## Mercury General (MCY)

**\$90.85** (Stock Price as of 01/08/2026)

Price Target (6-12 Months): **\$101.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

Outperform

(Since: 11/11/25)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**1-Strong Buy**

Zacks Style Scores:

VGM: A

Value: A

Growth: A

Momentum: C

## Summary

Mercury General is poised to witness top-line growth, backed by sustained premium increases. Premiums have been benefiting from rate increases in its lines of insurance business and a higher number of policies written. Higher average invested assets and higher yields on investments should continue to support investment results. A solid capital position supported by consistent cash flow enables the company to deploy capital effectively via dividends. Mercury General has a reinsurance program in place that strives to protect against losses. Shares of Mercury General have underperformed the industry in the past year. However, exposure to catastrophe loss negatively impacts the financial condition. Further, escalating expenses due to higher losses and loss adjustment expenses and other operating expenses tend to weigh on the company's margins.

## Price, Consensus & Surprise<sup>(1)</sup>



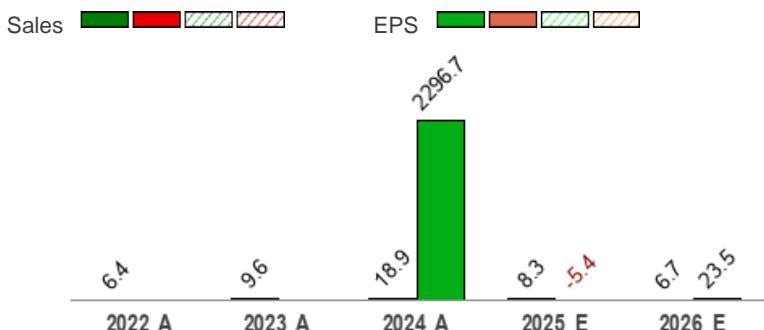
## Data Overview

52 Week High-Low	<b>\$96.50 - \$44.19</b>
20 Day Average Volume (sh)	<b>204,359</b>
Market Cap	<b>\$4.9 B</b>
YTD Price Change	<b>-5.0%</b>
Beta	<b>0.93</b>
Dividend / Div Yld	<b>\$1.27 / 1.4%</b>
Industry	<b>Insurance - Property and Casualty</b>
Zacks Industry Rank	<b>Top 45% (111 out of 244)</b>

Last EPS Surprise	<b>79.5%</b>
Last Sales Surprise	<b>1.0%</b>
EPS F1 Est- 4 week change	<b>0.0%</b>
Expected Report Date	<b>02/10/2026</b>
Earnings ESP	<b>0.0%</b>

P/E TTM	<b>12.7</b>
P/E F1	<b>10.8</b>
PEG F1	<b>1.3</b>
P/S TTM	<b>0.9</b>

## Sales and EPS Growth Rates (Y/Y %)<sup>(1)</sup>



## Sales Estimates (millions of \$)<sup>(1)</sup>

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Annual*</b>
2026	1,455 E	1,565 E	1,593 E	1,614 E	6,228 E
2025	1,371 A	1,469 A	1,500 A	1,509 E	5,835 E
2024	1,236 A	1,302 A	1,416 A	1,433 A	5,387 A

## EPS Estimates<sup>(1)</sup>

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Annual*</b>
2026	2.10 E	1.30 E	2.65 E	2.35 E	8.40 E
2025	-2.29 A	2.67 A	3.86 A	2.56 E	6.80 E
2024	0.78 A	1.09 A	2.54 A	2.78 A	7.19 A

\*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 01/08/2026.

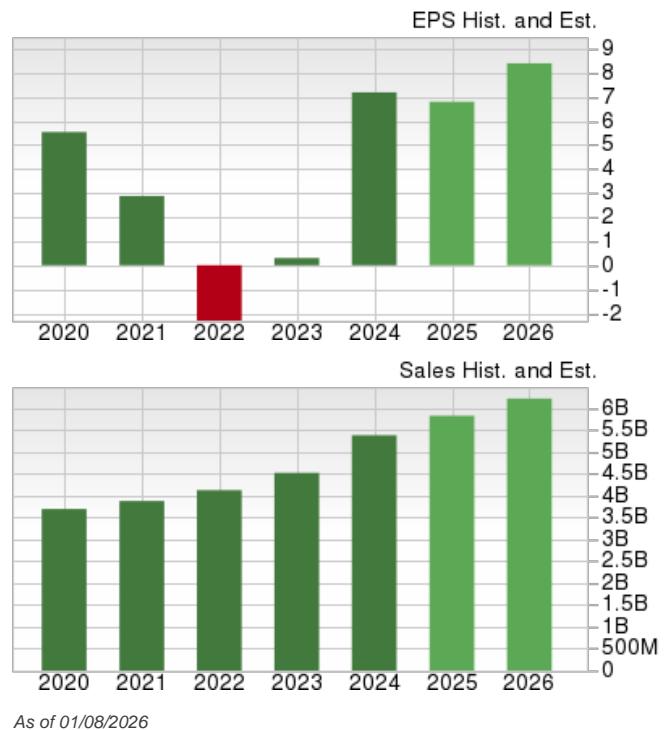
(2) The report's text and the price target are as of 01/07/2026.

## Overview

Headquartered in Los Angeles, CA, Mercury General was founded in 1961. Mercury General, an insurance holding company, is primarily engaged in writing personal automobile lines of business and provides related property and casualty insurance products to its customers through 12 subsidiaries in 11 states, principally in California. The company also offers homeowners, commercial automobile, commercial property, mechanical protection, fire, and umbrella insurance. Private passenger automobile lines of insurance business accounted for approximately 62% of the \$5.5 billion of the company's direct premiums written in 2024, and approximately 84% of the private passenger automobile premiums were written in California.

The company has one reportable business segment - the Property and Casualty. This segment offers several insurance products to the company's individual customers and small business customers. These insurance products are: private passenger automobile, which is the company's primary business, and related insurance products, such as homeowners, commercial automobile and commercial property. The insurance products comprising the Property and Casualty business segment are sold through the same distribution channels, mainly through independent and 100% owned insurance agents, and go through a similar underwriting process.

The Other business segment represents net premiums written and earned from an operating segment that does not meet the quantitative thresholds required to be considered a reportable segment. This operating segment offers automobile mechanical protection warranties, which are primarily sold through automobile dealerships and credit unions.



As of 01/08/2026



As of 01/08/2026

## Reasons To Buy:

▲ **Improving Premium** – Mercury General has been witnessing an improvement in net premiums written across its Property and Casualty segment. Rate increases in the California homeowners line of insurance business and an increase in the number of policies written in the California private passenger automobile line of insurance business are likely to drive net premiums earned. Consistent premium growth has been enabling the company to maintain sustained revenue growth over the past few years. In fact, the top line witnessed a five-year (2020-2024) CAGR of 7.6%, driven by higher net premiums earned, net investment income and other revenues.

▲ **Net Investment Income** — Net investment income has been an important component of Mercury General's top-line growth. Mercury General's net investment income witnessed a CAGR of 15.7% in the last five years (2020-2024). Higher average yield combined with higher average invested assets and cash should continue to drive the metric in the long run. Increasing overall market interest rates, as well as higher yields on investments based on floating interest rates are expected to drive the average annual yield on investments. The company expects 2025 investment income to be near 2024 levels.

▲ **Favorable Return on Equity** - Further, the company's trailing 12-month return on equity (ROE) reinforces its growth potential. Return on equity is a profitability measure reflecting how effectively the company is utilizing its shareholders' funds. The company's trailing 12-month ROE of 19.5% expanded 100 basis points (bps) year over year.

▲ **Solid Balance Sheet** – Mercury General has generated positive cash flow from operations each year since the public offering of its common stock in November 1985. With combined cash and short-term investments of \$1.7 billion as of Sept 30, 2025, the company believes its cash flow from future operations is adequate to satisfy liquidity requirements. Investment maturities are also available to meet the company's liquidity needs. The average annual net cash provided by operating activities for the past 10 years was approximately \$468 million, and cash generated from operations was sufficient to meet the liquidity requirements over this period.

▲ **Reinsurance** - Mercury General is the assuming reinsurer under a Catastrophe Participation Reinsurance Contract effective through Dec. 31, 2025. MCY is the assuming reinsurer under a Property Quota Share Reinsurance Contract and the total annual assumed premium under the Quota Share is approximately \$11 million. The total annual amount of losses that can be ceded to the company under the Quota Share is approximately \$32 million. The Quota Share commenced on Jan. 1, 2025, and is effective through Dec. 31, 2025.

Strong performance at Property and Casualty segment, low leverage, consistent cash flow generation, higher average yield along with higher average invested assets and reinsurance program should drive growth for Mercury General.

The company is the ceding party to a Catastrophe Reinsurance Treaty that covers a wide range of perils, which is effective through June 30, 2026. The Treaty provides \$1,240 million of coverage on a per occurrence basis after covered catastrophe losses exceed the \$200 million company retention limit. The Treaty specifically excludes coverage for any Florida business and for California earthquake losses on fixed property policies, such as homeowners, but does cover losses from fires following an earthquake. The Treaty provides for one full reinstatement of coverage limits with a minor exception at a certain upper layer of coverage, and includes some additional minor territorial and coverage restrictions.

## Risks<sup>(2)</sup>

- **Rising Expenses** – Mercury General has been witnessing rising expenses over the past few years, primarily due to higher losses and loss adjustment expenses, policy acquisition costs and other operating expenses. The company must grow its revenues at a higher magnitude than the rise in expenses, or else margins may erode.
- **Exposure to Catastrophe Loss** – Mercury General, being a property and casualty (P&C) insurer, remains exposed to significant risk of loss resulting from natural disasters and other catastrophic events, inducing underwriting volatility. For the nine months ended Sept. 30, 2025, the company incurred catastrophe losses net of reinsurance of approximately \$489 million. The majority of 2025 catastrophe losses resulted from the Palisades and Eaton wildfires in California and severe storms in Texas and Oklahoma. In January 2025, extreme wind-driven wildfires caused widespread damage across parts of Southern California, primarily in the communities of Pacific Palisades and Altadena. The company recorded net catastrophe losses and loss adjustment expenses before taxes from the Palisades and Eaton wildfires of approximately \$381 million in its consolidated statements of operations for the nine months ended Sept. 30, 2025.
- **Geopolitical conflicts**- Mercury General's business could be adversely affected by geopolitical conflicts and related disruptions in the global economy. The escalation of geopolitical conflicts and tensions which include increased trade barriers or restrictions on global trade, could result in heightened cybersecurity threats, prolonged supply chain disruptions, protracted or increased inflation, lower consumer demand, fluctuations in interest rates, and increased volatility in financial markets. This, in turn, could adversely affect the financial condition and results of operations.
- **High Leverage** - Mercury General's debt levels have increased in the past few years. Notes payable of \$574.4 million inched up 0.05% from the 2024-end level. Debt-to-total capitalization as of Sept. 30, 2025, improved 230 bps to 20.5% from the end of 2024. However, the company's times interest earned of 19.5 in the third quarter of 2025 was poor compared with the 2024-end figure of 19.7, implying that its earnings are insufficient to cover interest obligations.

## Last Earnings Report

### Mercury General Q3 Earnings Top Estimates on Higher Premiums

Mercury General Corporation reported third-quarter 2025 operating income of \$3.86 per share, which beat the Zacks Consensus Estimate by 79.5%. The bottom line increased 52% year over year. The quarterly results of MCY were aided by higher net premiums earned, higher average invested assets and cash, and lower catastrophe losses, as well as reduced expenses.

### Operational Update of MCY

Total operating revenues in the quarter under review were \$1.5 billion, which improved 6% year over year. This improvement was driven by higher net premiums earned and net investment income. Moreover, the top line beat the consensus mark by 1%. Net premiums earned climbed 6.8% year over year to \$1.4 billion.

Net investment income, before income taxes, increased 15.4% year over year to \$83.9 million. The growth resulted largely from higher average invested assets and cash. Total expenses of MCY declined 0.7% year over year to \$1.2 billion, primarily due to lower losses and loss adjustment expenses, and interest.

Catastrophe losses net of reinsurance were \$29 million, narrower than a loss of \$39 million incurred in the year-ago quarter. The catastrophe losses resulted from the Palisades and Eaton wildfires in California and severe storms in Texas and Oklahoma.

The combined ratio — a measure of underwriting profitability — improved 660 bps year over year to 87. The loss ratio improved 690 bps to 62.6, while the expense ratio deteriorated 40 bps to 24.4.

### Financial Update of MCY

Mercury General exited the third quarter of 2025 with total assets of \$9.4 billion, which was 12.8% above the level at the end of December 2024. As of Sept. 30, 2025, MCY reported a solid cash balance of \$1.2 billion, reflecting an increase of 74% from the 2024-end level. Notes payable of \$574.4 million inched up 0.05% from the 2024-end level. Debt-to-total capitalization as of Sept. 30, 2025, improved 230 bps to 20.5% from the end of 2024. Shareholder equity was \$2.2 billion as of Sept. 30, 2025, up 14.7% from 2024-end. As of Sept. 30, 2025, book value per share was \$40.30, up 14.6% from the 2024-end.

### Mercury General's Dividend Update

The board of directors of Mercury General declared a quarterly dividend of 31.75 cents per share. The dividend will be paid on Dec. 24, 2025, to shareholders of record at the close of business as of Dec. 10, 2025.

FY Quarter Ending	12/31/2025
Earnings Reporting Date	Nov 04, 2025
Sales Surprise	1.02%
EPS Surprise	79.53%
Quarterly EPS	3.86
Annual EPS (TTM)	7.02

## Recent News

### Mercury General Provides Preliminary Assessment of Recent Wildfires – Jan 10, 2025

Mercury General has provided a preliminary assessment of the impact of the recent wildfires in Southern California. MCY expects the losses to exceed its reinsurance retention level of \$150 million. Its reinsurance program provides \$1.29 billion of limits on a per occurrence basis after covered catastrophe losses surpass the company's retention of \$150 million. In case the full \$1.29 billion limits are used up, then the total reinstatement premium would be \$101 million.

## Valuation

Mercury General shares are up 33.9% in the last six-month period and up 45.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 2.8% and up 9.9% in the last six-month period, respectively. Over the past year, the Zacks sub-industry and sector are up 8.2% and up 19.2%, respectively.

The S&P 500 index is up 14.4% in the last six-month period and up 19.5% in the past year.

The stock is currently trading at 2.19X trailing 12-month book value, which compares to 1.48X for the Zacks sub-industry, 4.39X for the Zacks sector and 8.57X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.36X and as low as 0.97X, with a 5-year median of 1.5X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$101 price target reflects 2.5X trailing 12-month book value.

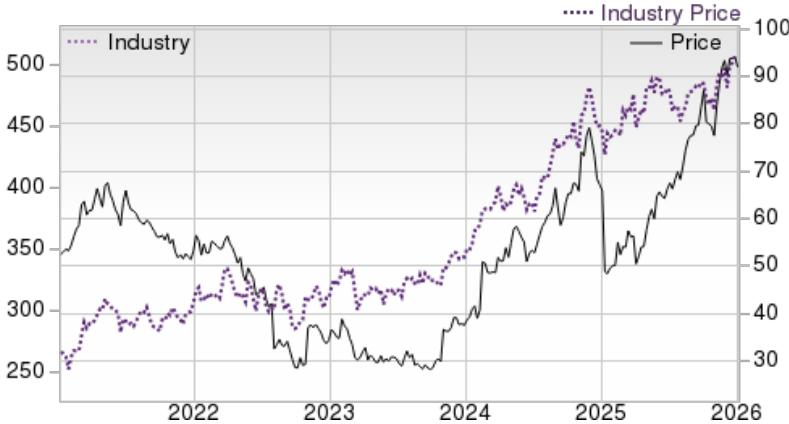
The table below shows the summary of valuation data for MCY

Valuation Multiples - MCY					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	2.19	1.48	4.39	8.57
	5-Year High	2.36	1.73	4.39	9.13
	5-Year Low	0.97	1.17	2.87	6.57
	5-Year Median	1.5	1.45	3.53	8.05
P/S F12M	Current	0.78	2.24	9.08	5.63
	5-Year High	0.99	10.43	10.06	5.63
	5-Year Low	0.33	1.69	6.69	3.82
	5-Year Median	0.58	2.11	8.41	5.04
P/E F12M	Current	10.52	27.7	17.66	23.25
	5-Year High	5927.6	31.85	18.28	23.8
	5-Year Low	NA	23.33	12.36	15.74
	5-Year Median	17.07	27.84	16.11	21.21

As of 01/06/2026

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Top 45% (111 out of 244)



## Top Peers<sup>(1)</sup>

Company (Ticker)	Rec	Rank
Axis Capital Holding...(AXS)	Neutral	3
First American Finan...(FAF)	Neutral	3
RLI Corp. (RLI)	Neutral	3
Sampo PLC (SAXPY)	Neutral	3
Selective Insurance ... (SIGI)	Neutral	4
The Hanover Insuranc...(THG)	Neutral	2
Stewart Information ... (STC)	NA	
White Mountains Insu...(WTM)	NA	

## Industry Comparison<sup>(1)</sup> Industry: Insurance - Property And Casualty

	MCY	X Industry	S&P 500	AXS	SIGI	THG
<b>Zacks Recommendation (Long Term)</b>	Outperform		-	-	Neutral	Neutral
<b>Zacks Rank (Short Term)</b>	1		-	-	3	4
<b>VGM Score</b>	A	-	-	C	A	A
Market Cap	4.95 B	4.47 B	40.07 B	7.95 B	5.07 B	6.34 B
# of Analysts	1	3	22	3	5	3
Dividend Yield	1.42%	0.53%	1.38%	1.70%	2.05%	2.13%
<b>Value Score</b>	A	-	-	B	A	A
Cash/Price	0.34	0.13	0.04	0.17	0.12	0.14
EV/EBITDA	5.59	8.13	14.89	7.97	17.30	10.80
PEG Ratio	1.34	2.15	2.04	1.03	NA	NA
Price/Book (P/B)	2.22	1.55	3.41	1.37	1.54	1.85
Price/Cash Flow (P/CF)	10.50	12.43	15.44	8.64	20.92	12.99
P/E (F1)	10.82	10.56	18.58	8.16	10.56	10.69
Price/Sales (P/S)	0.85	1.33	3.06	1.26	0.97	0.97
Earnings Yield	9.40%	9.46%	5.38%	12.25%	9.46%	9.35%
Debt/Equity	0.26	0.14	0.57	0.27	0.27	0.25
Cash Flow (\$/share)	8.51	4.63	8.98	11.94	4.02	13.72
<b>Growth Score</b>	A	-	-	D	B	A
Hist. EPS Growth (3-5 yrs)	4.92%	18.53%	8.24%	54.44%	-4.42%	7.42%
Proj. EPS Growth (F1/F0)	-5.42%	4.43%	9.21%	13.15%	113.15%	35.38%
Curr. Cash Flow Growth	430.93%	15.00%	7.00%	10.71%	-38.67%	601.99%
Hist. Cash Flow Growth (3-5 yrs)	17.68%	11.62%	7.49%	21.65%	-5.25%	6.27%
Current Ratio	0.45	0.50	1.19	0.67	0.32	0.42
Debt/Capital	20.47%	13.30%	38.14%	19.86%	20.54%	19.75%
Net Margin	7.55%	10.57%	12.77%	16.08%	7.78%	9.71%
Return on Equity	19.53%	16.51%	17.03%	18.99%	12.96%	21.73%
Sales/Assets	0.65	0.34	0.53	0.19	0.37	0.41
Proj. Sales Growth (F1/F0)	8.30%	5.38%	5.29%	5.30%	9.60%	5.60%
<b>Momentum Score</b>	C	-	-	C	D	C
Daily Price Chg	1.26%	-0.25%	-0.34%	0.16%	-0.25%	0.58%
1 Week Price Chg	-2.32%	-1.92%	1.10%	-4.34%	-0.61%	-2.79%
4 Week Price Chg	-1.07%	0.91%	0.50%	2.86%	6.61%	-1.45%
12 Week Price Chg	11.28%	3.01%	3.75%	7.52%	1.38%	3.54%
52 Week Price Chg	47.20%	14.71%	16.94%	17.43%	-7.71%	16.90%
20 Day Average Volume	204,359	201,165	2,431,070	511,597	415,910	223,761
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.13%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	-0.03%	0.02%
(F1) EPS Est 12 week change	13.51%	0.40%	0.44%	2.73%	-2.45%	2.51%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.34%	0.64%	0.37%

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	A
Momentum Score	C
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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