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The Progressive Corporation (NYSE: PGR)

Eleven times earnings, or twenty-three times. It depends on one number.

RATING	PRICE (8/21/26)	FAIR VALUE	12-MO TOTAL RETURN	IMPLIED COMBINED RATIO
HOLD	$219.28	$208	-5.3%	91.3

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We are initiating on Progressive with a **HOLD** and a $208 fair value.

Progressive screens as one of the cheapest large-capitalization compounders in the market at 11.0 times trailing earnings. It is not cheap. It is a superb business priced for the fact that its margins are at a cyclical peak, and the market has already made that adjustment.

In July, Progressive's combined ratio was **86.8**. The company's own stated long-run objective is **96**. That gap is worth more than nine points of underwriting margin, and it is the only number in this report that matters.

At the July ratio, normalized earnings are $20.55 a share and the stock trades at 10.7 times. At the company's target, earnings are $9.54 and the same price is 23.0 times. Nothing about the business changes between those two numbers. Only the point in the cycle changes.

We expected to find a value trap. Instead, when we solved for the combined ratio the current price already assumes, the answer came back at **91.3**. The market has done this arithmetic. That is why the shares sit 20% below their 2025 high at a multiple that looks superficially cheap.

SNAPSHOT	
Market cap	$127B
Trailing P/E	11.0x
Forward P/E	13.3x
July combined ratio	86.8
Company target	96
EPS at July ratio	$20.55
EPS at target ratio	$9.54
P/E at target ratio	23.0x
Implied combined ratio	91.3
Policies in force	40.3M
Policy growth	+7.1%
Premium per policy	-1.5%
July net income	-12%
Beta	0.26
From ATH close	-20%
Street target	$231

THE CALL IN ONE PARAGRAPH · Progressive is a better business than almost anything else we cover. It grew policies in force 7.1% while the industry stood still, it has beaten its own combined ratio target for two decades, and it carries a beta of 0.26. None of that is in dispute. What is in dispute is the price. Our base case assumes the combined ratio normalizes to 92, which is a fair mid-cycle estimate and still better than the company promises, and applies 14.5 times to the resulting $14.33 of earnings. That produces $208, or -5.3% from today. The distribution is unattractive in a way the base case hides: our bear case is $140, a 36% loss, against a bull case of $268. We would own this business happily at a lower price. We are not paying this one.

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1 · The one number

Why a combined ratio decides everything here

The combined ratio is the share of premium an insurer pays out in claims and expenses. Below 100 the underwriting is profitable, above 100 it is not. For Progressive it is not a statistic, it is the operating constraint: the company has said for years that it aims to grow as fast as it can while holding a 96 combined ratio.

In July 2026 the combined ratio was **86.8**, against 85.3 in July 2025. In the June quarter it was 87.3 against 86.2. Progressive is currently earning roughly 9.2 points more underwriting margin than it tells investors to expect over a full cycle.

What that gap is worth

We rebuilt the earnings from components rather than taking reported net income at face value. Underwriting profit is net premiums earned times one minus the combined ratio; the rest is backed out of pretax income.

Normalizing the earnings	July 2026
Net premiums earned	$7,355M
Underwriting profit at a 86.8 ratio	$971M
Realized gains and losses on securities	$-47M
Investment income and fees, net of interest	$293M
Reported pretax income	$1,216M
Reported net income	**$961M**

The check: July implies $293M a month of non-underwriting income, the June quarter $282M. A $10M gap, so we annualize July.

Normalized earnings at every plausible combined ratio

Combined ratio	Normalized EPS	P/E at $219.28
86.8 July actual	**$20.55**	**10.7x**
88.0	$19.11	11.5x
90.0	$16.72	13.1x
92.0	$14.33	15.3x
94.0	$11.94	18.4x
96.0 company target	**$9.54**	**23.0x**

This is the entire investment case, in one table. The business does not change between the first row and the last. Only the point in the cycle changes, and the multiple you pay moves by 2.2 times.

The whole case: what Progressive is worth depends entirely on where the combined ratio settles

2 · Valuation

What the price already assumes

A discounted cash flow is the wrong tool here, and we want to be explicit about that departure from our usual method. For an insurer, operating cash flow is inflated by float, meaning premium collected today against claims paid years from now, and it is distorted by movements in loss reserves. Discounting it would produce a confident number built on the wrong quantity.

So we value normalized underwriting earnings and apply a multiple. The question then becomes what combined ratio to normalize to, and that is where the judgment lives.

Solving the question backwards

Rather than assert a normalized ratio, we asked what ratio today's price already pays for. At 14.5 times normalized earnings, $219.28 implies a combined ratio of **91.3**. At 15.5 times it implies **92.2**.

That range is the finding of this report. It sits almost exactly where a reasonable mid-cycle estimate should sit: worse than the 86.8 Progressive is earning now, better than the 96 it promises. The market is not naively extrapolating peak margins, and it is not pricing disaster either. It has already done the work.

This matters because the most common bull argument on Progressive is that 11.0 times earnings is obviously cheap for a compounder. That argument is comparing today's price to peak earnings. The most common bear argument is that the multiple is a value trap hiding an earnings collapse. That argument assumes the market has not noticed. Both are answered by the same calculation, and the answer is that the stock is roughly fairly valued.

A note on reported earnings quality

Two items are worth flagging for anyone using headline numbers. First, the June quarter's net income of $3,311M included $604M of pretax realized gains on securities. Strip them at the statutory rate and quarterly earnings per share fall from $5.67 to $4.85. Second, that line swung by $126M against the company in July alone. Realized gains are not underwriting and should not be capitalized at any multiple.

The clearest signal that consensus agrees with this framing is the forward multiple. Progressive trades at 11.0 times trailing earnings and 13.3 times forward earnings. A forward multiple above the trailing multiple means the street already expects earnings to fall.

3 · The cycle

The turn has already started, in the monthly data

Progressive reports every month, which is unusual and, for an analyst, a gift. There is no need to wait a quarter to see the direction of travel. The direction is unambiguous.

	2025	2026	Change
Combined ratio, June quarter	86.2	87.3	+1.1 pts
Combined ratio, June	86.6	90.0	+3.4 pts
Combined ratio, July	85.3	86.8	+1.5 pts
Net income, June	$1,124M	$779M	-31%
Net income, July	$1,090M	$961M	-12%

The combined ratio deteriorated year over year in every period we can observe. Net income fell in both of the last two reported months, despite premiums rising, because margin is compressing faster than volume is growing.

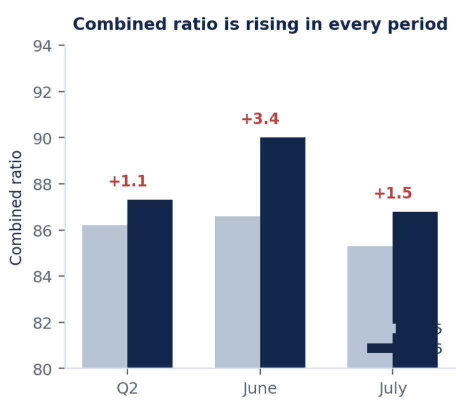
The leading indicator: Progressive is buying growth with price

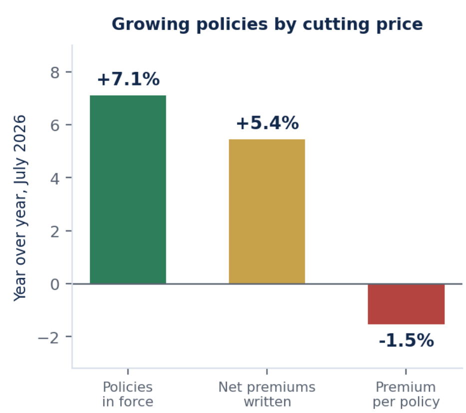
This is the part of the monthly data that we think is underappreciated. In July, policies in force grew 7.1%. Net premiums written grew 5.4%. Those two numbers cannot both be flattering.

Written premium per policy fell roughly **-1.5%**. Progressive is adding customers by charging less for each one. That is the correct competitive response when you hold a cost advantage and want share, and it is also precisely the mechanism by which an underwriting cycle turns. Rate reductions earn through over the following year, so the combined ratio Progressive prints twelve months from now is being set today.

Policies in force, July 31	2025	2026	Growth
Direct auto	15,392	16,800	+9%
Agency auto	10,510	11,282	+7%
Special lines	6,915	7,351	+6%
Property	3,622	3,635	+0%
Commercial lines	1,194	1,236	+4%
Total	**37,633**	**40,304**	**+7%**

Two details inside that table. Property policies were flat, so the growth engine is auto and only auto. And personal lines policy growth decelerated from 7.6% at the end of June to 7.2% at the end of July. Even the volume side is slowing.





4 · The bull case

Why this is a HOLD and not a SELL

Everything on the previous page argues the cycle is turning. None of it argues that Progressive is a bad business, and we want to give the opposing case its full weight, because it is strong.

One. The target is a floor the company keeps beating

The 96 combined ratio is an objective, not a forecast. Progressive has come in below it in most years for two decades. Its expense ratio is among the lowest in the industry, its segmentation and telematics data are genuinely better than peers, and the direct channel structurally removes commission. Assuming full reversion to 96 would be too bearish, which is why our base case uses 92.

Two. It is taking share while the industry stands still

Total policies in force reached 40.30 million, up 7.1%, with direct auto up 9%. Share gained during a soft market compounds for years afterward, because auto policies renew. The pricing Progressive is giving up today buys an annuity it keeps.

Three. The investment side is a growing, separate engine

Investment income and fees net of interest ran about $293M a month, or roughly $3.5B a year. That figure grows with float, and float grows with premium. It is real, recurring, and largely independent of the underwriting cycle. Our normalized earnings hold it flat, which is conservative.

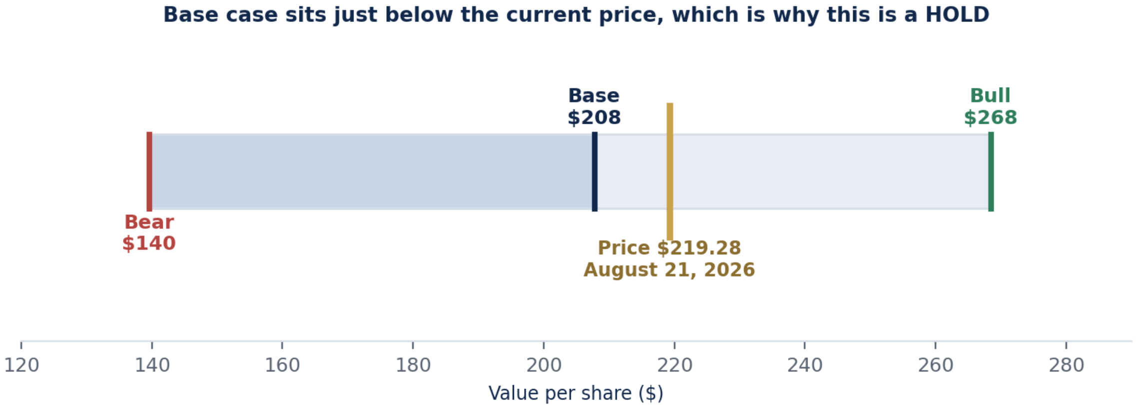
Four. The capital returns are serious

Progressive declared a special dividend of $13.50 a share in December 2025 on top of the regular quarterly payment. Management has an acknowledged excess capital problem, which is a better problem than the alternative and supports the shares on weakness.

Why this still is not a BUY. Every one of those points is true and, on our numbers, already in the price. The market implies a combined ratio of 91.3, which already credits Progressive with beating its own target by 4.7 points indefinitely. To justify buying here you have to believe the company sustains something close to current peak margins, and the monthly data is moving the other way.

5 · Scenarios

What has to be true, in each direction



	Bear	Base	Bull
Normalized combined ratio	95.0	92.0	89.5
Normalized EPS	$10.74	$14.33	$17.32
Multiple applied	13.0x	14.5x	15.5x
Fair value	**$139.61**	**$207.76**	**$268.44**
Return from today	**-36.3%**	**-5.3%**	**+22.4%**

Bear: the cycle completes

Rate cuts earn through, competitors match, and the combined ratio reaches 95, still better than the company's own target. Growth slows as Progressive defends margin instead of share. The multiple compresses to 13 times on the way down, as it usually does for cyclicals. Fair value $140, a 36% loss.

Base: partial normalization

The combined ratio settles at 92, roughly where the market already has it. Progressive keeps its structural advantage but gives back most of the hard-market windfall. Policy growth continues in the mid single digits. Fair value $208, or -5.3% from today, which is inside the noise band for a twelve-month call and is the reason this is a HOLD.

Bull: the advantage proves structural

Progressive holds near 89.5, demonstrating that the gap to peers is a permanent cost and data advantage rather than a cyclical gift. Share gains compound, investment income grows with float, and the multiple re-rates to 15.5 times. Fair value $268. This is a real possibility and it is why we are not short.

On the shape of this distribution. The bear case is roughly 1.6 times the magnitude of the bull case. A base case within a few percent of the current price, paired with a downside larger than the upside, is close to the definition of a HOLD. We would rather wait than be paid to take that shape of risk.

6 · Risks

What would change our mind, in both directions

What would move us to BUY	What we watch
Combined ratio stabilizes near the current level for two or three consecutive months	Monthly releases, roughly the 15th to the 20th
Written premium per policy returns to positive	Net premiums written growth versus policy growth
Price falls toward the bear case without a change in fundamentals	Share price against normalized earnings
Property returns to growth, broadening the engine beyond auto	Property policies in force

What would move us to SELL	What we watch
Combined ratio pushes through 93 and keeps climbing	Monthly combined ratio, trailing three-month average
Policy growth decelerates while price per policy keeps falling	Both series together, not either alone
Adverse reserve development on prior accident years	Quarterly reserve development disclosure
A major catastrophe year in the property book	Catastrophe losses as a share of premium

Where our method could be wrong

- We hold investment income flat in the normalized figure. It has been growing with float and with rates. If it compounds, we are understating normalized earnings and fair value is higher.
- We annualize a single month of net premiums earned. July is one observation, and the monthly series is noisy: June printed a 90.0 combined ratio against July's 86.8.
- The multiple we apply carries as much of the answer as the combined ratio does. At 15.5 times rather than 14.5, our base case would be a mild BUY. We think that is the single most contestable input in this report.
- We use a statutory tax rate rather than Progressive's effective rate, which will differ modestly.

The scoring commitment

Per our published scoring protocol, this call is dated and will be scored against the S&P 500 total return over twelve months. Initiation price $219.28 on August 22, 2026. **Scoring date: August 22, 2027.** A HOLD is recorded as correct if the excess return of PGR against the benchmark falls within five percentage points in either direction. The rule was fixed before this report was written. We publish our misses.

7 · Disclosures

Method, sources, and conflicts

Sources

Every financial figure in this report is transcribed from a primary source and computed by script. No figure was typed by hand or taken from a secondary summary.

- Progressive Reports July 2026 Results, GlobeNewswire, August 19, 2026.
- Progressive Reports June 2026 Results, covering the month and the quarter ended June 30, 2026, GlobeNewswire, July 15, 2026.
- Trailing and fiscal-year aggregates, S&P Global Market Intelligence.
- Closing price of $219.28 on August 21, 2026, S&P Global Market Intelligence and CBOE consolidated tape data.

Reference price verification

Our corrections policy requires a reference price to agree across independent sources before publication. We were able to obtain one high-quality quote for the August 21, 2026 close, timestamped to the closing auction on the consolidated tape, and it was confirmed by the editor prior to publication. Two widely used secondary sources were checked and rejected: one was serving a cached quote from December 2025, and one reported a 52-week range inconsistent with every other source. The prior session closed at $220.34. Readers who find an error in any figure here should write to contact@twocommainvestor.com and we will publish a dated correction.

Position disclosure

The author holds no position, long or short, in The Progressive Corporation (NYSE: PGR) and has no plans to initiate one within 72 hours of publication. The author holds no position in any other insurer named or implied in this report. 2 Comma Investor receives no compensation from any company mentioned. No company mentioned reviewed this report before publication.

Method, and why it differs from our other reports

Our equity research normally values a business on discounted free cash flow. We did not do that here, and the departure is deliberate. For a property and casualty insurer, operating cash flow is inflated by float and distorted by reserve movements, so discounting it would attach false precision to the wrong quantity. Instead we normalize underwriting earnings: net premiums earned of $88.3B, being the July month annualized, multiplied by one minus an assumed combined ratio, plus $3.51B of investment income and fees net of interest, taxed at 21%, divided by 582.9 million average diluted shares. A multiple is then applied to the result. Scenario multiples are stated explicitly on page 6 so readers can substitute their own.

Nature of this publication

2 Comma Investor is an independent publication. It is not a registered investment adviser, broker-dealer, or research firm, and nothing here is personalized investment advice. This report is opinion published for educational purposes. Fair-value estimates are opinions about a range of outcomes, not predictions, and they are frequently wrong. Forward estimates rest on assumptions that will not fully hold. Past performance does not indicate future results. Investing in equities involves risk of loss including total loss of principal. Readers should conduct their own due diligence and consult a qualified professional before making any financial decision.

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Initiated August 22, 2026 at $219.28. Rating HOLD. Fair value $208. Scoring date August 22, 2027.