

PRUDENTIAL FINANCIAL INC  
Form 8-K  
December 15, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): December 15, 2016**

**PRUDENTIAL FINANCIAL, INC.**

**(Exact name of registrant as specified in its charter)**

**New Jersey**  
**(State or other jurisdiction**

**of incorporation)**

**001-16707**  
**(Commission**

**File Number)**  
**751 Broad Street**

**22-3703799**  
**(I.R.S. Employer**

**Identification No.)**

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**Newark, New Jersey 07102**

**(Address of principal executive offices and zip code)**

**(973) 802-6000**

**(Registrant's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01 Regulation FD Disclosure.**

**2016 Earnings Guidance**

On its 2017 financial outlook conference call today, Prudential Financial, Inc. (the Company) is announcing its expectation that the Company will achieve Common Stock earnings per share in the range of \$10.15 to \$10.65 for 2017, based on after-tax adjusted operating income. The 2017 earnings per share expectation excludes potential market unlocking adjustments for deferred policy acquisition and other costs which would be regarded as market driven and discrete items and assumes:

- (1) a December 31, 2017 S&P 500 Index of 2,310,
- (2) the translation of Japanese yen earnings at a rate of 112 yen per U.S. dollar and Korean won earnings at a rate of 1,130 won per U.S. dollar,
- (3) interest rates based on the averaging of forward yield curves, with the interest rate on ten-year U.S. Treasury securities of 2.50% at December 31, 2017,
- (4) continued investments to support innovation in products, distribution, data and digital, as well as systems and technology,
- (5) an effective income tax rate of approximately 25%,
- (6) the assumed impact of the share repurchase authorization of \$1.25 billion described below under Item 8.01 Other Events, and
- (7) continue to operate at AA financial strength standards including financial leverage ratio within our 25% target and a total leverage ratio within our 40% target.

Management does not expect to provide updates during 2017 for its earnings per share guidance.

Adjusted operating income, which is not measured in accordance with U.S. generally accepted accounting principles (GAAP), should not be viewed as a substitute for income determined in accordance with GAAP, and our definition of adjusted operating income, which can be found below under Non-GAAP Measure, may differ from that used by other companies. Due to the inherent difficulty in reliably quantifying future realized investment gains/losses and changes in asset and liability values given their unknown timing and potential significance, we cannot, without unreasonable effort, provide a measure of our Common Stock earnings per share expectation based on income from continuing operations, which is the GAAP measure most comparable to adjusted operating income.

The Company's financial leverage ratio is equal to capital debt divided by the sum of capital debt and equity. Capital debt includes junior subordinated debt (hybrid debt) which is treated as 25% equity and 75% capital debt for purposes of this calculation. Leverage excludes the impact of non-controlling interests, foreign currency exchange rate remeasurement and accumulated other comprehensive income (except for pension and postretirement unrecognized costs) on GAAP equity. The Company's total leverage ratio is equal to total debt, excluding non-recourse debt, divided by the sum of total such debt and equity, adjusted as described above.

**Item 8.01 Other Events.**

**Share Repurchase Authorization**

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Today, the Company is announcing that its Board of Directors has authorized the repurchase of up to \$1.25 billion of its outstanding Common Stock during the period from January 1, 2017 through December 31, 2017.

The timing and amount of any share repurchases under the Company's share repurchase authorization will be determined by management based on market conditions and other considerations, and such repurchases may be effected in the open market, through derivative, accelerated repurchase and other negotiated transactions and through plans designed to comply with Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended.

### **NON-GAAP MEASURE**

Adjusted operating income is a non-GAAP measure of performance. Adjusted operating income excludes Realized investment gains (losses), net, as adjusted, and related charges and adjustments. A significant element of realized investment gains and losses are impairments and credit-related and interest rate-related gains and losses. Impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate-related gains or losses, is largely subject to our discretion and influenced by market opportunities as well as our tax and capital profile.

Realized investment gains (losses) within certain of our businesses for which such gains (losses) are a principal source of earnings, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments are included in adjusted operating income. Adjusted operating income generally excludes realized investment gains and losses from products that contain embedded derivatives, and from associated derivative portfolios that are part of an asset-liability management program related to the risk of those products. However, the effectiveness of our hedging program will ultimately be reflected in adjusted operating income over time. Adjusted operating income also excludes gains and losses from changes in value of certain assets and liabilities relating to foreign currency exchange movements that have been economically hedged or considered part of our capital funding strategies for our international subsidiaries, as well as gains and losses on certain investments that are classified as other trading account assets.

Adjusted operating income also excludes investment gains and losses on trading account assets supporting insurance liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contractholders. In addition, adjusted operating income excludes the results of divested businesses, which are not relevant to our ongoing operations. Discontinued operations and earnings attributable to noncontrolling interests, each of which is presented as a separate component of net income under GAAP, are also excluded from adjusted operating income.

We believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of the results of operations by highlighting the results from ongoing operations and the underlying profitability of our businesses. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of the items described above. However, adjusted operating income is not a substitute for income determined in accordance with GAAP, and the adjustments made to derive adjusted operating income are important to an understanding of our overall results of operations.

For additional information about adjusted operating income and the comparable GAAP measure, including a reconciliation between the two, please refer to our Annual Report on Form 10-K for the year ended December 31, 2015, and subsequent Quarterly Reports on Form 10-Q.

### **FORWARD-LOOKING STATEMENTS**

Certain of the statements included in this report constitute forward-looking statements within the meaning of the U. S. Private Securities Litigation Reform Act of 1995. Words such as expects, believes, anticipates, includes, plans, assumes, estimates, projects, intends, should, will, shall, or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management's current expectations and

beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. There can be no assurance that future developments affecting Prudential Financial, Inc. and its subsidiaries will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including,

among others: (1) general economic, market and political conditions, including the performance and fluctuations of fixed income, equity, real estate and other financial markets; (2) the availability and cost of additional debt or equity capital or external financing for our operations; (3) interest rate fluctuations or prolonged periods of low interest rates; (4) the degree to which we choose not to hedge risks, or the potential ineffectiveness or insufficiency of hedging or risk management strategies we do implement; (5) any inability to access our credit facilities; (6) reestimates of our reserves for future policy benefits and claims; (7) differences between actual experience regarding mortality, morbidity, persistency, utilization, interest rates or market returns and the assumptions we use in pricing our products, establishing liabilities and reserves or for other purposes; (8) changes in our assumptions related to deferred policy acquisition costs, value of business acquired or goodwill; (9) changes in assumptions for our pension and other postretirement benefit plans; (10) changes in our financial strength or credit ratings; (11) statutory reserve requirements associated with term and universal life insurance policies under Regulation XXX and Guideline AXXX; (12) investment losses, defaults and counterparty non-performance; (13) competition in our product lines and for personnel; (14) difficulties in marketing and distributing products through current or future distribution channels; (15) changes in tax law; (16) economic, political, currency and other risks relating to our international operations; (17) fluctuations in foreign currency exchange rates and foreign securities markets; (18) regulatory or legislative changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the U.S. Department of Labor's fiduciary rules; (19) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (20) adverse determinations in litigation or regulatory matters, and our exposure to contingent liabilities, including related to the remediation of certain securities lending activities administered by the Company; (21) domestic or international military actions, natural or man-made disasters including terrorist activities or pandemic disease, or other events resulting in catastrophic loss of life; (22) ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; (23) possible difficulties in executing, integrating and realizing projected results of acquisitions, divestitures and restructurings; (24) interruption in telecommunication, information technology or other operational systems or failure to maintain the security, confidentiality or privacy of sensitive data on such systems; (25) changes in statutory or U.S. GAAP accounting principles, practices or policies; and (26) Prudential Financial, Inc.'s primary reliance, as a holding company, on dividends or distributions from its subsidiaries to meet debt payment obligations and the ability of the subsidiaries to pay such dividends or distributions in light of our ratings objectives and/or applicable regulatory restrictions. Prudential Financial, Inc. does not intend, and is under no obligation, to update any particular forward-looking statement included in this document. See Risk Factors included in Prudential Financial, Inc.'s Annual Report on Form 10-K for discussion of certain risks relating to our businesses and investment in our securities.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

- 99.1 Slide presentation of Prudential Financial, Inc. on its 2017 financial outlook conference call on December 15, 2016 (furnished and not filed).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 15, 2016

PRUDENTIAL FINANCIAL, INC.

By: /s/ Andrew Hughes

Name: Andrew Hughes

Title: Vice President and Assistant  
Secretary



**Exhibit Index**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Slide presentation of Prudential Financial, Inc. on its 2017 financial outlook conference call on December 15, 2016 (furnished and not filed).

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