



Puts Accumulate in Brighthouse Financial

Ticker/Price: BHF (\$33.75)

Analysis:

Brighthouse Financial (BHF) nearing a breakdown and seeing 3,000 January \$35 puts bought \$4.15 and follows buyers of more than 6,000 November \$35 puts last week. A move under \$33 has room back to the December lows around \$29 while longer-term the eight-month range targets a move under \$20. BHF has been in a weak trend and forming a series of lower highs since October while Bollinger Bands starting to expand on the weekly. The \$3.94B life insurance company trades 3.4X earnings, 0.46X sales and 0.24X book with a sizable cash position on the balance sheet. BHF sees earnings growth slowing in FY20/FY21 to low-double digits from 20.7% this year while revenues slowing as well. BHF is coming off of a better than expected quarter with NII up 16% and book value growing Y/Y. Their annuities business continues to struggle vs expectations amid a shifting rate environment. BHF is exposed to lower rates and may face similar pressure as peers who have had to adjust pricing on some of their products, although management noting that any changes are not yet built into forward models yet. Analysts have an average target for shares of \$37.25 with no buy ratings, 6 hold and 3 sell ratings. Goldman downgraded to Sell on 6-25 seeing lower interest rates potentially leading to little or no distributable earnings from their VA business. They also note, “there is still regulatory risk from the updated VA Capital Reform and deductible approach to hedging, all of which will make it harder for subsidiary Brighthouse Life Insurance to begin making ordinary cash remittances to the holding company.” CSFB also downgrading to Underperform in June citing new accounting pressure. Citi remains at Sell and notes that the forward curve could negatively impact Brighthouse's ability to generate free cash flow. Short interest is 4.7%. Hedge Fund ownership fell 18.3% in latest filings. Sandler Capital a buyer of put options while Greenlight Capital a long-time bull on the name with 3.2M shares. BHF has seen some insider buying recently including a \$425,000 investment from the CEO in August at \$34.

Hawk Vision:



Hawk's Perspective: BHF looks to have plenty of risks in the low rate environment and long been a favorite of put buyers, and the trend remains lower.

Confidence Ranking: \$\$