



Aflac Risk Reversal Sees Momentum Back to Highs

Ticker/Price: AFL (\$53.75)

Analysis:

Aflac (AFL) with 1,500 January \$52.50/\$50 bull risk reversals opening today for \$1.79 and name which has seen the May \$57.50/\$45 bull risk reversal open recently as well 1200X. AFL had 1,000 January 2021 \$45 puts sold to open on 9-27 while the \$52.50 calls bought 500X in a risk reversal as well while the November \$55 calls remain in OI 2850X from July. Shares are working higher after earnings last week and out of a multi-week range which targets a return to \$58 and new highs for the year. AFL pulled back to the 200-MA and 50% retracement of the prior run and held strong in August/Sept. The \$39.6B company trades 11.97X earnings, 1.8X sales, and 7.2X FCF with a 2% yield. They are targeting 4.35% EPS growth in FY21. The company is coming off a strong quarter and raising their outlook. The company has two key catalysts upcoming in December. First, AFL will host their 2020 outlook call on 12/2 where they will lay out growth drivers, capital allocation priorities, and expectations for a return to normalization in Japan. Second, they expect a final report out on recent allegations of improper bookings through Japan Post. The company said last week they expect all the outstanding issues to be resolved and rates/activity to go back to normal in 2020. The company thinks the brand can bounce back and will be a significant contributor to 2020 earnings after Q1. Analysts have an average target for shares of \$53.50. Raymond James with an Outperform for shares and \$62 PT although their near-term outlook may be challenged as the Japan Post issues work out. They are positive on the investments and new products AFL has rolled out and plans laid out at the Sept. meeting. Short interest is 1.3% with notable buyers of stock last quarter including Twin Tree Management and AQR. In March, a director bought around \$100K in stock while in 2018 two other bought around \$200K.

Hawk Vision:



Hawk's Perspective: AFL looks to have an easy path to \$56-\$57 and offers cheap options for the December catalyst, one to consider.

Confidence Ranking: \$\$