



OptionsHawk



Progressive Options Bullish as Shares Base

Ticker/Price: PGR (\$71.85)

Analysis:

Progressive (PGR) buyers of 3,400 January \$72.50 calls today up to \$1, spot where 2600 were bought yesterday and follows buyers in the January \$75 calls over 4,000X in November. PGR today also seeing 2500 January \$70 puts close today. Shares have pulled back from multi-year highs made back in April and basing around the 50% retracement of the rally at \$70.75. Weekly MACD is curling higher with a move over \$73.50 targeting the August VPOC around \$77. The \$41.87B company trades 13.16X earnings, 3X book and 9.85 FCF with strong ROE and a small yield. In December, the company announced a larger-than-expected special dividend. PGR sees mid-single digit EPS growth and double-digit growth in revenues next year. PGR is coming off a mixed quarter with better PIF in autos, a \$14.5B TAM where they have seen share grow vs peers in 2019 like Geico and Allstate. PGR continues to see upside to growth with bundling within personal lines on the P&C side. In August, they also outlined plans to invest more in the \$328B commercial market with greater exposure to areas like worker's comp, marine insurance, mortgage guarantees, and more. Short interest is less than 1%. Hedge fund ownership fell 5.65% in Q3. Viking Global a new position while Highline Capital also opening a new 485k share position. Analysts have an average target for shares of \$81. William Blair positive on 11-7 seeing potential for upward revisions to the long-term outlook and shares cheap at 11X 2020 estimates. Goldman downgrading to Neutral on 11-18 seeing shares undervalued but 2020 likely another year where they prioritize sales growth over sustaining core underwriting margins.

Hawk Vision:



Hawk's Perspective: PGR consistently screens as the highest quality name in Insurance and has reset a bit, needing to see it retake its 200 MA for a nice reward/risk trade versus the recent support base.

Confidence Ranking: \$\$