



T Rowe Price Bullish Positioning into Declines

Ticker/Price: TROW (\$107)

Analysis:

T Rowe Price (TROW) on Friday an opening seller of 1,250 October \$75 puts from \$9.60 to \$8.50. TROW had 1265 April \$115 calls bought on 3-10 for \$7.10 as the \$130 calls adjusted back, while the April \$120 calls in OI over 1200X as well. Shares bounced last week right at monthly cloud support and also holding trend support from the 2016 lows. The longer-term channel higher targets \$150. The \$29.14B company trades 11.78X earnings, 3.54X book and 16.4X cash with a 3.35% yield. TROW expects 4% EPS growth and 4% revenue growth in FY21. TROW held an analyst day in February where they laid out long-term plans to grow AUM as they expand distribution within the US broker-dealer channel, the DCIO segment, and Asian/European markets. The company has seen most of their recent flows from Asia which should remain strong. In 2020, the company plans to launch ESG products, sustainable products, and multi-asset capabilities to help drive inflows. The firm has a decent cash balance and could pursue M&A to expand internationally. Analysts have an average target for shares of \$126. BMO with a \$115 PT citing positive net flows and strong investment performance. CSFB has a \$151 PT and Outperform rating. They think the company's very strong investment performance (84% of mutual fund AUM rated 5/4 stars by Morningstar) and recent investments across product/geography/ vehicle/ technology will continue to help the firm expand its market share and support positive organic growth in the 1-2% range. Short interest is 2.3% and flat over the last year. Hedge fund ownership was flat in Q4.

Hawk Vision:



Hawk's Perspective: TROW was developing into a strong story but with the current market environment asset managers are a tough group to trust, and have to wait for better markets.

Confidence Ranking: \$\$