



## FEATURED OPTIONS RADAR REPORT



### Ally Bulls Position for Earnings Upside with Deal Risk Off the Table

**Ticker/Price:** ALLY \$19.57

#### Analysis:

**Ally Financial (ALLY)** yesterday with 8,000 July \$21 calls bought to open for more than \$600,000 and follows buyers in the August \$18 calls, July \$20 and \$22 calls, and January \$25/\$13 bull risk reversals recently. ALLY also has seen buyers in the September \$20 calls. Shares have pulled back just above the May base breakout and 55-MA and a run above \$20 has upside to the 200-MA at \$25. The \$7.94B company trades 7X earnings, 0.81X sales, and 0.94X cash with a 3.88% yield. ALLY recently called off a multi-billion dollar deal for Cardworks which had been widely panned as it would add mounting pressure to their subprime book and was overly dilutive. ALLY has been under pressure with a weaker auto backdrop during COVID-19 but auto originations are bouncing back, used vehicle prices are moving higher due to lack of new inventory, and their overall credit remains strong. ALLY has also been actively reducing online savings interest rates in recent quarters which will help boost NII in the 2H. Analysts have an average target for shares of \$28. MSCO raising their PT to \$31 last week noting that terminating the deal, which would have brought elevated risk from subprime credit card loans and book value dilution, could drive a turnaround in investor sentiment toward Ally. Stephens with a \$28 PT noting that the deal being terminated will have a positive impact on both EPS and his CET1 forecast. It also puts the focus back on ALLY's "market leading" auto lending franchise and online deposit franchise. Short interest is 2.8% and near 5-year lows. Hedge fund ownership rose 5% in Q1. OakTree a buyer of 3.375M shares and now with 14.3M total. Eminence Capital a new 1.3m share position. ALLY has also seen some insider buying into weakness with three different directors adding stock with one a \$250K buy at \$19.44.

#### Hawk Vision:



**Hawk's Perspective:** ALLY risk/reward is solid vs the recent lows and 50-MA while the business should improve w/ the better macro outlook and deal-risk from CardWorks off the table. One to watch into earnings on 7-17.

**Confidence Ranking:** \$\$