



Bull Risk Reversals in One Main Financial Sees Improving 2H

Ticker/Price: OMF (\$25.70)

Analysis:

One Main Financial (OMF) working out of long base and seeing 1500 August \$27.5-\$20 bull risk reversals trade where 1500 opened yesterday and becomes the only real notable open interest in the name. OMF shares are nearing a potential key breakout move above \$26 that measures to a target above \$37 out of this long base that formed after specialty finance companies were sold off hard in March indiscriminately. The \$3.53B consumer finance and insurance company saw a lot of insider buying from the CEO and a Director in March and the CFO bought 2500 shares in May. OMF currently trades cheap at 5.3X Earnings, 0.78X Book and has a lot of cash, but also a lot of debt, and a 5.35% dividend yield. OMF also announced a \$100M buyback in early March. OMF has over 1500 branches in 44 states and over 2.4M customer accounts offering personalized loan solutions via three lending products. It has exposure to Auto, Home, Disability and Life lending and debt consolidation is 37% of the reason customers take loans. It has strong liquidity and operates a lower risk model than peers seeing profitability even in a sharp recession. Analysts have an average target near \$35 and short interest at 4.7% of the float has surged higher in recent weeks. On 5/4 Wedbush cut its target to \$40 expecting slower loan originations over the next twelve months, lower yields in secured lending and higher provision expenses. CSFB lowering its target to \$36 on 4/20 lowering estimates but still expects profitability. RBC started shares Outperform in March noting the company's focus on non-rime personal lending market and favoring its excess capital generation potential and high ROE. Hedge Fund ownership fell modestly in Q1 filings, Apollo Mgmt. owning a \$2.3B stake.

Hawk Vision:



Hawk's Perspective: OMF is a quality company though in a tricky spot tied to consumer health but looks to have a clear run to \$32.

Confidence Ranking: \$\$