



FEATURED OPTIONS RADAR REPORT



AON Calls Open for January 2021 Upside

Ticker/Price: AON (\$197.75)

Analysis:

Aon (AON) with 1,225 January \$200 calls bought up to \$13.30 on the day and name that has 1,500 January \$210 calls and 1,750 October \$220 calls in OI from buyers. Shares pulled back to YTD VPOC last week and bouncing a bit with a series of higher lows since March. A breakout above \$210 has room up to \$230 and MACD and RSI both reset a bit lower recently with the pullback and ready to run. The \$45.2B insurance company trades 18.5X earnings and 6.3X cash with a small yield and strong ROE. AON announced a \$30B deal for Willis Towers Watson (WLTW) in March, the world's largest insurance deal, and a move that will give it premium pricing power in core areas like risk, retirement, and health services. They also expect to expand into areas like cyber, IP, and climate risk as they diversify their offerings and take advantage of their vast scale over peers. AON sees over \$800M in synergy opportunities but many analysts see that setting up to 'under promise and over deliver.' Analysts have an average target for shares of \$215 and Wells Fargo a Street High \$247 back on 8-3, seeing high probability the company hits their synergies target despite pulling guidance recently. Raymond James cut to Sell on 8-5 expecting a negative revenue growth for the remainder of 2020 due to currency and the "poor" economic outlook. Short interest is 6.5% and rising sharp with the Willis deal since March, likely arbs. Hedge fund ownership jumped 22% in Q2, Farallon Capital and Blue Spruce notable buyers while Senator Investment adding as well. In May, a director bought \$13.65M in stock at \$195.

Hawk Vision:



Hawk's Perspective: AON is a tech-focused Financial I like a lot, wrote up earlier this year, and think it is a quality company and can run above this moving average cluster.

Confidence Ranking: \$\$