



## FEATURED OPTIONS RADAR REPORT



### Upside Bet for Year-End Bounce in Large P&C Seeing Improving Trends

**Ticker/Price:** AIG (\$53.95)

**American International Group (AIG)** large trade 12/2 in the afternoon as 7400 December 31<sup>st</sup> (W) \$54/\$60 call spreads were bought \$1.70 to open looking for near-term upside. AIG has not seen a lot of recent positioning but back in March saw size buys in January 2023 \$40, \$45, \$50, and \$52.5 calls that all remain in open interest. AIG shares have pulled back to an optimal entry spot at trend support off January and July lows as well as its rising 200-day moving average. AIG is a leading global insurance organization providing property casualty insurance, life insurance, retirement solutions, and other financial services to customers. AIG has entered into several transactions in order to generate liquidity prior to the intended L&R IPO. The L&R IPO was initially marketed as an equity carve out of 19.9%; however, the recent Affordable Housing Sale (AHS) reduced the benefit of the associated tax structure with a <20% initial IPO and resulted in management stating that up to 50% of the entity may be available in the primary offering. AIG's General Insurance premium CAGR from 2015-2020 was -6.5% as the company shed large amounts of risk in an effort to re-underwrite the General Insurance business but this is inflecting with 14% growth in 2021 and high single-digits seen in 2022. AIG has a \$45.75B market cap and trades 10X Earnings, 0.71X Book and 0.7X NAV with a 2.37% dividend yield and ROE of 6.7%. Goldman recently started shares Conviction Buy with a \$74 target as a favorite in the P&C group. Its positive view is based on 1) the General Insurance business should continue to improve margins fueled by International pricing as well as terms and conditions improvements, 2) General insurance growth should outpace estimates and provide material expense flexibility, 3) a more robust ROE improvement initiative, and 4) a material uptick in share repurchases relative to expectations driven by the strong holding company liquidity position.

#### Hawk Vision:



**Hawk's Perspective:** AIG looks like a nice re-rate higher play into 2022 and plenty of positive in the business while trading back to an attractive technical support providing a nice risk/reward entry.

**Confidence Ranking:** \$\$