



FEATURED OPTIONS RADAR REPORT



Bulls See Longer-Term Value in AIG Shares

Ticker/Price: AIG (\$47.34)

Analysis:

American International (AIG) shares forming a tight weekly bull flag ahead of earnings scheduled for 5-6. The current flag measures for a ten point move above \$48 though some key volume resistance up at \$53 and to a lesser extent the \$51 level. AIG has seen some longer-dated large call positions open with 2700 of the January 2023 \$40 calls, 1785 of the \$45 calls and on 3/16 the \$50 and \$52.5 calls each bought 3,450X for around \$6M net. AIG is a leading global insurance organization providing property casualty insurance, life insurance, retirement solutions, and other financial services to customers. AIG now reports the results of its businesses through three segments – General Insurance, Life and Retirement and Other Operations. The \$40B company currently trades 9.4X Earnings, 0.62X Book and has a 2.7% dividend yield. Forecasts see revenues growing 2.8% in 2021 and 4.4% in 2022 with EPS up 72% and 16% respectively. The General Insurance accident year combined ratio, as adjusted, improved for the tenth consecutive quarter reflecting a higher-quality book of business driven by better business mix and portfolio management actions. The company expects premium trends in 2021 to be similar to 4Q20's, especially in commercial lines. Commercial NPW should benefit from 1) P&C rates, 2) lower reinsurance cessions, and 3) exposure growth as the economy recovers. AIG also has a potential catalyst coming as it announced in Q4 plans to IPO or sell a 19.9% stake in the Life/Retirement unit with proceeds expected to be used to reduce debt. In the coming quarter AIG faces some catastrophe losses from Winter Storm Uni and the Japanese earthquake. COVID losses from increased mortality rates will also be a headwind but likely one easing through 2021. Analysts have an average target of \$49 with short interest low at 1% of the float. JPM raised its target on AIG to \$48 on 4/5 though remains Neutral on the insurance stocks with lackluster business fundamentals. In February "The Insurer" reported rumors that Berkshire is building a stake in AIG. Hedge Fund ownership fell 5% in the latest quarter filings.

Hawk Vision:



Hawk's Perspective: AIG has a clear potential upside catalyst and the chart sets up very nicely with near-term calls priced cheaply, a name that could be worth a short into earnings.

Confidence Ranking: \$\$