



Allstate Transformation Seen Improving Valuation Multiple

Ticker/Price: ALL (\$112.17)

Analysis:

Allstate (ALL) with a large late day purchase on 1/7 of 5000 April \$115 calls at \$2.55, a name with very little open interest despite its large cap status. There was some selling to open of February \$115 calls in the morning up to 1200X which makes a calendar spread an interesting strategy. ALL shares made a key move in September clearing its 2017 high and been working higher in a tight channel the last few months. The \$95/\$105 flag breakout targets \$115 while \$118.85 is the next Fibonacci extension target. ALL is expected to report earnings 2-4-20 and speak at the CSFB Financial Services Conference on 2-26. The \$36.35B P&C insurance Company trades 10.9X Earnings, 1.6X Book and has a 1.78% dividend yield and a 93.5% combined ratio with ROE at 15.75%. ALL is generating a strong return profile across its core growth businesses while expanding product offerings. Its auto insurance underwriting margins are among the best in the industry. ALL has focused on a strategy to increase market share in personal property-liability and diversify protection offerings. It expects the expense ratio to fall further even as it continues to invest in new technology. ALL sees its shares more fairly valued at \$130/share when comparing its 5-year ROE to P/Book versus peers. Analysts have an average target of \$116 on shares and short interest is low at 1.1% of the float. JP Morgan assumed coverage in November at Overweight with a \$127 target noting ALL is the best combination of a strong franchise, healthy business fundamentals and attractive valuation in the P&C sector. On 12/19 ALL announced its transformative growth plan as it combines the Allstate, Esurance, Encompass and Answer Financial organizations into one business model. Hedge Fund ownership fell 6.1% in Q3 filings with Alyeska adding to its position while Boston Partners reduced its position but remains a top ten holding.

Hawk Vision:



Hawk's Perspective: ALL is an attractive value and well run name in the group, the February/April \$115 calendar call spreads could be a nice way to position.

Confidence Ranking: \$\$