



Bull Positions for Upside in Regional Bank at 200-MA After Flood of Deals

Ticker/Price: CFG (\$50.20)

Analysis:

Citizen's Financial (CFG) pulling back to the lower value area for the YTD and seeing a large bullish trade this week open nearly 4000 June \$50 calls for \$1M+ while the April \$42.50 and \$45 calls continue to have size open interest from buyers in October. CFG is in a rising channel from the August lows and big weekly breakout and a move higher targets \$57.50. Shares broke above multi-year highs recently at \$48. The \$20.2B company trades 10X earnings, 1X book and 13.6X FCF with a 3% yield. CFG is a leading regional banking with both consumer operations and commercial services. The company has one of the more rate-sensitive portfolios of the regional banking group and noted at the CSFB Financial conference in February that with 6-7 tightening in 2022 they see a significant boost to NII on the year. CFG is also benefitting from a stronger consumer with spending expected to pick up into the Spring and Summer after a seasonally slow period. The company has been on an M&A run over the last two years and now has more than \$215B in assets with a much wider footprint which is enabling them to better compete for affluent customers and expand their SMB exposure. Analysts have an average target for shares of \$56 with a Street High \$69. JP Morgan raising estimates recently noting that higher interest rates will be the main driver of earnings followed by some benefit from better loan growth and consumer spending. Citi upgrading to Buy on 1/11 with a \$65 PT as Citizens will get its ROTCE improvement through 2023 and the Street is underestimating the bank's pre-provision net revenue strength in 2022 and 2023 and expects upward consensus earnings revisions with management's 2022 outlook. Short interest is 2.95%. Hedge fund ownership fell 14% last quarter.

Hawk Vision:



Hawk's Perspective: CFG is a high-quality regional bank with a strong asset base and should benefit throughout the year from the rate cycle, the 200-MA here gives a nice spot to lean against for a move back into the prior highs

Confidence Ranking: \$\$