



FEATURED OPTIONS RADAR REPORT



Capital One Put Sales See Limited Downside into Capital Return Catalyst

Ticker/Price: COF (\$154.90)

Analysis:

Capital One (COF) has been seeing a lot of bullish activity recently with a focus on put sales but also some call buys accumulating. On 6/21 COF had a sale of 200 December \$155 puts to open, on 6/18 the January \$140 puts sold to open 1000X for over \$1M, and the September \$135 puts sold to open 750X with the \$155 calls bought, on 6/17 the July \$150 puts sold to open 1750X, and 1000 July \$160 calls were bought on 6/16. COF has been in a strong trend since November with Financials and shares are +57% YTD though pulled back to the rising 55-day moving average to close last week and rebounded to start this week. The \$162.50 level will now serve as key resistance. COF is a diversified financial service holding company with banking and non-banking subsidiaries. COF sold a loan portfolio for \$2.1B in Q4 and in 2019 it launched an exclusive card issuance program with Walmart. COF recently announced a similar partnership with Williams-Sonoma. COF has a market cap of \$71.6B and trades 9.5X Earnings, 1.25X Book and yields a 1% dividend. COF forecasts see revenues growing just 1.4% in 2021 and 5.3% in 2021. COF is seeing improving spend volumes and loan balances while its long-term digital strategy is boosting operating efficiency where it targets 42%. COF is seen as one of the more attractive capital return stories and could see a lift from the upcoming CCAR results. COF recently reported May metrics that showed a key inflection, a return to loan growth. Further, improving credit is an ongoing tailwind that should drive sizable reserve releases. COF could be in a position to earnings \$20/share in earnings and command at 12X multiple, a \$240 stock. Analysts have an average target of \$165 and short interest low at 1.2% of the float. Baird downgraded shares on 6/7 seeing shares at a peak multiple and peak earnings. Dodge & Cox holds a large \$5.4B stake as its second largest position and Aristotle Capital added significantly in Q1 as did Carmignac Gestion.

Hawk Vision:



Hawk's Perspective: COF is a very well-run company, wild it traded to \$45 during the pandemic, and continue to see plenty of value in the name up to at least \$200.

Confidence Ranking: \$\$