



Hartford Bull Spread Targets New Highs, Potential M&A Interest

Ticker/Price: HIG (\$63)

Analysis:

Hartford Financial (HIG) with 10,000 December \$70/\$80 call spreads bought for \$1.40 into recent weakness. **HIG** has a lot of near-term open interest expiring on Friday and beyond the Jan. 2023 \$70 calls with 1150 in open interest from buyers in April and the January \$65 puts with 2000 sold to open on 3/19 which remain in OI. Shares climbed to \$70 earlier this year as the company was the subject of M&A talks and the initial offers from **Chubb (CB)** were between \$65/\$70 as they angled for a higher price. HIG has since pulled back to the 38.2% retracement of the 2021 range and turning back through the 21-EMA today. A move higher targets \$67.50 and a big volume node from May. The \$21.5B company trades 9.2X earnings, 1X sales, and 1.27X book with a 2.27% yield. HIG posted a strong quarter in April and looking to move past a string of one-time charges around COVID, Texas, and the Boy Scouts settlement. The company thinks the improvement in the macro environment positions them well to deliver margin expansion and accelerated growth and they boosted their capital return plans and long-term financial targets expecting an ROE of 13-14% in 2022 and 2023. HIG could also see buyers return to the negotiating table as they look for a price closer to \$80/share and their small-business insurance business would be a big addition for Chubb. Analysts have an average target for shares of \$71 with a Street High \$82. Deutsche Bank raising estimates into earnings expecting another strong quarter as trends remain favorable. Evercore with a \$77 PT and noting in April they think long-term targets are ambitious but achievable and their long-term plan justifies significant upside with or without Chubb. Short interest is 1.12%. Hedge fund ownership fell 11.5% in Q1. HIG saw a lot of insider buying in late 2020 with the CEO/COB and two different directors adding stock.

Hawk Vision:



Hawk's Perspective: HIG is back at a nice spot against last week's lows and these spreads offer a nice risk/reward with the short puts and M&A angle should keep a floor on shares

Confidence Ranking: \$\$