



Size Calls Accumulate in MetLife on Attractive Value Profile

Ticker/Price: MET (\$52.20)

Analysis:

MetLife (MET) with more than 4000 June \$47.50 ITM calls adding to open interest overnight with buyers paying \$5.45 to \$5.70, a size position. MET has been seeing steady bullish positioning since October with January 2021 calls accumulating in size, more than 9000 June \$50 calls bought, and large size in March calls that have accumulated though the \$55 calls sold to open in a buy-write. MET's monthly chart shows shares in a near 10-year rising channel with shares recently moving above the mid-point and the range break targeting a run up to \$60 in coming months. MET announced a \$2B buyback in August and a Bloomberg report in December noted it could look to purchase a CIGNA (CI) unit worth \$6B, though Sun Life and New York Life also bidding. MET announced a small deal in December for PetFirst as it diversifies its businesses. The \$48B Insurance leader trades 8.6X Earnings, 0.71X Book and yields a 3.37% dividend with a ROE at 11.8%. Forecasts see MET EPS rising 10.6% in FY20. MET held an investor day in December outlining 12-14% ROE target, generating \$20B in FCF over five years, and accelerating growth via operating leverage. It has lowered its risk profile and seeing strong growth from new business as it shifts its mix to Group and A&H. Analysts have an average target of \$56 and short interest is subdued at 1.7% of the float. Morgan Stanley upgraded shares to Overweight on 1/7 with a \$60 target seeing benefits from the move to simplicity and cash generation with ample room for multiple expansion. JP Morgan out 1/2 was out cautious on the industry for 2020 but named MET the Top Pick. Hedge Fund ownership surged 47.6% in Q3 filings, Dodge & Cox and Diamond Hill notable top holders.

Hawk Vision:



Hawk's Perspective: MET looks attractive on valuation and this chart has room to work higher, a nice safer name to be involved over the next few months.

Confidence Ranking: \$\$