



FEATURED OPTIONS RADAR REPORT



Call Buyers Target Lending Company for Upside Earnings Move

Ticker/Price: NAVI (\$19)

Analysis:

Navient (NAVI) IV rose late day with buyers of 8500 August \$20 calls \$0.60 to \$0.71 with earnings due out 7-27, nice coiled set-up below \$19.50, a name lacking any other notable open interest outside of 1900 January \$15 puts bought for \$0.85 on 6-22. NAVI will report on 7-27 and has a strong history higher 8 of its last 10 reports with an average max move of 8%. NAVI shares are in a tight weekly flag and a breakout can carry shares to \$22.50. Navient is a leading provider of education loan management and business processing solutions for education, healthcare, and government clients at the federal, state, and local levels. NAVI owns a portfolio of \$58.3 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans, \$21.1 billion in private loans, and also provides business processing solutions to a variety of public sector and health care organizations. NAVI has a market cap of \$3.42B and trades 5.7X Earnings, 1.28X Book and 5.8X FCF with a 3.37% dividend yield, a low multiple due to its leveraged balance sheet. NAVI delivered solid results last quarter highlighting historically low delinquency rates in both FFELP and private loan portfolio, strong net interest margins on several lower-cost funding transactions, increased BPS revenue as a result of clients' changing needs and 2 loan portfolio sales that accelerated cash flow and earnings. NAVI has a \$145M contract with the Dept. of Education up for renewal this year. The end of the forbearance period in September may lead many direct loan borrowers to refinance their higher interest student loans into lower interest private refinance loans and Navient sees opportunities to grow its private refinance loan origination over the next few years as borrowers are incentivized to refinance. NAVI is also optimistic about winning contracts in its BPS segment though COVID contracts will end by year-end. Navient sees the discussion around student loan forgiveness shifting away from blanket debt jubilee to something more targeted at borrowers who need help. NAVI also sees loan forgiveness as a cash flow acceleration exercise. Navient's motion for summary judgment in the CFPB case is awaiting a decision as another potential catalyst for this stock. Analysts have an average target of \$19 and short interest is 5% of the float. KBW cut to Perform this week with a \$20 target on valuation while Jefferies on 6/10 raised its target to \$23 on strong demand from lifted restrictions and rei demand in a rising rate environment is a boon.

Hawk Vision:



Hawk's Perspective: NAVI upside calls are cheap with strong earnings history and can see trading versus this candle low, though a tough business to really understand/value with a lot of uncertainties.

Confidence Ranking: \$\$