



Put Sales See Value in Large-Cap Insurer Ahead of Capital Deployment

Ticker/Price: PRU (\$107)

Prudential (PRU) with a large vote of confidence on Friday with 1,250 January 2023 \$105 at-the-money puts sold to open for \$13.40, a more than \$1.65M position. The flows on 12/10 follow sellers in late November at the January 2023 \$95 strike and buyers in the June 2022 \$100 calls. Shares pulled back to the low-end of a big weekly rising channel from April that measures back to \$115+ and put in a nice reversal. PRU also pulled back to the 200-MA and bounced. The \$40.73B company trades 8.5X earnings, 0.6X sales, and 0.66X book with a 4.3% yield. PRU has been a 'work-in-progress' for much of 2021 as they work on divestitures like Prudential Korea, Prudential Taiwan, and their Full Service Retirement Business. They also announce plans to sell PALAC traditional variable annuity block in September. The company remains on track for nearly \$750M in cost savings in 2021, exceeding their run-rate target of \$500M. PRU now moves into 2022 with a focus on redeploying capital with \$11B targeted for return to shareholders by the end of 2023 and reducing their financial leverage. Analysts have an average target for shares of \$113 with a Street High \$131. Goldman starting at Neutral in early December. The firm views the strategy of shifting to lower capital-intensive businesses favorably but this optimism is offset by a weaker organic growth trajectory for operating EPS and the need to do M&A to fuel better growth in the future. Hedge fund ownership fell 5%. Insiders have been active in the name over the last two years including a director buying in November at \$109 and another buying in February at \$81.

Hawk Vision:



Hawk's Perspective: PRU sets up well on a risk/reward basis for a move back to \$115+ and has a lot of room in 2022 for additional capital deployment opportunities that should drive value while benefitting from a rising rate environment

Confidence Ranking: \$\$