



## FEATURED OPTIONS RADAR REPORT



### Large Puts Look for Downside in Specialty Insurance Co.

Ticker/Price: TRUP (\$83)

#### Analysis:

**Trupanion (TRUP)** this week with 1700 October \$90 puts and 3000 October \$85 puts opening for over \$3M as some September puts adjusted and a buyer of 400 November \$90 puts for \$365K on 9/2 also in open interest. TRUP shares are breaking multi-month lows this week and look to have plenty of room back to the \$71.25 retest of a 2020 breakout key volume node. Trupanion is a provider of medical insurance for cats and dogs throughout the United States, Canada, Puerto Rico, and Australia. Its data-driven, vertically-integrated approach enables TRUP to provide pet owners with products that offer the highest value medical insurance, priced specifically for each pet's unique characteristics. According to the Insurance Information Institute, there are 183.9 million household dogs and cats in the United States, and according to the Canadian Animal Health Institute, there are 16.5 million in Canada. North American Pet Health Insurance Association estimates that the penetration rate for medical insurance for cats and dogs in North America is approximately one to two percent. TRUP's total enrolled pets grew from 31,207 pets on January 1, 2010 to 862,928 pets on December 31, 2020, which represents a compound annual growth rate of 35%. TRUP currently has a market cap of \$3.4B and trades 4.8X EV/Sales with revenues seen rising 37% this year and 26.5% next year though not expected to be EPS positive for many years still and missed EPS forecasts sharply last quarter. TRUP also faces growing competition in the pet insurance space and could face growing regulatory risks with it compensating veterinarians for new sign-ups. Other potential downside catalysts include slowing pet enrollment out of the pandemic, backing away from its 90% reimbursement model, higher pet acquisition costs, and losing market share. Analysts have an average target of \$125 on shares while short interest is up 25% Q/Q to 10.5% of the float. Canaccord out positive in June saying lead channel diversification, improving member experience, and broadening its subscription offering initiatives should fuel growth. Evercore started shares Outperform with a \$100 target back in April as a leading subscription model in a large and under penetrated market.

#### Hawk Vision:



**Hawk's Perspective:** TRUP certainly looks to have further downside with bearish technical, options flow and high valuation, so a name to consider for short exposure.

**Confidence Ranking:** \$\$