



## FEATURED OPTIONS RADAR REPORT



### Unusual Call Buyer in FinTech Large Cap with Improving Outlook, Potential Unit Sale

Ticker/Price: VRSK (\$184.30)

#### Analysis:

**Verisk Analytics (VRSK)** falls into the unusual activity with smaller but notable position since June, The August \$185 calls opened 630X for \$425K on 7/16 while 1200 December \$190 calls are in open interest that opened in mid-June and 300 August \$175 calls remain from a buyer on 6/7. VRSK also recently triggered a key trend breakout of a large weekly falling wedge with MACD crossing bullish and RSI above 50. VRSK shares are also back above VWAP off the highs and clearing \$189.50 on the volume profile is the key right now. VRSK will report on 8-3 and shares have closed lower on earnings ten straight quarters. Verisk is a leading data analytics provider serving customers in insurance, energy and specialized markets, and financial services. VRSK offers predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, natural resources intelligence, economic forecasting, commercial banking and finance, and many other fields. VRSK has underperformed YTD with concerns of margin compression as operating expenses ramp and also contract transitions weighing on revenue growth. VRSK's Energy segment should see better results with benefits from energy transition and chemicals as well as a more normalized operating environment. VRSK's Insurance segment has been the standout with solid organic growth and sees breakout growth opportunities including telematics, aerial imagery and cyber. VRSK has a \$29.5B market cap and trades 31.4X Earnings, 11X EV/Sales, 22.5X EBITDA and 41X FCF. VRSK has always been a high-quality company though valuation does still appear rich for a name expected to grow revenues 6-7% annually and EBITDA 5-8%. VRSK, however, does carry very attractive 50% EBITDA margins. Analysts have an average target of \$190 with short interest low at 1.3% of the float. RBC started Outperform on 7/7 with a \$203 target seeing an attractive buying opportunity as challenges in Financial Services and Energy alleviate while the growth profile improves. Jefferies had an interesting note in April that VRSK could conduct a strategic review of its financial services segment and look to sell it. Deutsche Bank raised to Buy in March on sustained strength in subscription revenues and a recovery in transaction revenues while the Energy segment will improve in 2021. Hedge Fund ownership fell 7.5% in the latest quarterly filings, Akre Capital a notable top holder and Atlanta Capital added to its position.

#### Hawk Vision:



**Hawk's Perspective:** VRSK retested its bull flag breakout and 8-MA to start the week and does look to have momentum while the December \$190 calls are already trading 100% higher from the purchase price in mid-June, a strategic review a clear potential upside catalyst.

Confidence Ranking: \$\$