



Puts Accumulate in WABTEC

Ticker/Price: WAB (\$71.65)

Analysis:

WABTEC (WAB) buyers of 500 July \$70 puts bought today \$4.40 to \$4.50, spot where 2,000 bought on Friday, and also seeing another 1,000 April \$70 puts bought up to \$2.25 where 2,000 were bought on Friday. Shares are back at the 8- and 20-EMA as it consolidates above new 1-year lows around \$65. A breakdown targets a 10-point move lower. Longer-term, shares are consolidating in a weekly flag below the recent trend line break from the 2016 lows and a big volume gap. The \$11.73B company trades 14.5X earnings, 2.69X sales, and 20X cash with a 0.67% yield. WAB sees 7.6% EPS growth in 2019 with revenues nearly doubling after their deal with GE. The company acquired GE Transportation in cash and stock, the latter of which GE has said they'll sell down over the next 2-3 years. The deal creates a massive rail equipment maker but facing work stoppages and backlash already as the tie-up enters the earliest integration stages. WAB faces longer-term pressure from the industry-wide transition to PSR which will reduce the number of locomotives in use in a mass efficiency push by operators. Both NSC and KSU have moved forward in 2019 with significant shifts towards the model. Analysts have an average target for shares of \$99.75 with 8 buy ratings and 4 hold ratings. Short interest is 7.9%, down from 11% recently. Jefferies starting at Hold recently with an \$80 PT. They think the risks for and equipment demand slowdown in the near-term are underappreciated while the technical overhang created by the GE merger will linger for some time. Institutional ownership rose 30%.

Hawk Vision:



Trading Strategy: WAB continues to lag in a strong tape and see put accumulation, making it an ideal short to target to balance out long exposure.

Confidence Ranking: \$\$