



NCR Corp. Attracts Bullish Positioning

Ticker/Price: NCR (\$28)

Analysis:

NCR Corp (NCR) with a buyer today of the January \$30/\$35 call spread 2,000X4,000 and name which still has the April \$31/\$35 call spread in OI 2,000X4,000 as well. The January \$28/\$33 call spread was bought 2,000X4,000 as well in early January. NCR shares are also trading just below an area where CEO/President bought \$512K in stock last year at \$29.28. Shares are emerging out of a two-year downtrend and basing since October under \$28.50 and the 200-EMA. A move higher has a measured target to \$33 and a high-volume node around \$35, so optimal for the current spreads. RSI is positively diverging on the weekly into the recent lows. The \$3.34B company trades 8.8X earnings, 0.52X sales, and 8.5X FCF. The company is targeting a return to positive growth this year with EPS up 7.5% and revenue up 2% while FY20 set to accelerate to 14% and 3%. NCR continues to be a services transition story since with their management shuffle accelerating the focus now on recurring revenue growth and margins. They've expanded into services for digital banking, restaurants, retail, and other small-business focuses while also making some smaller M&A deals to expand out their AI offerings such as StopLift, a checkout fraud scanner. Analysts have an average target for shares of \$36 with 4 buy ratings and 3 hold ratings. Short interest is 6.9% and falling from around 8% in late 2018. DA Davidson upgraded share to Buy on 1/8 with a \$30 PT. The firm cites better management and consistency which should drive a shift in sentiment from years past. RBC upgrading to Buy and Top Pick in December. The firm thinks a shift to higher recurring revenues will offer more financial consistency and produce a multiple re-rating. They expect 2019 catalysts which can drive the stock higher include new product roll outs and continued M&A towards additional services.

Hawk Vision:



Trading Strategy: NCR is an interesting potential reinvention story but overall see much better growth names to be involved and want to see real catalysts play out.

Confidence Ranking: \$