



Bullish Positions in Fortive as M&A Strategy is Effective

Ticker/Price: FTV (\$83.18)

Analysis:

Fortive (FTV) saw unusual activity on 3/13 with 1,350 January \$90 calls bought for \$700,000 and a smaller buy of 450 September \$95 calls to open. FTV has a large 3,000 contract March \$80 call position in open interest that may adjust or exercise this week, the March 29th (W) \$82 calls have a small 800 contract position, and the April \$85 calls with 1,400 in OI. On the chart shares started to break out of a multi-week flag this week that target a run to \$90 and now firmly back above the weekly cloud with RSI showing strong momentum though weekly MACD is overbought. The \$28B spin-off from Danaher (DHR) has a diversified portfolio of businesses and has the similar M&A culture that Danaher (DHR) has successfully used over the years. Shares trade 21.6X Earnings, 4.35X Sales, 17.8X EV/EBITDA and 22.8X FCF with a small 0.34% dividend yield. Forecasts are calling for 10% revenue growth this year and 15% EPS growth, deserving of a premium multiple. It announced a \$2B deal for Accruent in July 2018 further positioning it in software and bought JNJ's Sterilization unit for \$2.7B last June. It is targeting further market share gains and moves to recurring revenues with its acquisitions. It is a strong fundamental story that has solid organic core growth and moving into growth areas with acquisitions. Analysts have an average target of \$80 on shares and short interest is low at 3.6% of the float. FTV will host an Analyst Day on 5-16 and has another \$2B of capital ready to deploy. BAML has a \$92 target on shares expecting a premium multiple as the company delivers on strong core growth, consistent execution and cash redeployment. MSCO started shares Overweight in December with an increased software focus and recurring revenues driving outperformance as long-term growth moves closer to 4% with margins moving to 23%.

Hawk Vision:



Trading Strategy: FTV is a high quality name to own for the long-term, though freshly breaking to multi-month highs and entry closer to \$77.50 is ideal

Confidence Ranking: \$\$