



Put Accumulation in Illinois Tool Works with Headwinds to Growth, High Valuation to Peers

Ticker/Price: ITW (\$144.45)

Analysis:

Illinois Tool (ITW) with 910 September \$145 puts opening \$7.48, adjusting June \$140 puts and last week 1700 of the July \$140 puts opened for over \$500K, a name slipping back to retest the April breakout and sitting right on YTD VPOC today. ITW could see a deeper retest move back to the \$135 level. The \$47.66B diversified industrial is trading 17.2X Earnings, 35X FCF and 12.9X EV/EBITDA with a 2.74% yield, and could face headwinds from the slowing Automotive industry as well as overall global Macro weakness. ITW forecasts are expecting negative revenues Y/Y and just 4.2% EPS growth this year after two years of 15%+ growth. It missed estimates last quarter and lowered its organic growth forecast. ITW has always held a leadership position to peers and higher valuation due to impressive operating margins across each of its segments, Auto OEM, Test & Measurement, Food Equipment, Welding, Construction, Polymers and Specialty. Analysts have an average target of \$145 on shares and short interest at 2% of the float been rising to near a two-year high. ITW is also highly exposed to tariffs. BAML cut shares to Underperform back in February as the Company struggles with organic growth, and valuation contracts. Hedge Fund ownership rose modestly in Q1 filings, Coho Partners adding and now a 4% weighted position.

Hawk Vision:



Trading Strategy: ITW looks to be breaking down and has a clear path to the 140/\$135 zone while clearly facing plenty of growth headwinds, so a nice looking short if China tensions continue.

Confidence Ranking: \$\$