



## TransDigm Put Sale Shows Confidence in Strength

**Ticker/Price:** TDG (\$464)

### Analysis:

**TransDigm (TDG)** typically a very quiet name on the options-side but today IV fading as 5,900 June \$400 puts are sold to open this morning down to \$3.10. TDG recently with some OTM December \$520 calls bought as well on 4/30. Shares have traded steadily higher since earnings in February and pulling back this week to the 50-EMA and cloud support where it's getting a bounce. MACD and RSI have both reset off of overbought levels and curling higher, ready to run. The \$23.9B company trades 21.85X earnings, 5.65X sales, and 9.8X cash with 20% EPS growth forecast through 2021 and estimates up YTD. They see 22.5% revenue growth next year and settling into a 5-6% range in outer years. TDG recently closed their \$4B deal for Esterline which gives them more scale in commercial aircraft, regional, and business jets while adding significant aftermarket exposure. Analysts have an average target for shares of \$449 with 8 buy ratings, 4 hold, and 1 sell rating. CSFB with a \$539 PT on 5/7, confident that management can hit their 20% IRR target for the ESL deal even if this is a more complicated integration than prior deals. They also see potential for TDG to divest up to \$1B in legacy ESL businesses to help pay down debt. Short interest is 4.2% and down from as high as 18% in 2017. Institutional ownership fell 12.5%. Berkshire Partners a top holder with 3.6M shares, and board representation. The firm added \$100M in stock at \$434 in February. Hitchwood adding a new position as well.

### Hawk Vision:



**Trading Strategy:** TDG remains a top quality Industrial with its positioning in Aerospace, and we now have a clear level to be a buyer at on any weakness.

**Confidence Ranking:** \$\$