



Motorola Solutions Call Buyers See New Highs Continuing

Ticker/Price: MSI (\$156.90)

Analysis:

Motorola Solutions (MSI) unusual activity on 6/4 as 1,945 October \$160 calls traded on the day with midday action starting at \$6.70 and bought up to \$7.85 later in the session while 665 October \$175 calls bought to open as well. MSI has previously seen smaller bullish positioning across multiple strikes and months, but this the largest activity to date. MSI shares continue to show impressive relative strength trading to new highs this week and in a sharp trend higher. The \$25.85B Company has seen shares rise 36% YTD and still trades attractively at 18.4 Earnings, 20.5X FCF and 13.7X EV/EBITDA with a 1.45% dividend yield. MSI sees 7% top-line growth this year after 15% growth last year and EPS growth seen 8-10% annually the next few years. MSI has been expanding its addressable market via acquisitions with Public Safety & Command Center a \$5B market, Video Surveillance & Analytics at \$11B, Land Mobile Radio at \$10B and Managed Support/Services at \$6B. Capital allocation will be in focus as operating cash flows grow to \$2B in FY20 from \$1B in FY18. MSI is a story where revenues are transitioning to high-quality service revenues. Analysts have an average target of \$155 and short interest low at 2.1% of the float. Deutsche Bank raised its target to \$160 on 4-9 on the next generation public safety theme seeing a \$40B market opportunity with double digit annual growth potential. BTIG has a \$170 target seeing it expanding solutions in 911 call centers and sees incremental growth opportunities. MSI may also benefit from recent bans against Hytera products. Hedge Fund ownership jumped over 12% in Q1 filings, Renaissance Tech with a new position and Parnassus a 2.28% weighting reduced its position modestly.

Hawk Vision:



Trading Strategy: MSI is a name that continues to fly under the radar at undemanding valuation and expect the beat and raises to continue.

Confidence Ranking: \$\$\$