



Aptiv Bulls Buy in After Strong Quarter, Long-Term View on 'Next Gen' Autos

Ticker/Price: APTV (\$82.69)

Analysis:

Aptiv (APTV) more bullish flow today with 200 Jan. 2021 \$70 calls bought \$19.50 to \$20.60 and 100 of the \$85 calls trading \$12.3, follows buyers in the September \$85 calls last week and the September \$90 calls in late July. APTV has also seeing the November \$67.50 puts sold to open 1250X recently. Shares are coiled in a multi-week range under \$85 with a breakout targeting the April highs around \$90 and longer-term move out of a downtrend from the 2018 highs. APTV has a measured target up over \$100. The \$21.48B company trades 14.47X earnings, 1.5X sales, and 48X FCF with a 1% yield and coming off a strong quarter. APTV is guiding to 12.8% and 11.5% EPS growth with revenue growth of 6% to 7.5%. APTV has continued to improve operations in the face of headwinds from lower vehicle production in Europe and China as well as FX issues due to tariffs. They continue to win more share inside autos with \$11B in bookings since 2016 in active safety, near \$19B in engineered components, and more than \$7.5B in user experience. APTV expects to gain share with new products across sensing/software and their smart-vehicle architecture. They have long-term tailwinds from the electrification demand growing as more stringent emission targets push automakers to seek out new tech. Analysts have an average target for shares of \$92.50 with 19 buy ratings, 3 hold, and 1 sell. Cowen with a \$102 PT seeing the company as best positioned to benefit from active safety, electrification, and connectivity. Jefferies with a \$108 PT and the analyst believes secular content penetration likely continues to drive "robust outgrowth" vs peers. Citi with a \$102 PT seeing multiple expansion in 2020 as APTV continues to expand content within 'the car of the future.' Short interest is 2.3% and down from around 3.7% recently. Hedge Fund ownership fell 2% in Q2. Harris Associates, Holocene, and Senator Investment Group top holders. APTV saw insiders active late in 2018. The CEO bought \$762K in stock at \$67.43 on 12-11.

Hawk Vision:



Hawk's Perspective: APTV was one of the better quarters in the space and remains the go-to name for 'next gen' autos. Tariffs will remain a headwind but like the risk/reward.

Confidence Ranking: \$\$