



## Emerson Bulls Position for Upside into Year-End

Ticker/Price: EMR (\$64.90)

### Analysis:

**Emerson (EMR)** with an opening seller of more than 7000 December \$60 puts on 9/18 at \$1.45 seeing that as a level willing to be long 700K shares, while the \$67.5/\$72.50 call spreads also opened over 1000X. EMR has a lot of call open interest in December and January, the latter includes 7500 of the \$65 calls. EMR shares peaked a year ago near \$80 and put in a lower high at \$73 in April. Shares have rebounded well off the recent \$56 support level and now sit just under \$67.50 resistance followed by trend resistance near \$68.50. The \$39.9B Industrial trades 16.9X Earnings, 2.2X Sales, 43.6X FCF and 11.3X EV/EBITDA with a 3% dividend yield. EMR posted 14% revenue growth in 2018 and sees 6% growth as 2019 comes to a close with a 3-4% annual growth outlook and 5-7% on EPS. EMR lowered full year guidance last quarter and August order trends came in with 2-3% growth. Analysts have an average target of \$69.50 and short interest low at 1% of the float. CSFB rates shares Outperform with a \$70 target, and sees EPS in early November coming in above estimates. EMR has an opportunity in Automation Solutions and may look to continue to reshuffle its portfolio while M&A is a potential catalyst. Argus downgraded shares on 8/13 to Hold with quarterly orders tracking weak, near-term trends challenged from acquisitions and tariffs, but does see margin expansion over the long term. Hedge Fund ownership fell 14.5% in Q2 filings, Longview and Jensen top concentrated holders while Senator Investment took a new position of 1.3M shares.

### Hawk Vision:



**Hawk's Perspective:** EMR has made a big run off lows and has a bull moving average cross back at \$62 as an ideal area to consider entry, while \$60 should be supportive with the short puts.

**Confidence Ranking:** \$\$