



## Unusual Call Buying in Aerojet

**Ticker/Price:** AJRD (\$48.75)

### Analysis:

**Aerojet Rocketdyne (AJRD)** with buyers earlier of 2500 November \$55 calls up around \$0.75 to \$0.80 and now volumes over 7,500 into mid-day. AJRD also seeing 775 May \$55 calls bought for \$3.50 to \$3.80 and name which has seen February \$60 calls buys recently as well as the December \$55 calls. Shares are coiled in a small range after pulling back to the high-end of July value and the recent earnings gap level around \$48. MACD is nearing a bullish crossover while a run back up to \$52 can see continued upside to \$57+. The \$3.73B company trades 24.5X earnings, 1.95X sales, and 16.85X FCF with high-single digit growth. AJRD is a leading aerospace and defense contractor which develops propulsion systems for space and civil systems. They remain one of the only pure-play names on hypersonic growth and space propulsion after peer Orbital (OA) was acquired. AJRD is coming off a strong quarter with an all-time high backlog, strong bookings growth and improvement in margins. AJRD has a sizable cash position and their CEO last year expressed interest in M&A as they look to build out production lines calling it their 'number one priority.' They also have a sizable land plot in California for sale which they have been looking to monetize since early 2019. Analysts have an average target for shares of \$52 with limited coverage. JP Morgan starting at Neutral on 9-10 citing valuation. They think AJRD remains in favorable position heading into 2020 based on growing missile defense programs and potential capital deployment catalysts. Sun Trust with a \$55 PT, best name to be positioned for the 'missile gold rush.' Short interest is 12.2% and down from around 16.3% in May. Hedge Fund ownership fell 19.5% in Q2.

### Hawk Vision:



**Hawk's Perspective:** AJRD is working out of a nice base to trade against today, and clearly an impressive long-term trend name. It's a very attractive small cap name to own.

**Confidence Ranking:** \$\$