



## GE Bulls Continue to See Upside as Turnaround Improves

**Ticker/Price:** GE \$11.35

### Analysis:

**General Electric (GE)** with a buyer of 8,500 June \$12/\$15 call spreads for \$0.84, rolling up some June \$10 calls, and later GE also seeing 6000 March \$13/\$15 call spreads bought to open. GE had a sizable buy in the October 2020 \$10 calls last week, over \$1.7M worth, while the March \$11 puts sold to open over 3000X and the September \$8 puts sold 5000X. The June \$10 calls still have over 50,000 in open interest from buyers despite today's rolls, opened originally as risk reversals. GE has seen bear flow really dry up recently with most of the notables expiring in the next two weeks and underwater. GE shares have been on a big run since earnings up over 25% and near resistance of a big base that stretches back to the October 2018 breakdown. A move above \$11.75 has a measured target to \$15.50 and then a VPOC at \$17.50. The \$100.5B company trades 17.2X earnings, 0.98X sales, and 3.6X cash with a small dividend. GE sees EPS growth accelerating into FY20 and FY21 by 11.75% and then 23% with revenues stabilizing into FY22. GE has been a complicated self-help story over the last year but making progress on a turnaround plan with FCF a big surprise to the upside last quarter and guiding higher despite headwinds from the 737 MAX and tariffs. GE's power business continues to struggle but narrowing losses and could see an uptick in 2020 with the MAX returning. New CEO Larry Culp is coming up on one year at the helm and has completed over \$9B in deleveraging actions including asset sales and debt reduction and potential for further improvement in 2020. Analysts have an average target for shares of \$10.50. Gabelli positive on 11-5 with a \$17 PT citing better than expected FCF and EPS guidance while reducing potential for negative surprises. MSCO positive noting that the company has addressed the tail risk with a positive update on pension and LTC, the question then turns to how quickly can performance accelerate. Barclays thinks more investors may look at the GE story in 2020 with visibility clearer. JP Morgan's Tusa, the most-watched analyst on the name, keeps a Sell rating and \$5 PT. Short interest is 1.3%. Hedge fund ownership is up 13.5% in Q2. Trian Fund remains a top holder with 64.2M shares. Eagle Capital and Wexford two notable buyers. GE has seen a lot of insider buying this year with multiple transactions in August around \$8-\$9 including CEO Larry Culp who bought \$2M around \$8.

### Hawk Vision:



**Hawk's Perspective:** GE is way too extended here to initiate a new position but clearly seeing money come back into the name and on watch for a better consolidation and setup. And, while there could still be some negative event-risk with the name, the self-help initiatives to get leaner, prioritize deleveraging, and simplify make it attractive in 2020.

**Confidence Ranking:** \$\$