



Motorola Solutions Calls Bought as Bounce Seen Continuing

Ticker/Price: MSI (\$165.70)

Analysis:

Motorola Solutions (MSI) with for the \$1.5M in January \$160 and \$165 calls adding yesterday afternoon with open interest in each now above 2000 and 2500 respectively. MSI has also seen 800 April \$155 puts sold to open and some other scattered bullish positioning in January 2020 options. MSI has been a strong performer in 2019 with shares +44% YTD but pulling back since peaking at \$180 in late August. A weekly channel down pattern has formed with \$170 and \$173 current resistance levels while MACD looks to be curling upward and RSI holding near the 50 mark. The \$28.6B provider of communication devices and services is trading 19.3X Earnings, 23.5X FCF and 15X EBITDA with a 1.54% dividend yield. MSI forecasts see 15% EBITDA growth in 2019 and 9.6% growth in 2020. On 9/5 Silver Lake announced a \$1B investment and Steve Eisman pitched it on CNBC in October noting “What I really like about it is that it has very good management...it’s an oligopoly, it’s lightly regulated, and its business has gotten better over the last couple of years.” The company’s customers, which include governments, municipalities, public safety agencies, and first responders, as well as commercial and industrial clients, make it a safe play, Eisman said. “I don’t have to worry about China. I don’t have to worry that much about a recession. It’s about as idiosyncratic as long as you could imagine.” Analysts have an average target of \$180 on shares and short interest at a five-year low at 1.8% of the float. CSFB started shares Outperform in June noting 1) The company’s strength from very strong North American customer spending trends (macro driver) and limited exposure to China (~2% of sales and strategically managed down annually) has been a clear tailwind to both the MSI business and the company’s premium valuation, with trends expected to continue. 2) The Products & Systems Integration and Services & Software segments are executing well, with their own strategic objectives. Further command center customer penetration will drive software growth, and organic growth remains key to the company’s mandate across segments while international opportunities remain a major growth opportunity. Management is seeking to expand market share as well as enhance margins from current levels where most opportune. 3) Avigilon remains a very compelling opportunity for the company as a whole, with significant go-to-market and cross-selling opportunities with new and existing customers. MSI will present at the CSFB Tech Conference on 12-2. Cowen called recent weakness a buying opportunity on 11/6 with a \$225 target citing conservative guidance and sees growth from expansion into video hardware, surveillance and analytic solutions. Gabelli raised to Buy on 11/1 favorable on an expanding addressable market and excellent recent acquisitions. Hedge Fund ownership jumped 9.83% in Q3 filings, Holocene Advisors adding to its stake.

Hawk Vision:



Hawk’s Perspective: MSI remains a top fundamental own and the 200 day MA test was an excellent buy opportunity, I remain positive it through 2020.

Confidence Ranking: \$\$