



Caterpillar Put Sale Sees Shares Finding Bottom

Ticker/Price: CAT (\$98.50)

Analysis:

Caterpillar (CAT) with sellers early of 2,400 June \$80 puts from \$4.90 to \$4.40 and follows sellers last week in the May \$90 puts over 1500X. CAT has seen some smaller size but high-dollar call buys over the last three weeks in the May \$125 calls, June \$125 calls, and August \$100 calls. Shares under pressure in 2020 and pulled back just above monthly trend support from the 2009 and 2016 lows. CAT is also bouncing just above the 10-year VPOC and this month's low at \$87.50 was right at VWAP from the March 2009 bottom. The \$50.22B company trades 9.38X earnings, 0.93X sales, and 13.5X FCF with a 4.5% yield. CAT was eyeing mid-double digit growth over the next two years but estimates that likely pull back quite a bit with the softness in the overall environment, especially energy. CAT has a solid balance sheet with over \$7B in cash and likely less at risk for a major restructuring than in the past. CAT has been re-opening facilities in Asia over the last week and management noting little if any supply chain disruptions as they get back online. Analysts have an average target for shares of \$136.50. Baird positive last week noting the company is better prepared now for downturn than in the past with a solid balance sheet and more diversified exposure. Stifel upgrading to Buy on 3-16 seeing much of the bad news pulled forward to the current year and priced in. They think CAT has structurally improved its cash flow profiles which should limit earnings downside. Short interest is 1.3%. Hedge fund ownership rose 1.5% in Q4. Sanders Capital and Glen Point notable buyers while activist Corvex with a new call position. CAT last saw insider buying in late 2018 around \$115.58 and \$155, the latter a more than \$775K buy.

Hawk Vision:



Hawk's Perspective: CAT is a levered name that was already underperforming, not a name I feel overly comfortable owning in the current recessionary environment.

Confidence Ranking: \$\$