



## Navistar Calls Accumulate with Deal in Focus

**Ticker/Price:** NAV (\$18)

### Analysis:

**Navistar (NAV)** buyers of another 2,000 October \$20 calls for \$3.50 and follows 6,000 bought on Wednesday into weakness. NAV has also seen some small buyers in the July \$18 calls around \$5.00 this week. Shares have dropped back to multi-year lows from \$37.50/\$38 where they gapped to in February on news that VW was looking to buy their remaining share in the company. VW made a \$2.9B bid for the company as they look to compete with Daimler and Volvo in the heavy-truck market. The offer was ~\$35/share. NAV is in the middle of an efficiency push as they undergo a multi-year product refresh under pressure from activist Carl Icahn and MHR Fund Management. Shares fell over the last week over concerns about the deal going through while also a miscommunication regarding whether VW had pulled the deal but management clarified they had not. The \$1.99B company trades 5.85X earnings, 0.2X sales, and 2.88X FCF. They see mid-teens EPS growth and 3% revenue growth in 2021. Analysts have an average target for shares of \$33.50. Baird was out positive on 3-17 noting this is a "great opportunity" to get back involved. The firm notes that VW CFO Frank Witter said that the company has "not pulled the deal," but that the company will watch the liquidity situation and development and the prioritization of all activities. BMO with a \$35 PT on 3-10. They think management is doing an "excellent job" in getting the company "back on track" and its partnership with Traton SE should accelerate its recovery. Short interest is 2.1% and multi-year lows. Hedge fund ownership rose 2.9% in Q4. Icahn owns 16.72M shares while MHR has 16.22M shares. In December 2018, a director bought stock at \$26.69. VW bought stock in 2017 around \$29/\$30.

### Hawk Vision:



**Hawk's Perspective:** NAV is yet another one of these pending deal names where the spread with the offer has blown out. I expect we could see some offer prices lowered but still above current market value, so a potential opportunity down here.

**Confidence Ranking:** \$\$