



Stanley Calls Bought After Steep Sell-Off

Ticker/Price: SWK (\$72)

Analysis:

Stanley Black and Decker (SWK) with 3000 October \$100 calls opening for \$5.40 on 3/23 and still has 1500 each of the January \$155 and \$160 calls in open interest that opened last October. SWK also has 8000 July \$180/\$160 stock collars in open interest and 2000 July \$130 calls and 3000 July \$155 calls that look to expire worthless. SWK shares are down 52% YTD and testing back near 2011/2012 highs and a strong volume node. In the near-term a move above \$88 opens a potential run back to \$115. SWK has world-class brands and expecting to see margin improvement and further market share gains. The \$11.45B Tools & Storage leader trades just 8.25X Earnings, 6.3X EBITDA and 16.85X FCF now with a 3.5% dividend yield. Its Debt/EBITDA ratio of 1.77X and Current Ratio of 1 shows its balance sheet as fairly strong. Analysts have an average target of \$180 with short interest low at 2.8% of the float. BAML raised shares to Buy with a \$182 target back in November expecting the company to be more active with M&A in 2020 after reducing its balance sheet leverage and potential to monetize its Security segment. SWK could look at deals for Emerson's (EMR) tools business though did a \$1.5B deal for CAM in January. Citi started shares Buy with a \$205 target a month ago expecting it to take share of the \$146B construction equipment market through innovative new products. SWK could also stand to benefit from lower commodity costs and any indications of an Infrastructure plan. Hedge Fund ownership rode 4.7% in Q4 filings.

Hawk Vision:



Hawk's Perspective: SWK is a high quality Co. and alert in for \$88 where could make a move strongly higher.

Confidence Ranking: \$\$