



## Large Fiat Chrysler Bull Spread Sees Value as Merger Expected to Proceed

Ticker/Price: FCAU (\$7.60)

### Analysis:

**Fiat Chrysler (FCAU)** with 20,000 January \$8.54 calls bought \$1.20 to \$1.21 while 26,000 of the \$11.54 calls sold for \$0.37 in a large ratio spread. FCAU has some notable size in January 2021 put open interest now firmly ITM. Shares fell back to the \$6 level, a support from 2016 that formed a long base and have rebounded this week. FCAU shares are working out of a base this week and have a large volume pocket overhead back to \$10+. The \$15B automaker now trades 1.1X EV/EBITDA with Debt/EBITDA at 1.09X and a Current Ratio of 0.8X. FCAU recently reported Q1 sales down 10% to 447,000 and Reuter reported in early January that the Peugeot family wanted to raise its stake in PSA and FCAU quickly after the two agreed to a merger and issued a large special dividend, targeting \$4B in annual cost savings with the deal expected to close Q1 2021. FCAU will hold its Annual Meeting in June and announced plans to restart production in the US and Canada on May 4<sup>th</sup>. Analysts have an average target of \$18 and short interest has moved higher to 3% of the float. Hedge Fund ownership fell 19% in Q4 filings. Confier Mgmt. taking a new 28M share stake.

### Hawk Vision:



**Hawk's Perspective:** FCAU is one of the healthier situations of the traditional auto companies and looks to have some value at these levels, though prefer to see more flow.

**Confidence Ranking:** \$\$