



## Bullish Call Buy in Raytheon tech

Ticker/Price: RTX (\$57.50)

### Analysis:

**Raytheon Tech (RTX)** buyer 1000 November \$60 calls to open \$5.60 in a single lot, the new combination of Raytheon and United Tech after spinning out Carrier and Otis. RTX has not seen much options flow of note outside of 15,000 June \$80 calls sold to open that are now trading near zero. RTX shares have been lagging given the Aerospace/Defense exposure and may have put in a higher low last week, rising 9% this morning and a channel up potentially forming with room up towards \$70 near-term. The \$81.7B Company trades 13.7X Earnings, 24.8X FCF and 12X EV/EBITDA with a strong 3.6% dividend yield. RTX beat estimates back on 5/7 and cited its strong balance sheet, industry-leading technologies across commercial aerospace and defense, and its cost cutting plans. RTX is slated to speak at the Electrical Products Group Conference this week. RTX sees a return to pre COVID\_19 levels by 2022. Analysts have an average target of \$75 with short interest low at 1.2% of the float. Jefferies and CSFB out with \$80 and \$81 targets earlier in May reiterating positive stances. UBs started Buy with an \$81 target in April noting attractive valuation and free cash flows. Goldman at Buy and \$76 target seeing little impact to the legacy defense business which aligns well with Pentagon modernization strategy and concerns with commercial aerospace already reflected in shares while a third of Raytheon's revenue is generated from the aerospace aftermarket and this end-market's secular growth, recurring revenue and pricing power all equate to high margins, returns, and free cash that compound over time. RTX sees \$1B in cost synergies by year 4. Hedge Fund ownership down 5% in Q1 filings, though Laurion and Jensen added to large concentrated positions and Third Point remains a top holder.

### Hawk Vision:



**Hawk's Perspective:** RTX looks to finally be working out of a downtrend and remains a favorite fundamental story combining three favored companies (UTX, COL, RTN), though Aerospace exposure a concern, becoming a value/yield own.

**Confidence Ranking:** \$\$