



## Unusual Call Buying in Aerojet as Space Exploration in Focus

Ticker/Price: AJRD (\$45)

### Analysis:

**Aerojet Rocketdyne (AJRD)** seeing a sharp rise in IV today with IV30 up nearly 20% and calls running 4800 for the morning, already 57X daily average, the July \$45 calls with buyers active 2550X near \$3 while 2000 June \$40 puts are sold to open for \$0.50. On 5/21 the November \$45 calls with unusual buys of 425X. AJRD shares pulled back in March with the market but held right at long term trend support, shares now working back towards the 200 MA and looking to clear a range that targets a move back to \$50. The \$3.43B maker of rocket propulsion systems and air-breathing hypersonic engines trades 22.2X Earnings, 1.75X Sales and 15.8X FCF. After some Aerospace M&A deals earlier this year I featured AJRD as the best-in-class name with impressive profitability growth, high margins and leading FCF margins. They remain one of the only pure-play names on hypersonic growth and space propulsion after peer Orbital (OA) was acquired. In May AJRD received a \$1.79B contract from NASA for 18 RS-25 rocket engines to support deep space exploration. The DoD is prioritizing next generation programs core to AJRD such as hypersonics and missile defense. NASA plans for U.S. Astronaut return to Moon in 2024 require use of AJRD launch and in-space propulsion. Analysts have an average target of \$52.50 and short interest at 6.6% of the float is down 25% Q/Q. RBC started shares Perform on 5/20 with a \$45 target, concerns on premium valuation in a competitive landscape. In March Raytheon struck a \$1B strategic sourcing deal with AJRD. Hedge Fund ownership was flat in Q1 filings.

### Hawk Vision:



**Hawk's Perspective:** AJRD has been a long-time smaller cap favorite and continue to see it well positioned in the Defense group, a top name to own.

**Confidence Ranking:** \$\$