



FEATURED OPTIONS RADAR REPORT



Zoetis Bulls Willing to Own Stock at Current Level

Ticker/Price: SPR (\$19)

Analysis:

Spirit Aero (SPR) buyers of 4000 December \$20/\$30 call spreads to open at \$1.95 and then 8000 more spreads are bought for \$2.10. SPR has over 5000 January \$40/\$50 call spreads in open interest from a trade on 9/16 and sizable underwater November \$30 and December \$40/\$50 call spreads also in OI. SPR shares are back near multi-year lows as a key supplier to Boeing but some signs of a base forming with RSI gaining. The \$1.86B company now trades 13.9X FY 21 EBITDA with revenues seen recovering 15.5% in 2021 after diving 58% in 2020. SPR recently terminated its deal to acquire ASCO Industries and has not seen any insider buys into declines. SPR builds large structures for commercial military aircraft, things like fuselages and wings and nacelles. It has large work packages for Airbus and Boeing programs, and the MAX has been a difficult situation as it makes 70% of the structure. SPR is set to burn \$800M in cash this year but had \$1.9B in cash at the end of Q2 and confident it will be cash flow positive again in 2022. SPR presented at the MSCO Laguna Conference on 9/15 and is investing in productivity of its factories during this downturn, and sees production rates rising over the next five years. Analysts have an average target of \$22 and short interest rising 58% Q/Q to 10% of the float. Barclays raised its target to \$24 on 9/10 noting expectations have bottomed out and it will exit the pandemic better off. MSCO started shares Underweight preferring aftermarket players until aircraft production starts increasing. Hedge Fund ownership fell 20% in Q2 filings, Darsana Capital a top holder reduced its position while Sculptor and Causeway added to positions.

Hawk Vision:



Hawk's Perspective: SPR is clearly a mess in the present, but the future is bright if MAX resumes and travel rebounds, more of a name for the long-hail patient investor, though this nearer term options action suggests there could be more to the story, potentially attracting M&A interest.

Confidence Ranking: \$\$