



FEATURED OPTIONS RADAR REPORT



Axalta Bullish Positions Accumulate

Ticker/Price: AXTA (\$24.9)

Analysis:

Axalta Coatings (AXTA) buyer today of 2,500 January \$25 calls today for \$1.80 in a stock replacement and follows buyers of more than 4800 January \$28 calls recently. AXTA has a lot of November open interest including 3,000 November \$26 puts sold to open on 10/22 while the \$23 and \$24 strikes both with put sales also. Shares are trading back near the 50-day MA and the recent multi-month breakout level at \$24.50 with a long-term target on the recent move up at \$30. The \$5.96B company trades 14.9X earnings, 1.6X sales, and 11.5X FCF with accelerating top and bottom line growth. AXTA is benefiting from cost-cuts from their restructuring program as well as a positive inflection in their end-markets. The company cited higher miles driven as a positive tailwind for both the repair and refinish markets with body shop volumes down just 10% in the US and positive in Europe and Asia. AXTA has become a solid FCF generator and the company said last week they expect to deploy capital across a number of accretive uses including M&A and buybacks, depending on the 2021 outlook looks. There has also been speculation that they could be bought themselves with Nippon Paint saying earlier this Fall they were planning a "global spending spree." Analysts have an average target for shares of \$27.50, CSFB with a \$34 PT on 10/23. Goldman added shares to their Conviction Buy list on 10/14 as AXTA is more leveraged to auto manufacturing and auto refinish end markets than peers and the outlook has "improved meaningfully" in the last few months. Gordon Haskett on 10/1, commenting on a potential Nippon deal, said the company may have room to add AXTA despite their recent \$12B deal with their largest shareholder. Short interest is 3.3% and up from 1.9% in mid-September. Hedge fund ownership fell 5.8%, Berkshire Hathaway remains a top holder with 23.5M shares and Shapiro Capital with 8.66M shares, their third largest position.

Hawk Vision:



Hawk's Perspective: AXTA weakness looks like an opportunity with the short put strikes supportive providing a nice reward/risk set-up in a name cheap on valuation with M&A upside.

Confidence Ranking: \$\$