



FEATURED OPTIONS RADAR REPORT



TransDigm Calls Bought on Aerospace Recovery Prospects

Ticker/Price: TDG (\$493)

Analysis:

TransDigm (TDG) with action on 10/20 as February \$320 calls were bought near \$37 early and saw more buys late in the session taking volume up to 1200X and a large lot paying \$39.50 to open. TDG recently with 750 November \$490 puts sold to open as well while 1100 December \$640 calls were sold to open 9/16 and remain in OI. On the chart shares have been basing above the 89-day moving average and above \$500 can target a more key breakout level at \$515 that would move shares out of a one-hundred-point range. The \$26B Company has been hit hard by the pandemic as a supplier to the Aerospace industry and is trading 40X Earnings and 19X EBITDA. TDG sees a return to growth in 2HH 2021 with FY22 seen as a 40% EPS growth and 11% revenue growth year. TDG makes proprietary and highly engineered components with a focus on the aftermarket which insulates it a bit more from the OEM suppliers. Analysts have an average target of \$515 and short interest is at 5.5% of the float. Jefferies out on 9/18 seeing TDG as a likely buyer of Triumph (TGI) which could generate 22% accretion by year two though uncertainty on commercial aerospace and its high debt load may make it less likely. CSFB raised its target to \$577 on 9/17 citing the unique margin recovery prospects with three levers to pull via price, cost, and mix. Barclays raised its target to \$550 noting Aerospace earnings should exit the pandemic better than where it entered. Hedge Fund ownership jumped 13.5% in Q2 filings with a new large Tiger Global position and notable top holders like Lone Pine, Altarock, Stockbridge and Matrix.

Hawk Vision:



Hawk's Perspective: TDG is a high quality name as a margin leader, obviously in a tough industry for this environment, but a likely long-term opportunity as Aerospace troughs.

Confidence Ranking: \$\$