



FEATURED OPTIONS RADAR REPORT



Tenneco Bulls Plays for Long Term Upside

Ticker/Price: TEN (\$8.90)

Analysis:

Tenneco (TEN) bullish spread today sold 1,000 January 2022 \$10 ITM puts and bought the \$8 calls for a small net credit and name which has seen a lot of smaller accumulation in the January \$10 and \$11 calls in October. The December \$9 and \$10 calls also with over 1500 each in OI from buyers in late October. Insiders active buying stock, too. In August, a director bought \$230,000 in shares at \$7.70 and in late 2019 the CFO bought \$566,000 in stock at \$9.45. TEN has been a laggard in the space but sets up well above \$9.50 for a move out of a narrow multi-month range and potential out to \$13-\$14. The \$665M auto parts company trades 3X earnings, less than 0.10X sales, and 27.5X FCF. TEN focuses on clean air, powertrain, and ride performance systems for light vehicle and commercial trucks. Their production has ramped back up during the Summer months while China and EMEA volumes strengthened. TEN is focusing on reducing debt, improving their inventories to better balance capital intensity, and divest non-core business lines while focusing on higher-growth lines like advanced suspension tech and NVH performance materials. Analysts have an average target for shares of \$6 with limited coverage. JP Morgan raising estimates on 10/22 citing strength for suppliers worldwide with China greatly outperforming. Short interest is 6.7% and down from around 10% in June. Hedge fund ownership fell 20% in Q2, Carl Icahn remains the top holder with 9.1M shares and Appaloosa a new 1.1M share position. In January, a former Icahn protégé Dan Ninivaggi publicly called for TEN to explore a sale. He saw value in the company shedding its aftermarket parts unit or the entire company.

Hawk Vision:



Hawk's Perspective: TEN is an interesting deep value name and above \$10.85 can run a long way while the M&A potential alluring as well with some auto part consolidation in 2020. It is a name that can get re-rated in 2021, though APTV may favorite play in Auto with much better growth potential.

Confidence Ranking: \$\$