



## FEATURED OPTIONS RADAR REPORT



### Risk Reversal Sees Travel Demand Boosting AerCap

**Ticker/Price:** AER (\$50.35)

#### Analysis:

**AerCap (AER)** large bullish trade on 7/7 opened 1500 January 2023 \$60/\$35 bull risk reversals at a \$3.50 debit, the only notable large trade in open interest outside of some short January \$60 calls (2275X). AER shares have been selling off the last few weeks and shares are just +9.8% YTD but back near key support and near the 38.2% retracement level at \$47.50 of the September 2020 low to the 2021 highs. AER is a top aircraft leasing company that was hit hard by the pandemic and looking to recover with travel demand and earlier this year announced plans to merge with **GE's** aircraft leasing unit and the increased scale and network effects should be a positive. This transaction creates an industry leader across all areas of aviation leasing, aircraft, engines and helicopters. The combined company will have a broader revenue base, greater customer diversification and a larger base of unencumbered assets that will generate around \$7 billion of revenue and around \$5 billion of operating cash flow annually. AER is coming off a solid quarter with encouraging data points and 100% of deliveries are under contract through 2022 and it signed 60 leases last quarter while this morning announced it 51 leases signed in Q2 and also sold some aircraft. The \$33.8B company trades 5X FY22 expected EBITDA with EBITDA seen rising 32.5% in 2021 and 88.8% in 2022. Analysts have an average target of \$70 with short interest low at 2.6% of the float. On 4/29 Stephens announced AER as a Best Idea seeing \$100/share value by the end of 2022 as a fundamental improvement in aircraft leasing will drive earnings upside, an \$88 target. Greenlight Capital's Einhorn discussed AER in early May as an attractive name.

#### Hawk Vision:



**Hawk's Perspective:** AER has some ugly price-action lately and not an overly fun options name but more of a longer term value investment with a clear opportunity in a depressed aircraft market in the midst of a multi-year turnaround.

**Confidence Ranking:** \$\$