



## FEATURED OPTIONS RADAR REPORT



### Unusual Calls Bought in Specialty Metals Play Levered to Aero Recovery

**Ticker/Price:** ATI (\$27.50)

**Allegheny Tech (ATI)** with consecutive days of unusual call activity with 1275 May \$25 calls bought on 3/29 and then on 3/30 the May \$27.50 calls traded 2885X for over \$620K premium. ATI also has 1,945 October \$37.5 far OTM calls in open interest from an unusual early March buyer. ATI shares are +73% YTD with the strength in metal prices and shares currently flagging on the daily just below a major 2018 resistance level and working out of a decade-long downtrend. ATI is a specialty materials company with Aerospace & Defense its largest market at 40% led by jet engines and also has a strong presence in the energy markets, including specialty energy, oil & gas and downstream processing. Typical aerospace applications for nickel-based alloys and superalloys and advanced metallic powders include jet engine discs, blades, vanes, rings, casings and shafts. Nickel-based alloys and superalloys remain extremely strong at high temperatures and resist degradation under extreme conditions. The next-generation jet engines use advanced nickel-based superalloys and metallic powder alloys due to increased fuel efficiency requirements that require hotter-burning engines. ATI also has some medical exposure with MRI wiring and specialty alloys for replacement knees, hips and other prosthetic devices. Its biocompatible nickel-titanium shape memory alloy is used for stents to support collapsed or clogged blood vessels. ATI has a \$3.5B market cap and trades 18.4X Earnings, 11.5X EBITDA and 5.1X Cash with revenues seen rising 9-11% annually the next few years while EBITDA seen rising 41% in 2022 after jumping 48% in 2021. ATI held an Investor Day in February highlighting its accelerating transformation eliminating low margin products and locking in cost structure benefits. ATI is positive on the recovery in engine demand seen back to 2019 levels by 2023. ATI is targeting EBITDA margins in the 18-20% range from current 9-10% by 2025. Analysts have an average target of \$30 with short interest elevated at 14% of the float. JPM raised its target to \$31 last month confident in the 2025 outlook. Cowen upgraded to Outperform in January on the improving outlook for Aerospace production.

#### Hawk Vision:



**Hawk's Perspective:** ATI is a unique investment with improving end-markets and a real nice outlook for margin expansion the next few years that should re-rate shares higher.

**Confidence Ranking:** \$\$