



## FEATURED OPTIONS RADAR REPORT



### Call Accumulation in Attractive HVAC Value into Replacement Supercycle

**Ticker/Price:** CARR (\$45.75)

#### Analysis:

**Carrier (CARR)** has seen 9000 June \$50 calls accumulate in open interest currently valued near \$900K and still has 3000 January \$40 puts bought tied to stock and 2500 June \$40 short puts in open interest. CARR shares have held up well with Industrials and tested the rising 55-MA this week which held, also retesting VWAP from 2021 highs. Shares have emerged out of a large \$35/\$45 bottoming pattern that targets a move to \$55. CARR is a leading industrial with industry-leading brands such as Carrier, Toshiba, Automated Logic, Carrier Transicold, Kidde, Edwards and LenelS2 that offer innovative heating, ventilating and air conditioning, refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. New Equipment is 77% of sales while Parts/Service is 23%. CARR has a market cap of \$37.75B and trades 15.8X Earnings, 12X EBITDA and with a 5% FCF yield, an attractive value. CARR revenues are seen rising 7.6% in 2023 with 9.7% EPS growth. Residential HVAC volumes are expected to be down HSD for 2023 while price/mix should be an offset. CARR is regaining share through new products and better service attachment at still an early point in a commercial building modernization supercycle. CARR should also benefit from IRA tailwinds and has portfolio optionality with its Fire & Security unit. CARR also has less exposure to the weaker Commercial side of HVAC. Analysts have an average target of \$49 with short interest low at 0.7% of the float. Argus reiterated a Buy and \$52 target a month ago seeing attractive valuation and an improving earnings outlook. Barclays with a \$51 target sees guidance as conservative and a re-rate higher as orders bottom out.

#### Hawk Vision:



**Hawk's Perspective:** CARR is a quality name at cheap valuation and nice trend support hit this week. In this case would undercut the calls with the \$45/\$47.50 call spreads for \$1.20 a nice reward/risk.

**Confidence Ranking:** \$\$