Carrier Bull Spreads See Continued Upside Through Summer

Ticker/Price: CARR ($45.50)

Analysis:

Carrier Global (CARR) with a large bullish trade on 5/7 as 7,500 September $47/$43 bull risk reversals were bought for $0.30 debit. CARR doesn't see a lot of options flow but does have over 5000 January $35 puts sold to open on 4/19. Shares are working on their third strong session in a row today and out of a bull flag above $45.50 with room out to $50 near-term. The $38.4B company trades 19.25X earnings, 2X sales, and 28.5X FCF with a 1% yield. CARR is a leader in HVAC services with exposure to refrigeration, fire security and building automation tech. They have market leading brands like Kidde and Bryant that have positioned the as market share winners long-term and allow them to capitalize and massive secular trends towards climate change, urbanization, and industrial IoT. CARR sees significant upside over the next decade in the shift towards energy efficient HVAC as well as cold storage. They also see major post-COVID trends in healthy buildings driving commercial growth as their OptiClean units become more in-demand. The company is coming off of a strong quarter with 21% revenue growth and raising their outlook as order trends improve, especially around North American residential. Analysts have an average target for shares of $44 with a Street High $57. BAML starting coverage at Buy in mid-April citing a big discount to HVAC peers and seeing that gap close as the company starts benefiting from restructuring and de-levers. UBS with a $50 PT citing portfolio changes and margin improvements. Short interest is 0.82%. Hedge fund ownership rose 1% in Q4. Theleme Partners a buyer of 1.68M shares and now up to 5.5M share stake. Causeway Capital a new 1M share position as well.

Hawk Vision:

Hawk's Perspective: CARR is a fantastic operator and name with some major secular tailwinds driving their core business, a name that can likely be bought and held for a long time

Confidence Ranking: $$