



## FEATURED OPTIONS RADAR REPORT



### Bulls Target High-Quality Industrial Ahead of Transformative Strategic Deal

**Ticker/Price:** EMR (\$93.35)

#### Analysis:

**Emerson (EMR)** with a large buyer on 4/8 for 1,500 September \$90 calls for \$9.10 to open and follows buyers in the January \$125 calls and May 13<sup>th</sup> (W) put sales. EMR has 800 June \$90 calls in OI and had buyers in the \$87.50 calls in late February. EMR has pulled back to the low-end of March value and forming a nice weekly base after pulling back from 52-week highs in August 2021. A breakout above \$100 has room to run to \$125-\$130. The \$57B company trades 17.4X earnings, 3X sales, and 12X cash with a 2% yield. EMR designs technology products for the industrial market including measurement and analytical instrumentation, industrial valves and equipment, and process control software and systems. EMR is coming off of a strong quarter with strength across all of their major end-markets driven by better volumes, mix, and cost savings. Automation Solutions continues to see tailwinds from China investments in decarbonization and a recovery in energy markets while Commercial & Residential Solutions has been supported by strong housing starts. EMR announced a deal in October to merge their industrial software business, OSI and Geological Simulation, with Aspen Tech. Emerson would own 55% of the new company. The NewCo will have strong FCF, best-in-class profitability, and double-digit growth but more importantly EMR will invest in further strategic transactions as they build out an industry-leading platform. Analysts have an average target for shares of \$108 with a Street High \$124. OpCo upgrading to Outperform on 3/9 citing the excellent persistent capital preservation characteristics in shares, the company's strong global leadership position in automation solutions and a multi-faceted backdrop of cyclical and secular drivers for the upgrade. Hedge fund ownership rose 6%.

#### Hawk Vision:



**Hawk's Perspective:** EMR has long been a favorite name with secular tailwinds that should continue to drive growth into the next decade

**Confidence Ranking:** \$\$