



## FEATURED OPTIONS RADAR REPORT



### Call Spreads See Upside for Small-Cap Aerospace Play into Regulatory Catalyst

**Ticker/Price:** (\$28)

#### Analysis:

**Fortress Transportation (FTAI)** buyer 5,000 May \$30/\$40 call spreads this afternoon for \$2.03 as 2500 April \$25 calls adjust and follows spreads this week selling the March \$30 calls and buying the April \$30/\$35 call spread over 4000X. FTAI still has over 9,250 April \$28 calls in open interest from December buys. Shares are consolidating below the December peak and breakout above \$30 has room to make a big run back to the prior highs near \$35. FTAI is forming a series of higher highs and higher lows since October and the weekly has been basing nicely at the 38.2% Fibonacci retracement of the big rally from the March 2020 lows. A continuation of the bull trend has a measured move to \$45. The \$2.8B company trades 18.4X earnings, 7.2X sales, and 15.8X cash with a 4.75% yield. FTAI owns and acquires infrastructure and related equipment for the transportation industry including an aircraft leasing business that has 78 commercial aircraft under management. They also have assets like railways, an energy terminal and power plants. The vast majority of their business comes from the aircraft leasing side and they stand to be a big winner from the pandemic abating and aviation returning to a more normalized environment. FTAI announced plans last year to adjust their corporate structure and split into two companies, a move which will simplify the business and draw in more investors to the aviation recovery story. The aviation business is setup well for 2022/2023 recovery, too, with deals over the last two years with Chromalloy, Lockheed Martin, and partnership with AAR for parts repair. Regulatory approval is expected soon. Analysts have an average target for shares of \$34 with a Street High \$39. Barclays starting at Overweight on 9/20 see a bright future for the company supported by aviation leasing growth and long-term project contributions starting late in 2021. The firm also expects management will look to expand revenue opportunities for the former Transtar operations. Citi starting at Buy in June as they think the Transtar deal is a big step toward unlocking significant value as it diversifies their infrastructure beyond terminals and adds mature contracted EBITDA. Hedge fund ownership rose 50% last quarter, Hood River Capital a top holder with 3M shares. Insiders active in the name, as well, with a director buying \$2.5M in stock in September at \$25.50.

#### Hawk Vision:



**Hawk's Perspective:** FTAI sets up well on the chart and think their business is positioned well for the reopening/aerospace recovery while the catalyst near-term can be the driver for a move higher and these May call spreads offer a nice risk/reward

**Confidence Ranking:** \$\$