



FEATURED OPTIONS RADAR REPORT



Fortress Bull Spreads Position for Further Upside Ahead of Potential JV Approval

Ticker/Price: FTAI (\$27.50)

Analysis:

Fortress Transportation (FTAI) spread today is selling the January \$17 puts to buy the \$30/\$40 call spread for a net \$1.60 on 2500 contracts. FTAI has seen a lot of bullish flow recently including buyers of the July \$27 calls and June \$28 calls as well as 2,000 July \$26 puts sold to open. FTAI has 10,000 May \$28 calls in open interest as well from earlier this year and 5,000 January 2023 \$25 calls from 2020. Shares are consolidating in a nice weekly bull flag under \$32 and recent highs with the rising 21-week MA just below. A move higher targets \$37. The \$2.56B company trades 12.5X earnings, 7.75X sales, and 21X cash with a 4.67% yield. FTAI owns high-quality infrastructure assets for transportation industry across aviation, energy, intermodal transport and rail. FTAI is coming off of a mixed quarter but optimism into the 2H as they see a big rebound for 737NG and A320 aircraft demand. The two models comprise about 75% of their fleet and benefit both from short-haul markets in the US but also cargo which continues to see record demand. The company has a catalyst in July/August around their PMA initiative with Lockheed Martin, "The Module Factory," which they expect to be formally submitted to the FAA this Summer after making some modest changes. The first JV was approved in February. The move would allow for commercialization of engine modules around the CFM56 and open up their market to airlines, operators, owners and MROs. FTAI expects a big windfall from approval with market share gains and roughly \$50M in annual EBITDA. Analysts have an average target for shares of \$28 with a Street High \$37. B Riley raising estimates in March citing recent approval around their PMA products while also seeing upside from their pipeline project with Exxon at Jefferson Terminal. JMP in February noting that early 2021 has been difficult for the company but they've managed it well and likely positioned to be more aggressive in the 2H with their businesses. Short interest is 4.35%. Hedge fund ownership fell 2% in Q4, Soros Fund and Hood River Capital two notable buyers. Insiders active buying stock as well with a director adding \$20M in shares at \$25 in March during the recent offering.

Hawk Vision:



Hawk's Perspective: FTAI is an under-followed name we profiled back in November and still see plenty of upside in 2021 with this FAA catalyst the key thing to watch over the next 2-3 months

Confidence Ranking: \$\$