



FEATURED OPTIONS RADAR REPORT



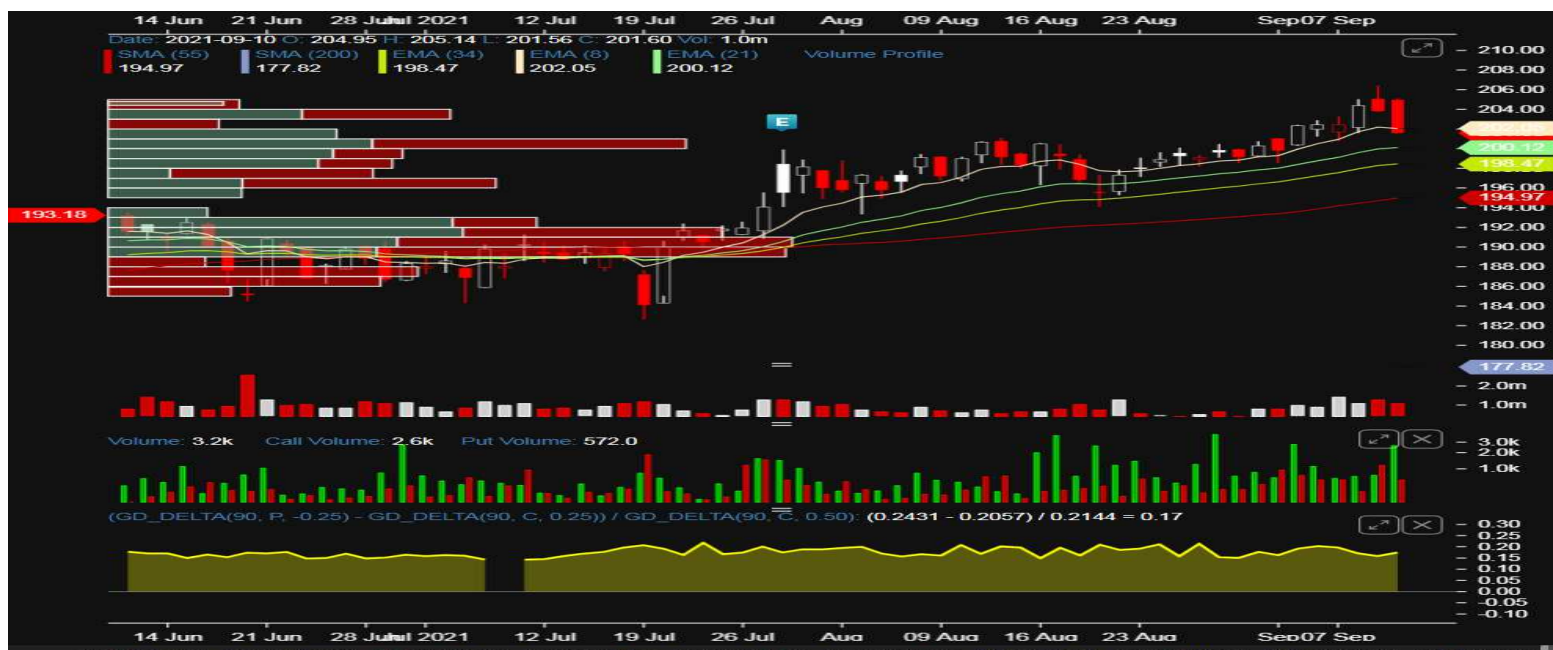
Unusual Upside Calls in Business Jet Leader on Robust Demand

Ticker/Price: GD (\$201.60)

Analysis:

General Dynamics (GD) traded 5X daily call volume on 9/10 with 2000 Of the November \$210 calls bought to open \$3.60 to \$4.10, unusual upside action in the name and a name with very little open interest though 400 January \$205 puts were sold to open for \$10.70 on 9/9 and had some open interest in these calls from a buyer back in May with OI now up to 2700X. GD shares have shown some relative strength to peers this quarter following a key breakout above \$193.50 in late July. GD has strongly worked out of the downtrend from the 2018 highs and \$203 a key volume node level to close above with room back to \$220. General Dynamics is a global aerospace and defense company that specializes in high-end design, engineering and manufacturing with a broad portfolio of products and services in business aviation; ship construction and repair; land combat vehicles, weapons systems and munitions; and technology products and services. GD has ten business units that are organized into four operating segments: Aerospace, Marine Systems, Combat Systems and Technologies. GD has 75% exposure to defense and government markets. GD has a market cap of \$56B and trades 16.2X Earnings, 13X EBITDA, 21.65X FCF and yields 2.36%. Forecasts see revenues growing 3-5% annually with EPS growth of 6-10%. GD is coming off a strong quarter in Defense while Aerospace is in progress of recovering and saw a 2:1 book-to-bill ratio last quarter with notable strength in Gulfstream. The G500 and G600 continue to perform well and are improving margins and management noted robust momentum for business jets in the US. Analysts have an average target of \$220 with short interest low at 1% of the float. CSFB raised its target to \$198 in late July after the strong Q2 report. Wells Fargo started coverage at Overweight with a \$216 target in May while Argus upgraded to Buy on 5/7 with a \$225 target on the improving Aerospace segment and aggressive returns of capital through dividends. Hedge Fund ownership rose 1.3% in the latest quarterly filings.

Hawk Vision:



Hawk's Perspective: GD has value to unlock and think it should consider spinning out the Gulfstream segment and/or combining it with **Textron (TXT)**. Shares pulled back to a nice level near \$200 and see potential for this to work back to \$225.

Confidence Ranking: \$\$