



## General Dynamics Bulls Position for Upside Move

Ticker/Price: GD (\$180.85)

### Analysis:

**General Dynamics (GD)** with over 4,000 January 31<sup>st</sup> (W) \$180 calls bought yesterday up to \$3.70 ahead of 1-29 and follows buyers in the Feb. 14<sup>th</sup> (W) \$180 calls on 1-7 up around \$5.30 that are a bit down from the purchase price but traded over 1790X. Shares are coiled in a bullish wedge under \$184 and a move above \$190 has potential back up to a big VPOC from 2018 around \$215. On the weekly, MACD and RSI have reset well and plenty of room to run. The \$53B defense company trades 14X earnings and around 1.4X sales with a 2.25% yield and high-single digit growth. GD is a name we highlighted in September and continue to like given tailwinds from the defense budget, especially as the Navy recapitalizes and the Army also recapitalizes for the first time in several years. GD also has a transformation with their jet business underway with the new 500 and 600 models moving into production and a replacement cycle beginning. The model shift should also help with margins a bit which were an area of concern last quarter. In December, GD won a Naval submarine contract worth around \$20B with deliveries starting in 2025. Analysts are mixed on the name with 5 buy ratings, 6 hold, and 1 sell and a \$195 average target. Cowen positive as the firm sees cash flow booming and the stock's valuation is at a peer-low 2020 TEV/EBITDA with a peer-high cash flow yield.

### Hawk Vision:



**Hawk's Perspective:** GD is an attractive value and very coiled on the weekly, looking for a move above \$183 to trigger a trend move higher, and a name that can be traded against \$175.

**Confidence Ranking:** \$\$