



## FEATURED OPTIONS RADAR REPORT



### Cheap Upside Calls Bought in Key Global Automotive Replacement Parts Provider

Ticker/Price: GT (\$16.30)

#### Analysis:

**Goodyear Tires (GT)** traded 3X daily call volume on 8/16 as afternoon action saw aggressive buying of 6500 January \$18 calls to open at \$1.10. GT mainly has longer-dated open interest and has seen buyers in January \$22 calls with 4900 in OI and in January 2023 opening put sales have been popular while January \$15 short puts from a trade in November 2019 remain in OI for 5250X. GT shares have pulled back off early June highs but recently basing above its rising 200-day moving average and key retracements of the big rally to start 2021. GT needs to work back above \$18.15 to make a strong move to new highs. GT is a leading manufacturer of tires and recently acquired Cooper for \$2.5B while Bridgestone and Michelin are its two largest competitors. The Tires market is mostly a replacement market, 75%, and seen having little changes with the move to EV outside of lighter-weight and low-rolling resistance tires. GT has a market cap of \$4.75B and trades 7X Earnings, 6.3X EBITDA and revenues seen rising 36% in 2021 and 8.6% in 2022 with EBITDA increasing 145% and 24% respectively. GT's low multiple is due to it being a low margin business and its balance sheet. GT recently delivered the highest quarterly contribution of price/mix in over nine years of business. GT saw some issues from weaker OE business due to supply issues but the demand is there and it has a strong position in SUVs and light trucks. Goodyear's Fleet Central is a suite of fleet management tools helping GT driver market share gains and freight demand is outpacing supply with fleets needing tire replacements. GT added Tesco's fleet of 6800 truck and trailers to its customer portfolio last quarter. GE is also taking initiatives to move into mobility solutions and news this week it is investing in EV charging start-up AmpUp. GT also has higher win-rates among electric vehicle fitments and also notes a strong premium of revenue per tire for those which is positive to the future mix. Analysts have an average target of \$20 on shares with short interest low at 3.5% of the float and down 40% Q/Q. Deutsche Bank raised its target to \$21 in May noting early stages of an earnings recovery but concerns with execution risk and the Cooper deal synergies. Hedge Fund ownership jumped 17.9% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** GT is already trading near the high-end of its historic valuation range though see it as a name with upside potential on its transformational deal and recent investments. A move above the 55-MA would be key.

**Confidence Ranking:** \$\$