



FEATURED OPTIONS RADAR REPORT



Unusual Bull Spread in Illinois Tool Which May Target Deals

Ticker/Price: ITW (\$232.50)

Analysis:

Illinois Tool (ITW) options unusually active with 1980 September \$250 calls being bought \$3.88 to \$4 and the \$200 puts selling to open 2200X \$2.73 to \$2.50. ITW does have over 2000 June \$220 calls in open interest from buyers now deep ITM but otherwise sees very little activity. ITW shares hit new highs recently and pulled back to the rising 34-day moving average which has been supportive while the recent bull flag breakout at \$224 has a measured move to \$255. ITW is a global manufacturer of a diversified range of industrial products and operates in seven segments: Automotive OEM; Food Equipment; Test & Measurement and Electronics; Welding; Polymers & Fluids; Construction Products; and Specialty Products. ITW has always been a best-in-class operator and currently has a \$73.3B market cap trading 24.9X Earnings, 19X EBITDA, 5.7X Sales and 63.2X FCF with a 1.96% dividend yield. ITW forecasts see revenues rising 14% in 2021 and 5.5% in 2022 with EBITDA jumping 31.7% and 7.5% respectively. ITW is a margin leader and seeing further expansion across its segments last quarter while growth is inflecting positively. ITW also has a strong balance sheet to pursue M&A and did announce a \$3B buyback earlier this month. Analysts have an average target of \$250 and short interest is low at 1.4% of the float. Argus raised its target to \$260 on 5/5 seeing it taking share from customers as growth accelerates. CSFB raised its target to \$261 expecting M&A to reposition its portfolio over the medium term and sees Q1 as the turning point to deliver organic growth upside. Hedge Fund ownership fell 2% in Q1 filings,

Hawk Vision:



Hawk's Perspective: ITW is an Industrial leader and a nice small pullback wedge forming, a name that should continue to trade well in a strong Macro backdrop.

Confidence Ranking: \$\$