



FEATURED OPTIONS RADAR REPORT



Bull Spread Sees Further Upside for Relative Strength Defense Leader

Ticker/Price: NOC (\$466)

Analysis:

Northrop Grumman (NOC) with 1200 August \$500/\$400 bull risk reversals opening for \$8.20, name holding up well and near a multi-week breakout. NOC has little other notable open interest but does have 700 August \$280 short puts in open interest from 2/1. A breakout move above the \$475 level has upside to \$540-\$550 and continuation of the longer-term bull trend. NOC has shown relative strength since early 2021. The \$73B company trades 17X earnings, 2X sales, and 33.5X cash with a 1.35% yield. NOC is a leading aerospace and defense company with an industry-best aeronautics unit which develops aircraft systems including UAVs and strategic ISR systems. NOC is coming off a strong quarter with their backlog now \$76B or roughly 2X annual sales. The company is also executing well on a cost efficiency program as well. NOC expects to ramp their growth rate in 2023 as they benefit from expanded NASA budgets and a favorable DoD budget environment. Analysts have an average target for shares of \$445 with a Street High \$520. UBS raising estimates on 4/29 and Jefferies noting on 3/29 that the company is among the biggest beneficiaries of the new DOD budget request. The firm notes that the 2% growth is likely a baseline and Congress will push forward further funding in FY23. Susquehanna positive citing their favorable portfolio and shareholder-friendly capital return policy of returning most of its FCF through dividends and buybacks. Hedge fund ownership rose marginally. Castleview Partners and Sanders Capital both buyers of stock.

Hawk Vision:



Hawk's Perspective: NOC looks great in a market that mostly does not and think they'll continue to benefit from near-term headline risk, a supportive Washington DC, and anticipation into the mid-terms in November

Confidence Ranking: \$\$