



FEATURED OPTIONS RADAR



Industrial Name with Strong Balance Sheet Sees Large Call Buyer Adjust

Ticker/Price: OTIS (\$88.98)

Analysis:

Otis Worldwide (OTIS) on 12/11 saw an unusually large buyer of 2500 June \$92.50 calls opening at \$4.56 as March 85 adjusted up and out after being up nearly 90% on the original buys back on 10/12. The June calls buying over \$1.1M in call premium looking for more and this follows a buyer last week for 1200 January \$85 calls bought at \$3.70 on 12/8. OTIS also has seen buys for 500 March \$80 calls this week at \$2.75 while still has 250 Jan \$75 deep ITM calls in open interest. The March and June calls bought also capture OTIS's Investor Day scheduled for February 15th. The \$36.5B industrial company trades at 23.2x earnings, 2.9x sales, FCF yield of 4.7% and a dividend yield of 1.6% with revenues expected to rise +4% in FY23 and growth estimated at +3% in FY24. Otis Worldwide is an elevator and escalator manufacturing, installation, and service company. It serves customers in over 200 countries and territories. It operates in two segments: New Equipment and Service. Through its New Equipment segment, it designs, manufactures, sells, and installs a range of passenger and freight elevators, as well as escalators and moving walkways to customers in residential and commercial buildings, and infrastructure projects. OTIS is coming off a solid quarter beating EPS while also raising its FY23 EPS guidance and saying their backlog was up by +3% and highlighted by organic sales growth in both segments. The CEO also stating that their strategy has been resilient through macro volatility. Back in late summer the CEO also stated in a interview that they have record backlogs providing 18-24 months of work ahead and their India market is growing significantly. Shares have been rallying off the recent lows which bottomed right into the big support of the 61.8% fib retracement from the 2022 to 2023 range near 73 and now quickly back over all key moving averages as the 21/55 weekly EMA cross bullish as well confirming the move. OTIS has resistance at 90 just ahead where the former high in July was made but a weekly close above that can see 100 as a longer-term target from the cup and handle looking pattern on the weekly chart. Support on a dip is strong at 85 and 84 where the YTD VPOC sits. Average analyst price target is \$90. Wolfe has a \$94 target and Outperform as they cite the company's Service segment fundamentals remain solid. UBS recently saying that commercial construction softness pressuring new equipment sales is likely already reflected in the stock valuation into the recent correction., RBC is more bullish and has a \$100 target as they say the newly introduced UpLift program shows that the management is intent on driving further efficiency gains from a position of strength. Short interest is at 1.0%. Hedge fund ownership fell 4.2%.

Hawk Vision:



Hawk's Perspective: OTIS can work higher towards 100 likely into early next year as Industrial see rotation. A less liquid options name but simply buying dip to the 8 EMA should work while keeping stops on a close below the 200 day at 84.

Confidence Ranking: \$\$