



## Call Accumulation in ABB Ltd. On Valuation, Capital Deployment

**Ticker/Price:** ABB (\$19.70)

### Analysis:

**ABB Ltd. (ABB)** shares triggered a weekly base breakout on the open this morning, a name that traded to \$28.50 in early 2018 and since has hit a low near \$18, not recovering like many American peers. ABB now has plenty of room to make a run back to \$22 or higher and has seen some call accumulation, a name with low volatility offering cheap upside calls. It has 4,350 March \$20, 2,500 March \$21, 5,400 June \$20 and 3,725 June \$21 calls in open interest from offer side buys. It also has September \$20 and \$21 calls 1,288 and 1,947 respectively. The \$42B Swiss Industrial trades 12.9X Earnings, 1.17X Sales, 21.9X FCF and 8.3X FY19 EV/EBITDA with a 4.29% dividend yield. ABB will report earnings on 2-28. The growth outlook is healthy after 8.5% topline growth in 2018 seeing 6% growth in 2019 and 15% EPS growth forecasted. Barron's was out positive earlier this month noting the industrial giant is taking steps to hike growth and return billions to shareholders. There was a report out of a European paper recently noting ABB is considering more deals in the robotics space as well. ABB is a leader in Power Grids, Electrification, Industrial Automation, and Robotics/Motion. Analysts have an average target of \$22.60 on shares and short interest low at 0.1% of the float. The Street is mostly at Hold and Sell ratings. Vertical Research cut to Sell on 1/10 citing weak oil prices and mounting China trade pressures as well as an insufficient backlog to support the 2019 outlook. In December it sold 80.1% of Power Grids to Hitachi for \$9.1B. Hedge Fund ownership was down around 5% in recent filings,

### Hawk Vision:



**Trading Strategy:** ABB is a slow mover but offers cheap calls for upside plays while also a fat yield and cheap valuation for a long term patient investors, either way looks attractive to position in the name.

**Confidence Ranking:** \$\$