



## Parker Hannifin Bulls Position for Investor Day

Ticker/Price: PH (\$215)

### Analysis:

**Parker Hannifin (PH)** with a rare large options trade on 2/21 as the May \$230 calls bought 2,350X to open \$4.90 to \$5.30, a name lacking other notable open interest outside of 1200 March \$220 calls sold on 1/30 in a buy-write. PH shares broke out of a two-year basing pattern near \$190 that targets a move up to \$240 and showing relative strength recent moving to new highs above 2018 levels last week. The \$27.8B industrial has been active with acquisitions with LORD Corp. CLARCOR and Exotic Metals Forming Co. adding \$3B in revenues the past five years. PH has exposure to Hydraulics, Pneumatics, Electro-Mechanical, Filtration, Fluid & Gas Handling, Climate Control, Process Control and Engineered Materials. PH's space is motion control, estimated at \$130B and sees a lot of opportunity for growth while having significant competitive advantages to peers with its 8 motion control technologies. PH will be discussing its Win Strategy 3.0 at its Investor Day on 3-12-20. It sees the coronavirus and Boeing 737 MAX as short-term headwinds. PH shares trade 18.35X Earnings, 20.45X FCF and 14X EBITDA with a 1.65% dividend yield. Operating margins have expanded to 17.2% from 14.8% the last three years and is targeting 20%+ margins. Analysts have an average target of \$218 and short interest at 1.2% of the float is near multi-year lows. Goldman raised to Buy from Sell in December with a \$230 target, noting the company's multiple has historically re-rated meaningfully within one year of the ISM bottoming. Stifel upgraded to Buy in December with a \$229 target, expecting the industrial economy to return to growth in Q2 2020 and sees positives in synergies and growth from recent acquisitions. Hedge Fund ownership fell 11.2% in Q4 filings, Vulcan Value exiting a position.

### Hawk Vision:



**Hawk's Perspective:** PH has been a favorite industrial the last two years and starting to get real momentum, a pullback into this March analyst day would be a nice chance to get involved if shares can retest \$209.

**Confidence Ranking:** \$\$