



FEATURED OPTIONS RADAR REPORT



Put Sales See Value in Best-in-Class Defense Operator As 2022 Outlook Brightens

Ticker/Price: RTX (\$84.45)

Raytheon (RTX) with 4,500 February \$75 puts sold to open for \$1.57 today in a stock replacement, trying to move above last week's highs and reclaim the 200-day MA, and follows buyers last week in the May \$85 calls. RTX pulled back last week to a big area at \$80 where we've seen put sellers in the February options, over 8700X in late-September, and also the January \$80 puts sold to open nearly 6000X in August. The February \$85 puts and January \$90 puts also seeing sellers recently while the June \$85 calls with over 4350X in open interest from August buys, sizable buys trading at about a 50% discount from their initial purchase. Shares are bouncing back off of multi-month support and a big volume shelf from 2018/2019 with room above to \$87.50. The \$122B company trades 16X earnings, 1.92X sales, and 16.35X cash with a 2.5% yield. RTX has been benefitting from stronger commercial aftermarket sales while making more portfolio changes in 2021 including disposing of their RIS training and services business. They continue to be optimistic about a recovery ahead in 2022 and beyond from expansion of narrowbody deliveries, growth in defense spending, and continued execution on their broader cost reduction plans. RTX also likely sees a tailwind in 2022 for both Pratt and Collins from 787 production picking back up again. The company has faced supply chain disruptions but told the Baird Investor conference on 11/9 that they continue to actively manage the pressures and expect them to ease into 2022 with better visibility and timing around receipts. Analysts have an average target for shares of \$104 with a Street High \$110. Wells Fargo raising estimates in late October as they see 2022 on track despite some concern out of Lockheed Martin earlier this Fall. Short interest is minimal at 0.67%. Hedge fund ownership rose marginally last quarter. Insiders active in late 2020 around the \$52-\$55 area including more than \$3M from the CEO.

Hawk Vision:



Hawk's Perspective: RTX has run hot today but given the positioning of the put sales, would target any pullback as last week's lows give a nice spot to lean against for a run back to \$90+

Confidence Ranking: \$\$