



FEATURED OPTIONS RADAR REPORT



Spirit Aero Bullish Positioning as Aerospace Recovers, New Revenue Streams & Higher Margins

Ticker/Price: SPR (\$51.45)

Analysis:

Spirit AeroSystems (SPR) with a buyer of 3000 June \$50 calls on 6/2 as the 4000 June \$48 calls bought on 5/27 quickly adjusted into strength. SPR also has 4000 December \$55/\$75 call spreads in open interest as well as 3000 October \$55/\$70 call spreads. SPR has been on a strong three week run after Airbus commentary sparked a move in Aerospace names and shares are +30% YTD but still far below the pre-COVID sell-off levels and plenty of room to return to \$70/\$75 as it moves out of a weekly consolidation and into a lower volume pocket. SPR is the largest independent non-Original Equipment Manufacturer commercial aerostructures designers and manufacturers in the world. It makes fuselages, nacelles (including thrust reversers), struts/pylons, wing structures, and flight control surfaces. SPR also makes parts for military applications for the US Government. Boeing is a major customer and with its recent headwinds waning SPR is also likely to benefit from a return of orders/production. The \$5.4B company trades 15X FY22 EBITDA and 1.7X Sales with revenues seen rising 18-25% annually the next four years and EBITDA seen reach \$1.25B by FY24 which would be well above its \$1.14B record high from 2017. SPR was able to cut costs by \$1B during the pandemic and should emerge a stronger company and ended up with \$2B cash on hand. Its acquisition with Bombardier more than doubled aftermarket assets, and seen being a \$500 million business by 2025 at accretive margins. SPR is confident in a narrowbody recovery and sees fast growth on the MAX for the next several years. Airbus content, defense wins and aftermarket are all adding substantial new revenue streams. Defense growth is being driven by B-21, CH-53K, classified wins and capabilities FTI added such as hypersonics, space, and attributable aircraft. SPR is focused on paying down debt, with a \$1bn target over three years. Analysts have an average target of \$54 with short interest still at 7.5% of the float. Cowen raised its target to \$60 in March citing pent up travel demand enhance visibility of a solid multi-year rebound in deliveries of the 737, its most profitable program. MSCO upgraded shares back in March and now has a \$60 target and is looking out at 2025 numbers as the recovery takes hold.

Hawk Vision:



Hawk's Perspective: SPR is a great multi-year recovery story and can see this tripling over the next 3-5 years.

Confidence Ranking: \$\$