



FEATURED OPTIONS RADAR REPORT



Large Put Sale in Attractive Industrial Value

Ticker/Price: SWK (\$141.6)

Stanley Black and Decker (SWK) interesting trades on 3/29 with 2900 October \$130 puts sold to open at \$7.70 to \$7.20 in large lots, a willing buyer of a lot of shares and the only notable trade in open interest outside of 7000 April \$155 calls that are near worthless. SWK shares have been weak all year with shares -25% YTD without any real strength with the recent market rally. SWK did test near a major volume node of \$135 on recent lows which supports the put selling strategy seen on 3/29. SWK is a global provider of hand tools, power tools, outdoor products and related accessories, engineered fastening systems and products, services and equipment for oil & gas and infrastructure applications, and automatic doors. SWK announced the sale of its Security business to Securitas AB for \$3.2B in December 2021 and on 2/11 reports they could sell the Access Technologies business for around \$500M. SWK has a market cap of \$22.95B and trades 10.6X Earnings, 9.5X EBITDA, and 2.1X Book with a 2.23% dividend yield and 9.8% FCF yield. SWK forecasts see revenues rising 24% in 2022 and EBITDA seen growing at a 7-11% annual rate through 2025. SWK continues to face inflation and supply chain headwinds which should abate into the second half. SWK should see improving volumes and pricing throughout 2022 as it works off tough Q1 comps. SWK also has a \$4B buyback plan that should support shares with a \$2B accelerated repurchase announced on 3/2. Analysts have an average target of \$210 with short interest at 2% of the float. Citi cut shares to Sell on 2/27 on margin dilutive acquisitions, market share losses and lack of new innovative products. CSFB started shares at Outperform this week on attractive valuation and a refined growth strategy.

Hawk Vision:



Hawk's Perspective: SWK is wildly cheap despite some headwinds and could attract an activist, the October put sales make sense being able to own the name at even cheaper levels with hopes of them expiring worthless.

Confidence Ranking: \$\$