



FEATURED OPTIONS RADAR REPORT



Bull Spread in TE Connectivity Positions for 2H Ramp in Auto, Aero Production

Ticker/Price: TEL (\$137.5)

Analysis:

TE Connectivity (TEL) buyers of the October \$145/\$125 bull risk reversal for \$1.58 debit, 2375X, starting to move near a breakout of a narrow, six-month range to new highs. TEL lacks any other notable options activity in open interest. A breakout has room up to \$155 and shares are above their 8-, 13- and 21-day MA as momentum looks to be shifting. The \$44.7B company trades 20X earnings, 3.4X sales, and 25.5X cash with a 1.5% yield. TEL makes connectivity and sensors solutions such as sensors, antennas and relays for automotive, industrial, and communications markets. TEL is coming off of a strong quarter with 17% growth despite disruptions in auto manufacturing and other supply chain issues. The industrial recovery remains a bright spot in 1H as spending on factory automation picks up and they remain positioned well for some major trends in tech with acceleration of cloud applications and data center demand. They have 2H catalysts from a ramp in aerospace production as order books for Airbus and Boeing grow and further EV launches by large-scale manufacturers into 2022. Analysts have an average target for shares of \$145 with a Street High \$160 at Jefferies who thinks the company will continue to benefit from supply chain replenishment which will outweigh auto disruptions. Baird positive in April and continues to like the company's electrification, secular businesses and cyclical tailwinds, and company specific opportunities such as margin improvement and M&A. Hedge fund ownership fell marginally in Q1. Short interest is 0.85%.

Hawk Vision:



Hawk's Perspective: TEL has long been a favorite name and like it above \$139 for a run higher to \$150 and further, positioned well among a lot of big secular trends

Confidence Ranking: \$\$