



## FEATURED OPTIONS RADAR REPORT



### Airline Turnaround Play Sees Bullish Opening Put Sales

**Ticker/Price:** UAL (\$36.26)

#### Analysis:

**United Airlines (UAL)** on 7/26 a large ITM opening put seller sold 1,500 March \$40 puts at \$8.40 for over \$1.26M and calling for a floor in shares near current levels. Seeing an ITM put sale near lows has typically been a great sign of support in a stock. This follows bullish action in August \$32 calls bought 2000x at \$4.65 for nearly \$1M and also a recent opening put sale in June 2023 \$38 puts sold 1400x at \$7.60 for \$1.1M. UAL also has seen insider buys the past 3 months from a director that has accumulated 150k shares between \$35.74 and \$44.71. Over \$5.7M in open market purchases. Shares have been weak since breaking under the 200 EMA in June but starting to base out and find support in the 35 zone as the stock never broke its March lows when the market sold off lower in June. Putting in a higher low on the weekly chart with potential to form a longer base in this area and then take a shot at YTD VWAP up near 43. UAL has an untested VPOC also up at 44.30 that may become a target on strength. The \$11.9B company trades 9.8x earnings, 0.5x EV/sales, with a FCF yield of 11.3% in FY23 as the company returns to profitability. Revenue seen growing 78% this year and +14% in FY23. The company achieved the highest second quarter revenue in its history, delivering its first profitable quarter since COVID-19 began, despite record-high fuel prices. The second quarter results combined with continued progress the company is seeing affirms United's confidence in achieving the long-term adjusted pre-tax margin<sup>1</sup> targets of approximately 9 percent in 2023 and about 14 percent in 2026 that are part of the United Next strategy. Average analyst target is \$53 with a Street high of \$76. Citi out this week lowering their target to \$56 from \$71 but keeping a Buy rating on shares citing the market appears to be struggling to ascertain whether travel momentum keeps offsetting economic moderation, economic moderation drives further oil price weakness and capacity recovers to a point at which the group enjoys seat mile cost dilution without significantly diluting TRASM. JP Morgan positive on the stock on 4/22 saying aside from fuel and geopolitical pressures, almost every fundamental input is stronger than last year. Short interest is at 7.3%. Hedge fund ownership rose 9.1%.

#### Hawk Vision:



**Hawk's Perspective:** UAL is finding support at the lower part of monthly value and trying to double bottom so trading against a close below 33.73 seems like the level to use for potential swing back to 43.

**Confidence Ranking:** \$\$