

Wabco Holdings (WBC)

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Ticker: WBC

Sector: Truck Parts Supplier

Current Price: \$111.60

Target: First target \$120; Second target \$127.50

Stop Loss: \$105.00

Time Duration: 44 days

Trade Idea – Buy to open WBC March 115 Calls for \$2.75 or less.

The bid/ask spreads at this time is very wide 2.15 x 2.85 and volume is just 6. These spreads are too wide and I don't want to overpay. Hence setting the alert just below the asking price.

Alternate Trade – Buy to open June 120 calls for \$3.70 or less. I understand this will cost more but you are not losing much Delta plus it will give 90+ days more for trade to work out and it covers two earnings cycle instead of one. A lot more flexibility with this June 120 calls.

In Jaguar Q1 2017 Outlook, based on channel and industry checks, I provided bullish outlook on two truck parts manufacturers: PCAR and WBC. See this snapshot:

Paccar and Wabco – European Truck Registrations Strong

On December 22, ACEA reported EU heavy truck market returned to positive territory in November with heavy truck registrations up +12%, reversing sharp decline of +8% in October. That's despite relatively tough YoY comparisons (November 2015 up +25%) and remains difficult in December (up +22% last year). Regarding the light commercial vehicle market (relevant for CNHI), registrations increased +14% YoY in November. Italy showed the strongest positive growth in heavy truck registrations for November, increasing +91% YoY. This significant increase in Italy is most positive for CNHI (light commercial vehicles in Italy also up, Nov +66%). Spain posted a strong increase of +25%, followed by France +14%, and the UK +9%. Germany registrations declined -1% in November, but were less negative than the previous month (Oct -17%). **The 9% increase in the UK is positive for PCAR and the broader European strength is a good sign for truck supplier WBC given that EMEA accounts for 60% of sales.**

Yesterday, PCAR reported fantastic earnings and in conference call confirmed the trend. Don't focus on headlines, focus on data points that matter for stock performance. Despite posting DAF order intake of +19% YoY in Q4 resulting in production rate increasing to start FY2017, management conservatively guided retail sales down -4% to

-14% for full year. Reason is 20% of sales come from EU and they still see Brexit potential big drag despite the fact European SAAR is sharply improving. This is why PCAR stock was initially down yesterday after earnings on guidance, but then recovered during conference call as investors realize company is building too much cushion and conservatism in guidance. PCAR report is confirming my bullish view WBC presented in Q1 2017 Outlook. I am looking for breakout in WBC stock when it reports on February 17 before market opens.

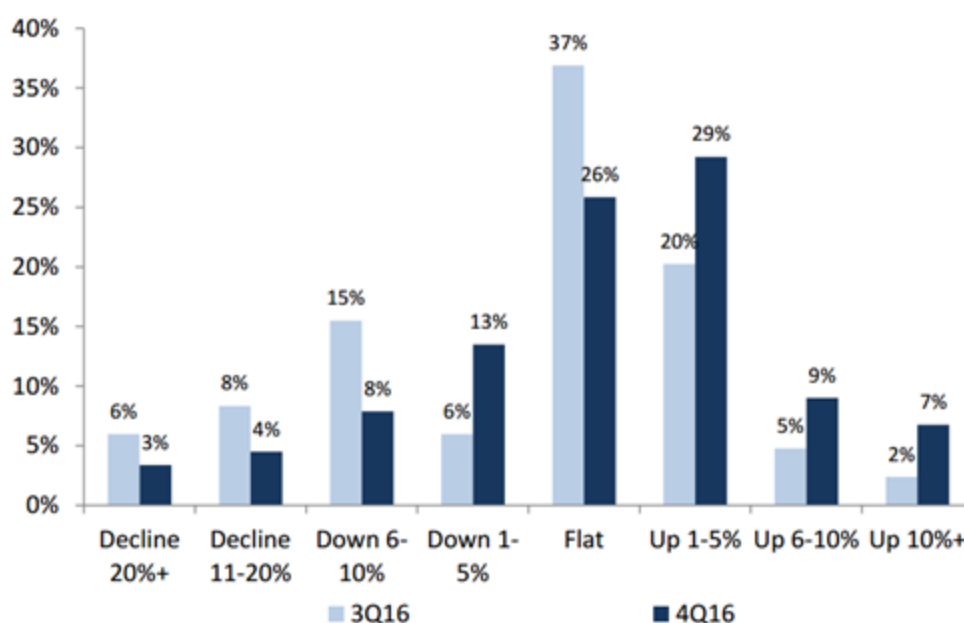
Latest Industry Checks – On January 29, RBC Capital conducted Commercial Truck Dealer Survey to get sense around North American Class 5-8 markets. A lot of bullish things discussed here. Here is key:

“The percentage of dealers expecting Class 8 industry sales to be up 2017 versus 2016 expanded to 45% from 27% in our October survey; likewise, the percentage expecting industry sales to fall declined to 29% from 36%. Navistar dealers were the most optimistic. The percentage of dealers seeing new truck inventory as too high declined for the third consecutive survey; likewise, those seeing inventory too low edged up. PACCAR nameplates had the highest percentage in the “too low” category (19%), with Daimler showing the largest positive shift.”

Big improvement in Q4 vs. Q3 survey specially in Class 8 retail sales that PCAR and WBC serve. See snapshot below and click [HERE](#) for full file.

Fahad

Current expectation for 2017 Class 8 industry retail sales versus 2016



WBC WABCO Holdings Inc. NYSE + BATS

@ StockCharts.com

Cyclicals / Auto Parts

Open: 108.33

Ask: 111.97

P/E:

24.58

Options:

yes

Wednesday 1-Feb-2017 1:20 pm

High: 112.21

Ask Size: 100

EPS:

First target is \$120.

Chg: +1.98%

Low: 105.59

Bid: 111.50

Last Size:

Second target is \$127.50.

Last: 111.60

Prev Close: 109.43

Bid Size: 100

VWAP:

Volume: 1,100,549

RSI(14) 59.36



Wabco Holdings (WBC) Final Update – Closing Calls for +48% Gain

Trade – Sell to close WBC March 115 calls for \$3.20 or higher.

Bought these for \$2.15 (after accounting for premium collected from February 120 calls that expired for maximum gain) on [February 2](#). Closing them here for \$3.20 or +48% gain. Still believe this goes higher over time but short term MACD and RSI are starting to roll over a bit and these are front month calls. Also we are out of short term catalysts with earnings already out. Lets just take profits and wait for better setup to get long again in the future. Giddy up!

Fahad