



Large Call Positions Open in Knight Swift

Ticker/Price: KNX (\$32)

Analysis:

Knight Swift (KNX) with 20,000 August \$35 calls bought today for \$2.35 and follows over 15,000 May \$33 calls bought on 3/15 for \$2.05. KNX has seen buyers in the January \$45 calls and May \$40 calls recently, the latter with almost 5,000 in open interest. Shares have pulled back to cloud support and the 50-EMA recently as it forms a big inverted head and shoulders under \$35. A move above the 233-MA and neckline targets \$45. On the weekly, shares have been showing positive RSI divergence into the recent lows and out of a downtrend from the early 2018 highs. The \$5.58B company trades 10.6X earnings, 1.04X sales, and 67X FCF with a small yield. KNX expects 6.5% to 7% EPS growth and 3.5% to 4.5% revenue growth over the next two years. Margins have started to improve the last two quarters and a lot of room for expansion back to 2015/2016 levels. KNX expects an improvement in 2019 as market dynamics improve and contract rate hikes are expected to be in the mid-single digits. They see opportunities to grow in Brokerage and Intermodal and actively looking at bolt-on M&A. They continue to see challenges from the tight driver market. Analysts have an average target for shares of \$46 with 8 buy ratings and 4 hold. Short interest is high at 16.7% and 12-month highs. Loop Capital positive on 2/1 citing margin improvement and management's initiatives to integrate the Swift business finally taking shape. They see a strong road to lower operating costs and higher revenues per mile at the former properties helping drive a rebound. Institutional ownership fell 1.5%. Luminus Management a buyer of 3.35M shares while Impala Asset Management bought 1.6M shares. In late 2018, three different insiders bought stock at \$27.25 to \$32. In April, a director bought \$194K in stock at \$39.

Hawk Vision:



Trading Strategy: KNX is a concern on technicals with a bear flag under its 50 MA, so need to see it make progress above \$33 especially with the elevated short interest.

Confidence Ranking: \$