



Large Put Sale Sees Value in Cactus Pullback

Ticker/Price: WHD (\$35.85)

Analysis:

Cactus (WHD) saw an unusually large options trade yesterday as 2,500 November \$35 puts were sold to open for \$3.65 with shares lower following an 8.5M share secondary offering that priced \$36.25. WHD also saw 400 November \$40/\$35 bull risk reversals open on 3/18, but otherwise no notable open interest. The \$2.67B maker of wellheads and pressure control equipment for the Energy industry trades 15.5X Earnings, 12X EV/EBITDA, and 27.55X FCF. WHD is coming off revenue growth years of 120% and 60% and sees 10-15% growth each of the next two years along with double digit EPS growth. Shares are 30% YTD and it screened as the best fundamental story in this group for the 2019 Outlook with superior margins and its market share gaining amongst rigs. WHD has proven it can successfully leverage its pre-existing wellhead customers to penetrate the frac rental market through its frac stack and zipper manifold offerings. In an effort to expand its presence across the completion market, WHD is developing new complementary rental products to reduce human intervention during the completions process. WHD has no debt and best-in-class FCF margin, an eventual candidate to return cash to shareholders. Analysts have an average target of \$42 on shares and short interest is 4.3% of the float. CSFB raised its target to \$42 on 3-8 noting the incremental rental CAPEX, and sees potential for M&A or a dividend in the near future, while International expansion is an option. Raymond James started coverage at Strong Buy with a \$39 target on 2/6 expecting strong cash flows and high returns on equity. Stephens has an Overweight rating and \$45 target on its innovative product positioning. Hedge Fund ownership climbed 8.25% in Q4 filings.

Hawk Vision:



Trading Strategy: WHD is my favorite play in this group and this flow gives confidence in the \$35 level, a name to accumulate on weakness especially if optimistic the energy recovery continues.

Confidence Ranking: \$\$