



## JB Hunt Puts Active on Structural Headwinds

**Ticker/Price:** JBHT (\$85.65)

### Analysis:

**JB Hunt (JBHT)** buyer 850 November \$85 puts bought to open \$6.40 offer and follows recent buys of 2,335 August \$95 puts on 4/17 that are sitting on a strong profit. JBHT shares are rolling over out of a large rounded topping pattern and sitting on month cloud and 10 year trend support with the low today. A move under today's low can start an ugly move back to \$70. The \$9.5B Intermodal leader trades 13.3X Earnings and 7.8X EV/EBITDA with a 1.21% dividend yield. A Director bought \$700K of stock at \$94.50 back on May 7th. Analysts have an average target of \$110 though short interest at 5% of the float jumped 75% Q/Q. JBHT has voiced criticism of the move to Precision Rail which is expected to cost them 50,000 to 70,000 annual loads. Intermodal is 55% of its business, Dedicated Contract Services 24% and Integrated Capacity Solutions 16%. BAML's Truckload Indicator recently moved back to the highest level since mid-October, though pricing/rates are expected to moderate in coming months. BAML cut shares to Neutral yesterday with a \$95 target citing headwinds of higher rail costs and shifting traffic patterns as well as PSR, its volumes and multiple are likely to face pressure. Major retailers, such as Walmart and Amazon, have made moves to insource transport resources, including Dedicated Trucking and more recently direct to rail Intermodal. JBHT CFO David Mee noted that the company will not hit its 11%-13% margin target for its Intermodal segment in 2Q19 at the BofAML Transport Conference last week. This highlights sustained pressure on its Intermodal segment from decelerating volume growth, mix shift to the Eastern network, and rising rail costs through both its BNSF arbitration and NS contract rate increases. Hedge Fund ownership fell by 7% in Q1 filings.

### Hawk Vision:



**Trading Strategy:** JBHT is very oversold near-term though clearly a struggling outlook so look for a weak rebound back to \$92 as possible short entry.

**Confidence Ranking:** \$\$