



OptionsHawk

Helmerich & Payne Bullish Open Interest with Pullback

Ticker/Price: HP (\$57.45)

Analysis:

Helmerich and Payne (HP) shares have pulled back the last few weeks with oil services names and back near VPOC and retesting the March base breakout as well as just above the daily cloud and 89 day MA. The monthly chart shows a massive four year basing pattern forming with the \$45/\$70 well defined range trade. HP has seen some bullish positioning with 1,000 June \$55 calls bought in open interest and 4,500 of the \$62.50 calls that are now far out of the money and underwater. The \$6.4B land driller trades 25.5X Earnings, 1.45X Book and 7.7X EV/EBITDA with a healthy balance sheet and 4.95% dividend yield. HP grew revenues 11% in 2017 and 37.8% in 2018 as the environment improved and expects another 15% this year though entering a tough four quarter stretch of year/year comps. On valuation it trades in-line with peers but is seeing much stronger revenue/EBITDA growth and healthier margins as well as a stronger balance sheet. Its FlexRig Fleet is seeing continued market share gains and it has \$1.4B in revenue backlog. US Land accounts for 86% of its revenues while International is just 7% and seen as an area for opportunistic growth. It considers itself an industry leader in technology and innovation and has made numerous software acquisitions. It has a leading market share in the 3 most active US basins including a large share in the Permian. Analysts have an average target of \$65 on shares and short interest is 8.6% of the float. HP recently beat earnings estimates by a wide margin and next will present at the Wells Fargo Energy Conference on 6-11-19. It has not seen much Analyst coverage, initiated at Neutral at Goldman on 3-19 with a \$65 target. Wells Fargo raised its target to \$68 in late January seeing HP as an attractive name with quality management, improving FCF, increasing technology differentiation, and a resilient EBITDA profile in a turbulent US land market. BAML rates shares Buy with a \$76 target noting "HP's technologies support our view that the value proposition of the land driller is changing, offering a growing portfolio of automation that can disrupt the commoditized oilfield services industry." Hedge Fund ownership jumped 50% in Q4 filings, Anchor Bolt Capital adding to its position as 1.23% portfolio weighting.

Hawk Vision:



Trading Strategy: HP is a clear best of breed name though have to see Oil stabilize and signs of US land drilling activity and rig count trough, but I think it can be the top long-term winner in this space.

Confidence Ranking: \$\$