



Size Bull Positioning Accumulates in McDermott

Ticker/Price: MDR (\$9.55)

Analysis:

McDermott (MDR) with another 10,000 November \$8 calls bought on Friday for more than \$2.5M and also seeing 2,000 August \$8 calls add as well where size already sits in open interest. MDR saw buyers of 3,000 July ITM \$5 calls and 10,000 August \$10 calls on 6-27 while the January \$9 calls with size adds on 6-25. Shares have run since late May up around 60% and back near resistance of a multi-month base at \$10. A breakout targets \$14 but a big low-volume gap from October stretches back to \$16. The \$1.75B oil and gas services company trades 4.35X earnings, 0.2X sales, and 4.2X cash with 42% EPS growth in FY20. The company sees 11.5% and 6.9% revenue growth going out two years with margins inflecting positively for the first time since late 2017. MDR provides EPC solutions to the energy industry. They have geographic reach in the Americas, EMEA, and Pacific Rim. In 2017, MDR agreed to merge with CB&I in a \$6B deal creating a fully integrated onshore and offshore services company with an expanded presence in the Middle East and oil giant Saudi Aramco. Their technology portfolio has strong near-term visibility with a \$15.4B backlog and well positioned globally with a \$91B revenue opportunity pipeline in marine, fabrication, engineering and tech. They're starting to see earnings power grow as the offshore market recovers and anticipating capex growth in 2020/2021. Analysts have an average target for shares of \$24.50. CSFB with a Neutral rating and \$9 PT but positive on the recent \$2B Anadarko Mozambique LNG award. Institutional ownership fell 11.5%. AQR, Rubric Capital, Cooper Creek, and Anchor Bolt all notable holders of shares and calls. In January, a director bought \$101,828 in stock at \$10.18 and in 2018 a number of buys between \$7.90 and \$10.18 with the largest a \$504,854 buy at \$10.

Hawk Vision:



Trading Strategy: MDR shares have risen nearly 60% in a few weeks since we saw the large synthetic long positions open, so looks quite extended to be jumping in now, but one to monitor for a pullback base.

Confidence Ranking: \$\$