



## Size Buyer of Lab-Corp Calls into Earnings Dip

**Ticker/Price:** LH (\$171)

### Analysis:

**Lab Corp (LH)** size buyer of 4,000 November \$170 calls this morning up to \$10.40 to open with shares dipping back to the rising 50-day MA after earnings. LH has seen some smaller February \$160 calls bought around \$18.50 recently as well as the August \$170 calls but today's action by far the most notable running around 15X average. LH has been in a steady trend higher since the December lows and room back to the 2018 peak around \$190. A continuation of the long-term trend targets \$250. The \$17.72B company trades 14.7X earnings, 1.57X sales, and 19.9X FCF with high-single digit EPS growth. LH sees revenue growth accelerating from 1.2% in 2019 to 3.6% and 4.3% through the next two years. LH raised their outlook in April and affirming today behind strength in their LaunchPad business in diagnostics. Their drug development segment, Covance, continues to see strong revenue growth and margin expansion with a big market opportunity as R&D spend within clinical trials continues to grow. Analysts have an average target for shares of \$183 with 11 buy ratings, 6 hold and 1 sell. BAML upgrading to Neutral on 7-16 with a \$182 PT. The firm is more constructive on industry trends and notable that LH lacks macro exposure at a time when global industrial trends are softening. Deutsche Bank positive on 6-25 citing the recent Presidential order on drug price transparency could be a long-term positive for labs. They upgraded shares to Buy on 6-21 with a more constructive view on the Covance contract research business. Short interest is 1.9% and near multi-year lows. Hedge Fund ownership rose 18.7% in Q1. AQR, Ariel Investments, and Bridger Management notable holders.

### Hawk Vision:



**Hawk's Perspective:** LH looks great into this dip and can trade against the 50 MA, a major size position worth tailing.

**Confidence Ranking:** \$\$