



Size Call Buys in Halliburton as Energy Services Look for Bottom

Ticker/Price: HAL (\$22.40)

Analysis:

Halliburton (HAL) buyers active this morning for 10,000 September \$22.50 calls up to \$1.09 and now volumes over 31,000X by mid-day, trading 2X average. HAL has seen put sales across the January 2021 \$17.50 strike, October \$22.50, and June \$20 puts recently while the November \$25 calls, June \$20 calls, and October \$25 calls all bought in size. Shares have been weak for a while now and move above \$24 in the short-term key for positive momentum which can target the declining 200-day at \$28.75. Longer-term, they have a big volume gap back up to around \$40 which is the breakdown level from October 2018. HAL is back near the 2009 lows and trend support from 2001. The \$19.54B company trades 12.36X earnings, 0.82X sales, and 39X FCF with a 3.25% yield. They expect 35.5% and 21.1% EPS growth through 2021 with revenues up 5.4% and 5.7%. HAL showed better execution in Q2 with momentum Internationally (double-digit guide for FY20) where they've invested in their footprint and tech. HAL continues to see weakness in North America but announcing a new 'playbook' to deal with slowing activity by shelving unused gear and 'stacking' rather than fighting for market share. The move is expected to help costs while the market turns. Analysts have an average target for shares of \$41 with 21 buy ratings and 5 hold. Stephens with a \$35 PT on 7-23 and positive on their new NA strategy which can stabilize margins, reduce overhead and optimize the supply chain. Citi with a \$30 PT but thinks the long-term outlook was conservative given their adjusted capex guidance and improvement Internationally. CSFB positive with \$27 PT on 7-22 noting the C&P margin guidance was a strong positive surprise. They also think HAL is making positive strides towards being more capital disciplined given the weaker outlook for activity in NA. Short interest is 3%. Hedge Fund ownership rose 4.5% in Q1. Harris Associates a top holder with 13.5M shares while Fisher Asset Management also a top holder. HAL last saw insider buying in July 2018 when a director bought 5800 shares at \$40.66, a \$235,000 buy.

Hawk Vision:



Hawk's Perspective: HAL has a clear low to trade against, but overall Oil Services is a weak group and I prefer WHD/HP in this area if we do see bottoming signals.

Confidence Ranking: \$\$