



Hologic Speculative Calls Trade into Strong Set-Up

Ticker/Price: HOLX (\$50)

Analysis:

Hologic (HOLX) seeing 2000 October \$55 OTM calls bought for \$0.15 and still has size in September \$50 and \$55 call OI. The October \$50 calls also seeing some activity with 635X trading. HOLX shares have a strong consolidation pattern developing the last few weeks showing relative strength most of 2019 with shares +20% YTD. Shares are nearing a bull wedge breakout that should target a move to \$52-\$55. The \$13.25B maker of diagnostic products trades 18.7X Earnings, 4X Sales and 22.65X FCF. The company expects revenue growth near 4% the next few years and EPS growth near 9%. HOLX did an \$85M deal for SuperSonic Imaging in June and is looking to accelerate growth with new products and market share gains as well as further tuck-in M&A deals. Breast and Skeletal accounts for 41% of revenues while Diagnostics is 36%. Analysts have an average target of \$53 and short interest at 1.7% of the float has been on the decline. Needham raised its target to \$57 in August after a quarterly beat and margin expansion. Argus raised its target to \$62 in August noting it continues to expand its presence overseas and sees integration of acquisitions and new products driving a strong 2H19. Hedge Fund ownership rose 4% in Q2 filings, Parnassus and Glenview two top concentrated holders both reduced stakes.

Hawk Vision:



Hawk's Perspective: HOLX is a name I keep seeing speculative activity and have previously thought it would make sense as a M&A target for a larger Med-Tech Co., the Oct. \$50/\$55 call spreads for \$1 have a nice reward/risk in my opinion.

Confidence Ranking: \$\$