



XPO Logistics Call Buyer as Momentum Picks Up

Ticker/Price: XPO (\$73.5)

Analysis:

XPO Logistics (XPO) with 1000 November \$72.5 calls bought to open \$4.90 with shares recently basing at the rising 55 day MA and working out of the base and orderly pullback trend to close the week. On a weekly perspective shares are nearing a big consolidation breakout with room to run to a measured move target of \$95. The \$6.55B logistics Co. trades 15.5X Earnings, 7.3X EV/EBITDA and 13.3X FCF though its leveraged balance sheet often the concern. XPO has seen revenue growth stall this year but sees acceleration back to 5% in FY20, while EPS growth set to remain near 20%. XPO will next report on 10/28 and showed up as a new position on Value-Act and Baupost 13F filings in Q2. XPO has exposure to fast growing areas of transports and logistics with a presence in omnichannel and ecommerce while also driving cost savings. It generates strong cash flows with a 70% asset-light business model. It operates with scale advantages in massive markets like contract logistics, LTL, Freight, Intermodal and Last Mile and estimates less than a 2% current share of a \$1 Trillion opportunity. Analysts have an average target of \$82 on shares and short interest is high at 12% of the float, though in the middle of its 3 year range. Cowen raised its target to \$92 on 8-2 after a strong quarter and improved outlook and positive on new business opportunities. Ray-Jay raised its target to \$78 seeing XPO leverages to ecommerce, growing LTL, cross-selling, robust sales pipeline and technology investments leading to further EPS and FCF growth. Hedge Fund ownership rose 30% in Q2 filings, Lyrical also taking a size new position.

Hawk Vision:



Hawk's Perspective: XPO has nice momentum versus \$68 and see value in its business, barring a big drawdown in Macro conditions, it looks set to outperform.

Confidence Ranking: \$\$