



## Calls Accumulate in Lab-Corp

Ticker/Price: LH (\$165)

### Analysis:

**LabCorp (LH)** late day buyers of 2,000 February \$165 calls from \$8.70 up to \$9.10 and adding to 4,000 bought in early October. LH has recently seen the December \$170/\$180/\$190 call butterfly spread open as well as bull put spreads around the November \$165 strike. The February \$160 calls remain in OI as well 650X. Shares are forming a big weekly bull wedge under \$170 with a breakout targeting the recent highs around \$180 and then continuation of the bull run from the 2018 lows up to \$200. On the weekly, MACD is right back around zero and reset nicely after a strong run. The \$16.29B company trades 13.86X earnings, 1.43X sales, and 18.3X FCF with high-single digit growth. LH is coming off a mixed quarter with better test mix and volume trends but margins weak due to PAMA. They also saw some weakness from United's choice not to renew the BeaconLBS pilot program in Florida. LH could see a positive catalyst out of Washington with the Lab Act which would delay the next round of data collection off for a year. The company has already factored in the cut for 2020. They also have a court case over reimbursement cuts from the CMS that is expected to be ruled on early in 2020. Short interest is 1.8%. Melvin Capital a top buyer of 775k shares while Fairview Capital also a buyer of shares. Analysts have an average target for shares of \$186. BAML with a \$180 PT. They see potential upside potential from hospital lab consolidation trends, a smaller than expected share loss from UNH contract, retail clinic opportunities, and monetization of data between the lab and the CRO business.

### Hawk Vision:



**Hawk's Perspective:** LH is an ideal set-up back at these levels and offers good growth for value, a name I think is worth owning with upside to \$200.

**Confidence Ranking:** \$\$\$