



Canadian Pacific Calls Bought in Size

Ticker/Price: CP (\$236)

Analysis:

Canadian Pacific (CP) large buy of 4000 March \$260 calls to open \$2.50 and volume rising to above 6,250X early up to \$3. CP also has 4000 March \$210 short puts in open interest. CP shares have been in a \$210/\$240 range since April and currently consolidating just under those highs for a potential breakout to target \$270. The \$31.9B railroad is trading 16.85X Earnings and 13.5X EV/EBITDA with a 1.1% dividend yield. CP forecasts see revenue growth accelerating to 6% in FY20 with 8.2% EBITDA growth. CP was a first mover in Precision Rail and is winning business in new markets. Grain, Energy, and Intermodal, account for 61% of its revenues. Analysts have an average target of \$247.50 on shares and short interest very low at 0.6% of the float. Wells Fargo on 10/29 started shares Perform with a \$254 target noting valuations are reflecting optimism on efficiency gains. Loop Capital raised to Buy in October citing a strong quarter with the operating ratio dropping to 56.1% and posted 12% earnings growth, and generated positive volumes unlike peers with the best operations and service in the industry. Hedge Fund ownership fell 2% in Q3 filings, Lone Pine reducing its stake as did Egerton Capital.

Hawk Vision:



Hawk's Perspective: CP is a top operator in the group and looks great versus the 200 day MA, a top Rail to be owning for a move to new highs.

Confidence Ranking: \$\$