



Stericycle Unusual Call Buyer as Medical Waste Demand in Focus

Ticker/Price: SRCL (\$49)

Analysis:

Stericycle (SRCL) with a rare size options trade on 3/12 as August \$40 calls were bought 585X at \$11.80 to \$13 for a total of \$729,550. SRCL does still have 2,100 March \$60 puts bought on 1/21 in open interest that are sitting on large profits and will have to close/adjust by next week. SRCL is a name that has trended lower since 2015 but in 2019 started to put in a bottom and worked higher into the start of 2020. Shares have now retraced to a major volume node of support and look to hold above \$43.50. A move out of its base above \$68 would target a return to \$100. The \$4.55B company provides specialized waste and disposal services to healthcare and retail industries and in February sold its Environment Solutions business to Harsco (HSC) for \$462.5M. SRCL shares currently trade 12.2X EV/EBITDA, 15.5X Earnings and 1.37X Sales. SRCL sees an increased demand for services due to compliance, sustainability and brand protection and is involved with medical waste, pharmaceutical waste, sharps management, information destruction, hazardous waste and more. SRCL has recently refreshed its Board and has a new leadership team with a focus on portfolio rationalization, debt reduction, quality of revenue, and cost efficiencies. It has shown three sequential quarters of organic revenue growth in medical waste with Q4-2019 showing the highest growth rate in over three years. Analysts have an average target of \$69 on shares and short interest at 8.3% of the float has come down 27% Q/Q. Barrington out on 2/7 at Outperform with a \$67 target seeing the asset sale as a positive and sees progress in the company's strategic plan and also will result in better margins. RBC out in November at Outperform with a \$75 target seeing traction in the company's turnaround plan and attractive valuation. Hedge Fund ownership fell 7% in Q4 filings, Iridian reducing its position while Generation Investment added to its position.

Hawk Vision:



Hawk's Perspective: SRCL surprisingly not seeing a lot of attention as an outbreak play but should be able to post solid numbers, has a good turnaround story, and trades at attractive valuation.

Confidence Ranking: \$\$