



Schlumberger Bullish Activity into Earnings

Ticker/Price: SLB (\$14.20)

Analysis:

Schlumberger (SLB) buyer 900 January 2022 \$15 calls \$4.50 offer into early weakness and also with 1475 June \$12.50 calls bought this morning up to \$3.40. SLB saw 5000 August \$20/\$15 bull risk reversals open to start this week and has seen 7000 January \$15 puts sold to open and 2000 January 2022 \$15 calls bought to open recently while June expiration with 2400 of the \$20/\$15 bull risk reversals opened 3/13 and May \$20 calls have seen buyers. SLB is pulling back this week with Oil back under \$20 causing E&P companies to reduce CAPEX which weighs on oil services, but SLB shares have built a nice base above \$12.50, and above \$17.75 can start to move and fill a gap above \$23. The \$22.6B company trades 0.9X Book and 6.3X FY20 EV/EBITDA with a 12.87% dividend and its International presence may insulate it better from a US slowdown in production. A current ratio of 1.2X is pretty healthy and Debt/EBITDA at 2.35X makes it one of the most secure Energy names that can withstand a downturn. SLB gave an operational update on 3/24 noting a slowdown in activity due to the decline in oil prices. SLB will report 4/17 before the open. Analysts have an average target of \$21.75 and short interest is 1.7% of the float. Bernstein upgraded to Outperform on 4/5 with a \$17.90 target and on 3/19 Wolfe raised to Outperform as well. SLB may suspend/cut its dividend this week, but the market is likely expecting it at this stage, and its exposure to international and offshore should serve it well to manage through this crisis. Hedge Fund ownership came down 7% in Q4 filings, Fiduciary Mgmt. a top concentrated holder.

Hawk Vision:



Hawk's Perspective: SLB sentiment is extremely depressed and though the industry is in for a tough few quarters, it is a name that is best positioned to survive and potentially emerge a winner.

Confidence Ranking: \$\$