



HP Calls Hot as Insiders Buy, Potential Event-Driven Catalyst

Ticker/Price: HPQ (\$17.75)

Analysis:

HP (HPQ) trading 18,000 calls in the opening hour which is 3X daily average with August \$15 and July \$16 ITM calls most active around 4500X each. HPQ had 10,000 January 2022 \$17 calls open into weakness last week and also has seen 65,000 July \$17 calls bought to open mid-May, and on 5/13 the August \$16/\$14 bull risk reversals 5000X. HPQ shares put in a solid weekly base at 7 year trend support and working back to its 200 day MA to start the week. The \$25B Company trades 7.45X Earnings and 12.45X FCF with a 4% dividend yield, a value name with the market in a rotation to value currently. HPQ has recently seen a surge in notebook demand while COVID-19 starting to pass it could look again at the potential merger with Xerox. HPQ's earnings growth is supported by HP's market leadership and track record of execution across Personal Systems, Print, and 3D Printing & Digital Manufacturing, disciplined and sustained cost actions, as well as a new capital return program of approximately \$16 billion during fiscal 2020 to fiscal 2022. As part of HP's value creation plan for shareholders, HP's Board of Directors has authorized a capital return program that will target the return of capital of approximately \$16 billion to HP shareholders during fiscal 2020 to fiscal 2022. This represents approximately 50% of HP's current market capitalization. HPQ's CEO bought 30,500 shares last week for around \$500,000 and a Director bought 50,000 shares on 6-3. Analysts have an average target of \$17.70 with short interest low at 1.2% of the float. JPM downgraded on 5/28 on a lack of near-term catalysts and lackluster results. Goldman reinstated with Sell in April citing a tough environment. Hedge Fund ownership rose 3.4% in Q1 filings, notable top holders include Dodge & Cox, ICahn, and Baupost.

Hawk Vision:



Hawk's Perspective: HPQ seems like it could become an activist target and has plenty of value though prefer to see it come back in towards \$17.

Confidence Ranking: \$\$