



## FEATURED OPTIONS RADAR REPORT



### Lab Corp Bull Sticks with Position

Ticker/Price: LH (\$197)

#### Analysis:

**LabCorp (LH)** seeing a sizable adjustment trade today as 1,850 September \$185 calls bought to open for \$20.44 as the August \$180 calls bought in mid-July adjust out. LH has seen bullish flows recently including buyers in the February \$210/\$180 bull risk reversal on 7/23, buyers of 1,500 Aug. \$195 calls on 7/22, and buyers in the Sept. \$200 calls on 7/21. LH shares are down around 2% today after earnings and just shy of new highs after a strong run from the March lows which saw shares nearly double. The 8-EMA is holding this afternoon but ideal spot to initiate a new position back around the recent range breakout at \$185 which aligns with the rising 20-MA. There's a measured move up to \$215. The \$19.57B company trades 14.2X earnings and 1.69X sales with expectations for mid-single digit revenue growth through FY22. The company has been active in COVID-19 work across a number of areas since March and tailwinds to their broader business into 2021. LH is benefiting in the near-term from the surge in COVID-19 testing volumes with some concerns last week that they may not be able to meet the capacity requirement in the fall with flu season running in tandem. They said this morning that they see a big opportunity to work with development teams on new COVID-19 treatments and vaccines which is helping support all aspects of their business. They expect to launch a neutralizing antibody test soon to assess patient plasmas which would help accelerate vaccine research. Analysts have an average target for shares of \$207.50. BAML upgrading to Buy on 7-14 citing prolonged COVID-19 testing tailwinds and LabCorp's key positioning in the U.S. clinical testing market and potential upside from CRO synergies. They also note that we could see more lab consolidation due to Medicare reimbursement cuts which would be a positive for LH while there are retail clinic expansion opportunities and potential to monetize lab data as drivers going forward. Short interest is 1.7% and near 5-year lows. Hedge fund ownership rose 3.5% in Q1. Melvin Capital a big buyer of 1M shares and now with 2.5M shares after first buying shares back in mid-2019. In May, a director bought \$100,000 in stock at \$171.3, the first open market buy in over four years.

#### Hawk Vision:



**Hawk's Perspective:** LH remains an attractive value, a name that sold off in March and gave attractive entry, and remains a best-in-class name in the Lab group.

**Confidence Ranking:** \$\$