



FEATURED OPTIONS RADAR REPORT



XPO Logistics Size Calls Bought with Strength in Trucking/Logistics Driven by Ecommerce

Ticker/Price: XPO (\$92.70)

Analysis:

XPO Logistics (XPO) size buyers of more than 2,800 November \$85 calls up to \$13.30 today and later 2,000 September \$92.50 calls bought for \$2.75 as \$87.5 adjust. XPO has limited near-term options positioning but does have 1,750 November \$80 calls still in open interest from April buys, sitting on a big gain. Shares are breaking out of a small flag today above \$92.50 and clear path to \$100 in the near-term and upside to \$115 and the 2018 highs. The \$8B company trades 25.4X earnings, 0.5X sales, and 3.5X cash, some concerns over long-term debt from their acquisitions. They see mid-single digit revenue growth the next two years but likely very conservative given their market share gains in last-mile and growth in e-commerce, especially given their specialization in heavy goods like home furnishings and exercise equipment. XPO noted better performance from their freight brokerage business as well despite a tough environment. XPO sees significant runway for growth as they become a go-to for contract logistics as more customers look to manage peaks in demand and unpredictable buying patterns from customers during the pandemic. The rollout of their XPO Smart platform across Europe is driving warehouse efficiencies while XPO Direct – their shared space distribution network – is driving more opportunities with brick-and-mortar retailers who are looking to outsource operations as they expand omnichannel capabilities due to COVID. Analysts have an average target for shares of \$88 and Cowen a Street High \$119. Keybank recently upgrading to Buy as they expect improving end market demand, including within less-than-truckload, to be "more fully realized in coming quarters" and recent executive appointments suggest additional cost actions intermediately. CSFB with a \$105 PT this morning noting that there is a substantial opportunity to improve profit and margins via proprietary tech platforms. Short interest is 6.9% but down from as high as 15% in 2019. Hedge fund ownership fell 12.89% in Q2, Lyrical Asset Management a top holder with 3.15M shares. In May, the CFO bought \$100K in stock at \$67.13, only the second open market buy in the last four years.

Hawk Vision:



Hawk's Perspective: XPO is extended short-term but a favorite that I was a month early using the August expiration for recent Spotlight call trade, still really like the name in this group.

Confidence Ranking: \$\$