



FEATURED OPTIONS RADAR REPORT



Schlumberger Calls Bought as Oil Prices Rise to Multi-Month Highs

Ticker/Price: SLB (\$23.65)

Analysis:

Schlumberger (SLB) buyer 5000 May \$30 calls \$1.17 to \$1.20 with shares breaking out of consolidation today and follows buyers in the March \$22.50 calls and sellers in the May \$22.50 puts recently. Shares are fairly over-extended given the recent rally but nice trend above the 8- and 20-day with support back at \$20.50 for a potential re-test. The longer-term volume gap has room back to \$32.50 and then \$40 from earlier this year. The \$30.62B company trades 11.5X EV/EBITDA, 1.16X sales, and 8X cash with a 2% yield. SLB is undergoing a massive restructuring and targeting \$1.5B in structural cost reductions with the vast majority realized by year-end 2020. They see themselves coming out of this recent dip a stronger overall organization and conditions set to improve further in Q4 and early next year given improving DUC well completions and drilling resumption in both the US and Canada. Their investments in tech and digital transformation are also starting to show strong results despite a lackluster environment as they improve overall operational performance and efficiency. Analysts have an average target for shares of \$21.50. MSCO positive on 10/19 noting that the company's restructuring is meaningfully improving profitability, but this is being somewhat masked by an extremely poor demand environment and should improve in 2021. Short interest is 1.33%. Hedge fund ownership rose 16% in Q3. Insiders active this year as well with the CEO buying \$450,000 in stock in September at \$17.95 and another director adding \$300,000 at \$19.50.

Hawk Vision:



Hawk's Perspective: SLB has made a nice run but still concerns as although prices are moving higher it does not necessarily mean drilling activity and the related services demand will rise just yet. The E&P names seem to have the better opportunities right now.

Confidence Ranking: \$\$