



## FEATURED OPTIONS RADAR REPORT



### Bulls See BHP Strong on Global Growth Prospects

Ticker/Price: BHP (\$70.7)

#### Analysis:

**BHP Billiton (BHP)** on 3/30 with a buyer of 16,750 September \$77.50 calls for \$2.55 to open a large trade for a name that also has seen 5000 January \$90 calls and 2000 January \$75 calls accumulate in open interest. BHP shares have pulled back off recent highs and put in a weekly reversal candle on the rising 21-week moving average and also held the 38.2% retracement off the October lows while the low of the pullback was VWAP off those October lows. BHP's main markets are Iron Ore (64% of EBITDA), Copper (19%), Petroleum (10%) and Metallurgical Coal (9%). BHP revenues are closely tied to China which accounts for 62% and Asia overall accounts for 80% of revenues. The \$168.5B global mining leader trades 16.3X Earnings, 3.65X Sales, 15X FCF and 6X EBITDA with a 4.4% dividend yield. BHP estimates see EBITDA rising 51% in 2021. BHP has peer-leading FCF and EBITDA margins. Analysts have an average target of \$86 and short interest minimal at 0.9% of the float. Argus upgraded shares to Buy on 3/9 with an \$87 target seeing BHP benefitting from global economic growth and higher metals prices with attractive valuation.

#### Hawk Vision:



**Hawk's Perspective:** BHP and RIO are our main ways to play Iron Ore, a market to pay attention to, and clearly tied to China. I prefer FCX in Metals with my outlook for Copper, but BHP provides an attractive yield and steady operations for a patient investor.

Confidence Ranking: \$\$