FEATURED OPTIONS RADAR REPORT

Baker Hughes Call Spreads See Further Upside As Oil Environment Improves

Ticker/Price: BKR ($26)

Analysis:

Baker Hughes (BKR) with 4,500 October $29/$34 OTM call spreads bought for $0.78 and follows sellers in the January $25 puts and January 2023 $27 puts last week. BKR still has 3,000 July $25 calls in open interest from buyers in March as well. Shares are flagging above the rising 21-day MA and around February highs with a measured range move above $30. The $27.B company trades 10.7X EV/EBITDA and 1.2X sales with expectations for 7% growth in FY22 and over $1.15/share in EPS, up from around $0.01 in 2020. BKR is seeing strong results from their Turbomachinery and Process Solutions business as orders rebound, the oil outlook improves, and cost-cutting programs are helping boost margins. BKR has a number of levers for growth in 2021 and beyond. The company has been expanding their exposure to the industrial sector with their digital services like condition monitoring and asset management software. They did a deal recently for ARMS Reliability which gives them a broader range of end-market potential with mining power, manufacturing, and utilities. BKR also sees upside from investments and partnerships into the energy transition story with exposure to hydrogen, carbon capture, utilization and storage. Analysts have an average target for shares of $28 with a Street High $38. Goldman Sachs starting at Buy recently as the fundamentals of BKR provide investors with exposure to visibility around energy transition commercialization and a resilient through-cycle business model. Barclays upgrading to Overweight in early May as upstream spending continues to expand out to 2025 on the back of increasing global demand. Short interest is 7.6%. Hedge fund ownership rose 14% in Q1.

Hawk Vision:

Hawk's Perspective: BKR looks great on the chart and above $26.50 can make a nice move while the story continues to improve across oil, industrials, and their strategic bets

Confidence Ranking: $$