

## OptionsHawk Screen: Bear Market Survivors

I remain cautious on equities and continue to feel we could not only revisit the March lows but make a new low. A combination of a very dramatic shift to a recessionary environment for the economy and weak market structure due to lack of liquidity remain concerns and the market still does not appear to be appropriately pricing in the potential earnings impact. I think the upcoming earnings season will continue the cloud of uncertainty and negative news flow is likely to persist at least through the peak of COVID-19 which is expected late April to mid-May. The impact of this correction on consumer psychology is likely to extend much further and the recovery is likely to be more gradual than many expect. With that said, it is never too early to prepare to find quality companies that can outperform in this environment with the objective of positioning in these names into further panic lows. Another strategic way is to take one quarter of the desired weighting in four separate increments at levels of -5%, -10%, -15% and -20% of current prices as I expect the market to have around 20-30% of downside from current levels if we roll back over, and these names should show some relative strength.

In my initial screen I used the following criteria:

- ❖ Market Cap > \$2B and US Exchange
- ❖ Revenue CAGR 2017-2019 of 10%+
- ❖ FCF > \$100M
- ❖ Adjusted EBIT Margins > 10%
- ❖ Total Debt / Operating Cash Flow < 4X

From here I took a more qualitative approach to the 200 results looking at the kind of industries best positioning, knowing the companies and the operation execution history, and applied my own assessment for names that make the final cut. I also wanted to divide the names into two categories and best to have a mix, the higher valuation names (Above 25X Earnings) that also have the brightest future growth opportunities, and the quality businesses trading at attractive historical valuations. I also diversify to not include names in the same sub-sector. These are the top names to focus on for bargain hunting through Q2.

### Higher Valuation, Bright Growth Future

Ticker	Company	Industry	▼ Market Cap	P/FCF	Debt/Eq	Oper M	SMA200	Price
BABA	Alibaba Group Holding Limited	Specialty Retail, Other	521.13B	-	0.16	19.00%	-0.28%	187.56
PYPL	PayPal Holdings, Inc.	Credit Services	115.38B	29.92	0.29	15.30%	-15.87%	91.38
VRTX	Vertex Pharmaceuticals Incorporated	Biotechnology	60.41B	40.44	0.09	28.80%	11.91%	225.48
EL	The Estee Lauder Companies Inc.	Personal Products	59.37B	53.29	1.13	12.20%	-20.22%	153.38
NOW	ServiceNow, Inc.	Information Technology Services	55.75B	57.41	0.00	1.20%	-3.24%	273.07
ISRG	Intuitive Surgical, Inc.	Medical Instruments & Supplies	54.71B	46.65	0.00	30.70%	-15.48%	458.26
MNST	Monster Beverage Corporation	Beverages - Soft Drinks	29.24B	27.41	0.00	31.80%	-13.33%	53.10
LULU	Lululemon Athletica Inc.	Textile - Apparel Clothing	25.42B	65.81	0.00	23.70%	-11.13%	183.50
VRSK	Verisk Analytics, Inc.	Business Services	23.68B	41.13	1.39	26.70%	-7.92%	140.78
DXCM	DexCom, Inc.	Medical Laboratories & Research	23.37B	173.73	1.22	9.60%	30.64%	254.81
CDNS	Cadence Design Systems, Inc.	Application Software	19.69B	30.07	0.16	21.00%	-5.43%	65.24
TDY	Teledyne Technologies Incorporated	Scientific & Technical Instruments	10.99B	27.92	0.31	15.50%	-14.16%	277.11
EPAM	EPAM Systems, Inc.	Information Technology Services	10.30B	54.75	0.02	13.20%	-11.38%	176.16
TW	Tradeweb Markets Inc.	Management Services	9.71B	35.86	0.00	24.50%	-3.48%	42.71
TECH	Bio-Techne Corporation	Biotechnology	7.19B	61.78	0.29	21.20%	-8.99%	185.43
ATR	AptarGroup, Inc.	Packaging & Containers	6.31B	34.65	0.76	13.00%	-16.15%	96.21
PFPT	Proofpoint, Inc.	Application Software	5.70B	27.48	0.00	-11.80%	-15.36%	100.84
AMED	Amedisys, Inc.	Home Health Care	5.61B	28.89	0.38	9.10%	14.94%	172.92
QDEL	Quidel Corporation	Diagnostic Substances	3.86B	36.02	0.03	17.20%	44.00%	97.81
KNSL	Kinsale Capital Group, Inc.	Property & Casualty Insurance	2.31B	15.18	0.04	24.10%	-1.84%	100.02

## **Quality Business at Attractive Valuation**

Ticker	Company	Industry	▼ Market Cap	P/FCF	Debt/Eq	Oper M	SMA200	Price
AAPL	Apple Inc.	Electronic Equipment	1099.62B	22.05	1.22	24.70%	-3.77%	240.91
GOOGL	Alphabet Inc.	Internet Information Providers	792.98B	25.60	0.00	21.10%	-13.01%	1102.10
ABT	Abbott Laboratories	Medical Appliances & Equipment	137.29B	61.62	0.58	14.00%	-8.90%	76.57
TMO	Thermo Fisher Scientific Inc.	Medical Laboratories & Research	113.33B	30.22	0.60	18.00%	-8.58%	275.20
AVGO	Broadcom Inc.	Semiconductor - Broad Line	94.24B	19.21	1.84	15.90%	-22.73%	223.63
NOC	Northrop Grumman Corporation	Aerospace/Defense - Major Diversified	52.95B	24.59	1.57	11.70%	-12.19%	306.99
PGR	The Progressive Corporation	Property & Casualty Insurance	43.66B	10.26	0.33	13.70%	-2.96%	72.36
TROW	T. Rowe Price Group, Inc.	Asset Management	22.55B	38.61	0.00	42.50%	-19.59%	93.87
KLAC	KLA Corporation	Semiconductor Equipment & Materials	21.72B	29.66	1.27	26.20%	-14.55%	131.61
ALXN	Alexion Pharmaceuticals, Inc.	Biotechnology	20.42B	10.58	0.23	42.50%	-15.98%	89.93
FAST	Fastenal Company	Industrial Equipment Wholesale	18.30B	187.33	0.13	19.80%	-9.76%	30.61
KEYS	Keysight Technologies, Inc.	Scientific & Technical Instruments	16.31B	19.55	0.00	18.10%	-15.89%	80.89
ODFL	Old Dominion Freight Line, Inc.	Trucking	16.02B	35.61	0.01	19.90%	1.93%	122.33
TTWO	Take-Two Interactive Software, Inc.	Multimedia & Graphics Software	13.61B	16.30	0.00	12.60%	-3.97%	116.33
OTEX	Open Text Corporation	Application Software	10.01B	16.41	0.88	20.80%	-18.32%	34.06
VAR	Varian Medical Systems, Inc.	Medical Instruments & Supplies	9.18B	33.14	0.29	11.60%	-25.39%	94.44
CE	Celanese Corporation	Chemicals - Major Diversified	8.62B	11.00	1.56	13.20%	-38.89%	68.05
ALLE	Allegion plc	Security & Protection Services	8.27B	25.70	1.89	18.70%	-24.49%	84.59
URI	United Rentals, Inc.	Rental & Leasing Services	7.82B	2.79	2.98	23.00%	-27.73%	95.98
CSL	Carlisle Companies Incorporated	Rubber & Plastics	7.10B	13.88	0.60	13.60%	-20.44%	117.12
CRL	Charles River Laboratories International, Inc.	Medical Laboratories & Research	6.03B	17.72	1.16	13.40%	-14.90%	119.61
COLM	Columbia Sportswear Company	Textile - Apparel Clothing	4.64B	47.91	0.00	13.00%	-29.06%	66.18
SEDG	SolarEdge Technologies, Inc.	Semiconductor - Specialized	4.26B	22.86	0.02	13.30%	-9.39%	78.82
EEFT	Euronet Worldwide, Inc.	Business Services	4.18B	8.41	1.34	16.90%	-48.31%	75.98
FCN	FTI Consulting, Inc.	Management Services	4.12B	23.42	0.00	13.00%	10.70%	119.91

**Disclaimer:****Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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