



Century-Link Seen Hitting Lows

Ticker/Price: CTL (\$12.55)

Analysis:

Century Link (CTL) with nearly 8,000 May \$13 puts bought today up to \$1.31 to open, some April \$14 puts adjusting. CTL is a name with sizable bearish open interest across a number of expirations and strikes as far down as the January \$5 puts. Shares rallied over the last nine months back to the 23.6% Fibonacci of the big decline from the 2018 highs where it put in a double-top and now rolling over. The weekly bear flag is starting to break under \$13 and rejected today back under the declining 8-EMA. A move lower targets \$10.50 and then ultimately single-digits. The \$13.74B company trades 8.3X earnings, less than 1X sales and 0.99X book. CTL does have a nearly 8% yield but they halved it last February and likely a risk again with their debt-ridden balance sheet and core business in structural decline. CTL sees EPS growth flat to down single-digits the next two years with revenues down 2-3% annually. CTL has had two key catalysts for upside over the last two years that have both been exhausted and likely little room for continuation. First, their \$24B deal for Level 3 has largely seen its synergy story play out. And second, they underwent a strategic review recently of their Consumer Business and management on the last call noted that while they have engaged in talks with parties on a sale, nothing has come to fruition yet and indications that they are more likely to focus on internal changes to counteract legacy revenue declines. Analysts have an average target for shares of \$12. BAML cutting to Underperform recently noting that with the exception of encouraging positive momentum in the company's Enterprise and IGAM segments, its business remains structurally challenged. MoffettNathanson downgrading to Sell as well. They think greater competition paired with higher fixed costs and greater leverage will put pressure on the company. Short interest is 9.5% and steadily up from 4.8% in late 2017. Hedge fund ownership fell marginally last quarter. Maplelane Capital a big owner of puts. CTL has seen a number of insider buys over the last year but most under \$10 back in May.

Hawk Vision:



Hawk's Perspective: CTL has always been a favorite on the short-side, alert in now for break of key volume node near \$11.45.

Confidence Ranking: \$\$