



FEATURED OPTIONS RADAR REPORT



LabCorp Bulls Target Further Upside Amid Strategic Review

Ticker/Price: LH (\$267)

Analysis:

LabCorp (LH) with 2000 November \$280 calls bought up to \$17 to open on 4/29, size buyer in a name undergoing a strategic review after activist Jana Partners took a stake. LH has seen some smaller buys lately including the May \$260 calls and May \$240 calls but nothing notable since February. Shares have been drifting higher since January when they broke out of a multi-month cup and handle and overall one of the steadiest names since March 2020's low. The \$25.7B company trades 17X earnings, 1.8X sales, and 14.65X FCF but does carry some debt on the balance sheet. LH is coming off a strong quarter this week with mid-teens revenue growth in their core business and momentum from biopharmaceuticals in their core business. They continue to see demand grow as the drug development pipeline expands. LH is an activist situation as well with Jana Partners pushing the company to improve shareholder value and in March the company launched a strategic review. One potential solution that has been floated is to more clearly outline a growth strategy for Covance or pursue a split. Analysts have an average target for shares of \$251 with a Street High \$300 from Truist. The firm was out on 4/14 positive as COVID-19 headwinds dissipate while free cash flow should remain robust amid an attractive reopening and a rebound in economy. Citi positive in February around the base lab business recovery and growth in Covance. Short interest is 1.72% and near multi-year lows. Hedge fund ownership rose 2% in Q4, Melvin Capital and Jana Partners both with stakes.

Hawk Vision:



Hawk's Perspective: LH feels cheap even with the big run lately and Jana has a strong track record of helping companies close the value disconnect so expecting whatever action taken to be received well

Confidence Ranking: \$\$