

TOP STORIES

- Britain, EU Reach Brexit Deal
- Johnson Looks to Rally Parliamentary Support Ahead of Sat. Vote
- China Says US Must Cancel New Tariffs for Ultimate Trade Deal
- Oil Drops as Industry Report Shows Big Jump in U.S. Stockpiles

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3002.25 (10.75)	13.16
Nasdaq	7978.5 (30)	47.29
Dow	27037 (97)	85.02

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7203.68	0.50%
DAX	12725.53	0.44%
Nikkei	22451.86	-0.09%
Hang Seng	26848.49	0.69%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Jobless Claims	215k
8:30	Housing Starts	1.32M
8:30	Philly Fed	
9:15	Industrial Production	-0.3%
11:00	EIA Petroleum	

FOREX

EUR/USD	1.1108 (0.35%)
USD/JPY	108.71 (-0.04%)
USD/CAD	1.3175 (-0.20%)
GBP/USD	1.2853 (0.18%)

COMMODITY

Oil	53.06 (-0.56%)
Natural Gas	2.334 (1.35%)
Gold	1490.2 (-0.25%)
Copper	2.602 (0.48%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.76 (1.77%)
Nasdaq	VXN	17.56 (2.21%)
Oil	OVX	39.50 (0.08%)
Gold	GVZ	14.87 (-1.39%)

MARKET OUTLOOK

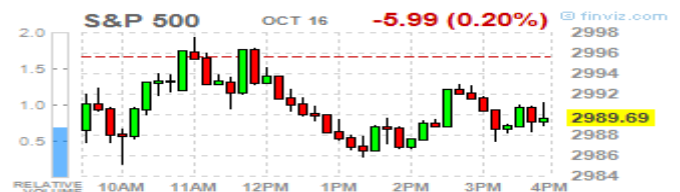
Futures are indicating a higher open for the morning with a Brexit deal agreed on in Brussels. The two sides have reportedly reached an agreement before their Summit while PM Johnson still needs to win backing of UK lawmakers. Northern Ireland’s DUP said earlier in the morning they wouldn’t support the current text. Focus now turns to a Parliamentary vote which will take place on Saturday. Not a lot of new updates on US/China trade overnight. Officials continue to work on the text of ‘Phase 1’ which is expected to be signed at APEC in November. China reiterated they would enact strong countermeasures if Congress moves forward with HK legislation. China’s Li said the two sides should work out their issues with dialogue, not actions. **Netflix (NFLX)** a standout after earnings up as much as 11% while **IBM** is lagging after a poor beat and revenue miss (again).

Asian markets are mixed overnight with the Hang Seng leading up 69 bps. The Nikkei slipped modestly after hitting a 10-month high. Chip-related names followed some US names lower overnight. **Murata Manufacturing** CEO told the Nikkei that he thinks the electronic components market is bottoming out. Iron and steel names were a drag on the overall indices. Australian unemployment was better than feared at 5.2% vs 5.3%. Singapore exports fell 8.1% in September.

European markets are higher across the board with the Brexit news. Most were either in the red or basically flat until around 5 AM when the news hit and then jumped. A busy morning of earnings led by strong beat out of **Ericsson**. Shares are up 6.5% after raising their outlook w/ better 5G deployments. **Nokia** up in sympathy. **Unilever** is also higher after a positive report. Software name **Temenos** is down 13% after missing forecasts. **Nestle** is down 1% with a weak quarter but announcing a \$20B buyback. **Pernod Ricard** down 3% after missing on their guidance, slower growth in China and India. Auto parts company **Faurecia** down 7% after a weak outlook. Eurozone construction output was down 46 bps in August. UK retail sales rose to 3.1% in September, a little worse than the 3.2% forecast. Swiss trade data came in slightly better than expected.

S&P TECHNICALS

Levels: Support 2,825/2,800; Resistance 3,020/3,060



3622 Advancing	Declining 3764
46.1%	47.9%
132 New High	New Low 88
60.0%	40.0%
4352 Above SMA50	Below 3415
56.0%	44.0%
4152 Above SMA200	Below 3615
53.5%	46.5%

KEY EVENTS

Earnings After the Close: TEAM, OZK, ETFC, ISRG, WDFC, WAL

Analyst Days: CNR, HMHC, SAFM

Tomorrow... Esther George Speaks at 10:00 AM, Robert Kaplan Speaks at 10:00, Neel Kashkari Speaks at 10:30

Earnings BMO: AXP, CFG, KO, GNTX, KSU, MAN, SLB, STT, SYF

ANALYST ACTION/COMMENTS

Teva (TEVA) upgraded to Buy at Gabelli

Euronav (EURN) upgraded to Buy at Stifel

Container Store (TCS) upgraded to Neutral at Goldman

Cirrus Logic (CRUS) upgraded to Neutral at Barclays

Liberty LatAm (LILA) upgraded to Neutral at Barclays

National Grid (NGG) upgraded to Outperform at CSFB

Boston Beer (SAM) upgraded to Outperform at Cowen

Autoliv (ALV) upgraded to Neutral at Evercore

First Horizon (FHN) downgraded to Neutral at Keefe

Pattern Energy (PEGI) downgraded to Neutral at Goldman

Comerica (CMA) downgraded to Sell at JP Morgan

Olin (OLN) downgraded to Neutral at JP Morgan

Scorpio (STNG) downgraded to Hold at Stifel

Netflix (NFLX) downgraded to Neutral at Macquarie

Extraction Oil (XOG) downgraded to Sell at Imperial

ASML downgraded to Hold at Kepler Chevreau

Brunswick (BC) downgraded to Neutral at Longbow

Monster (MNST) downgraded to Neutral at Cowen

Arqule (ARQL) initiated Buy at Cantor, \$16 PT

Mondelez (MDLZ) initiated Buy at RBC Capital

Hilton (HLT), Host Hotels (HST) initiated Buy at BMO

BAML starting **VRTX, LLY, BMY, BMRN** at Buy, **REGN, AMGN, MRK, PFE, GILD** at Neutral, and **BIIB** at Sell

Alexion (ALXN) initiated Buy at BAML, \$130 PT

MEDIA HIGHLIGHTS

UnitedHealth (UNH) losing two large retiree health plan accounts – Bloomberg

Raytheon (RTN) Clinches 'Must Win' U.S. Contract for New Patriot Radar – Bloomberg

Nissan at risk of \$740M blow from no-deal Brexit – Nikkei

Walmart (WMT), Mattel (MAT) 'lease floors' in KidHQ interactive store - WSJ

Tesla Motors (TSLA) granted car manufacturing certificate in China – Reuters

Global automotive panel shipments fall in 1H19 – Digitimes

HSBC Considers Equities Pullback – Bloomberg

Pernod Ricard Reports a Slowdown in Asian Demand – Bloomberg

Unilever (UN) Sales Growth Held Back by Weakness in Ice Cream and Tea – Bloomberg

HNA has been unable to sell out of \$8.5B plane lessor **Avolon** – Bloomberg

Malaysia 'open' to dropping 1MDB charges against **Goldman Sachs (GS)** – Nikkei

WH Smith to buy **Marshall Retail** for \$400M in U.S. airports push – Reuters

Elliott pushes Japan's **Unizo** to accept \$1.6B **Blackstone (BX)** bid – Reuters

Qatar Air considers raising stake in **LATAM** – Reuters

STOCK SPECIFIC NEWS OF NOTE

Alcoa (AA) announces portfolio review to reduce costs

Crown Castle (CCI) received SEC subpoena for documents

Tandem (TNDM) publishes DCLP3 study data in the NEJM

Steel Dynamics (STLD) CEO says steel pricing environment 'challenging'

TSMC (TSM) raises FY19 CapEx outlook to \$14B-\$15B

Nestle to return \$20B to shareholders

Ericsson (ERIC) raises FY20 outlook, sees 5G deployments faster than expected

Norwegian Air, JetBlue (JBLU) announce transatlantic partnership

PRE-MARKET MOVERS

Moving Higher: ERIC 7.5%, CETV 4.7%, MS 4%, NOK 3.9%, TCS 3.7%

Moving Lower: WTRH -7%, TXT -2.9%, GTLS -2%, NTRA -2%

INSIDER TRADING (Form 4 Filings)

Buying: MNR, AGO

Selling: FORM, CRM, PEN, VMW, FB, FOLD, MU, RCL, YUM, FIVN, ANET, PAYX

POTENTIAL SYMPATHY TRADES

NSC, KSU, CNI – on UNP/CSX earnings

FLS, DHR, IEX, PH – on DOV positive guidance

INTC, ADI, XLNX, NVDA, TXN – on TSM guidance

OPTION HIGHLIGHTS (Prior Day)

Aerojet Rocketdyne (AJRD) with buyers earlier of 2500 November \$55 calls up around \$0.75 to \$0.80 and now volumes over 7,500 into mid-day. AJRD also seeing 775 May \$55 calls bought for \$3.50 to \$3.80 and name which has seen February \$60 calls buys recently as well as the December \$55 calls. Shares are coiled in a small range after pulling back to the high-end of July value and the recent earnings gap level around \$48. MACD is nearing a bullish crossover while a run back up to \$52 can see continued upside to \$57+. The \$3.73B company trades 24.5X earnings, 1.95X sales, and 16.85X FCF with high-single digit growth. AJRD is a leading aerospace and defense contractor which develops propulsion systems for space and civil systems. They remain one of the only pure-play names on hypersonic growth and space propulsion after peer Orbital (OA) was acquired. AJRD is coming off a strong quarter with an all-time high backlog, strong bookings growth and improvement in margins. AJRD has a sizable cash position and their CEO last year expressed interest in M&A as they look to build out production lines calling it their ‘number one priority.’ They also have a sizable land plot in California for sale which they have been looking to monetize since early 2019. Analysts have an average target for shares of \$52 with limited coverage. JP Morgan starting at Neutral on 9-10 citing valuation. They think AJRD remains in favorable position heading into 2020 based on growing missile defense programs and potential capital deployment catalysts. Sun Trust with a \$55 PT, best name to be positioned for the ‘missile gold rush.’ Short interest is 12.2% and down from around 16.3% in May. Hedge Fund ownership fell 19.5% in Q2.

AFTER HOURS MOVERS

Gainers: CRON 22%, NFLX 8.5%, CSX 2.5%

Losers: IBM -3%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.688	Rising – Cautious
CBOE Index Put/Call Ratio	1.32	Rising – Cautious
CBOE Skew Index	122.40	Rising Sharply
VIX Curve	Contango	Normal
CNN Fear & Greed Index	42	Fear
NYMO	9.5	Neutral
NYSE New Highs – New Lows	53	Neutral
McClellan Summation	434.94	Below 8-EMA
Univ. of Michigan Consumer Sentiment	93.2 (September)	-6.9%

SMART MONEY (13g/13d Filings)

IPO MONITOR

BellRing Brands (BNBR) issuing 30M shares at \$16-\$19; Provider of nutrition food products under Premier Protein, Dymatize, and PowerBar brands

Innate Pharma (IPHA) issuing 10.7M shares at \$7.50; Biotech company developing therapeutic antibodies for treatment of oncology indications

SECONDARY MONITOR

Natera (NTRA) prices 5.7M share offering at \$35

TRADE

WEEKLY TECHNICAL BREAKOUT

ZTS:



Zoetis (ZTS) shares consolidating in a bull flag under \$130 and recent highs with a measured target out to \$140. Longer-term, ZTS is in a strong uptrend and has room to \$150+. MACD recently turning higher and RSI is leading as it clear the recent highs.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Alteryx (AYX)

Price: \$111.50

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	59.5X	10.6X	100X	40.3X	88.5X
Industry Avg.	39.8X	4X	4.4X	21X	42.1X

Analysis: AYX is a \$6.89B software company which focuses on data analytics including preparation, profiling, and workflows. The company has worked on making data analysis more easily approachable for businesses who have a lot of data to comb through. AYX has a small percentage of its TAM while working more in flows will help it expand more among IT teams.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

CSCO:



Cisco (CSCO) shares consolidating in a multi-week bear flag under the declining 50-MA. Shares are just above \$46 which is key support and a move lower targets the December lows around \$41. CSCO is right at trend support from the 2017 lows.

PAIR TRADE OF THE WEEK

Industry: Apparel

Long/Short: Long **Guess? (GES)** and short **Gap (GPS)**

Analysis: GES is coming off a strong quarter with its DTC business improving and a strong inventory position into the Holidays. GES is also seeing better margin performance than peers. GPS's core business remains challenged while their spin off plans and aggressive restructuring will weigh. GPS could be a prime candidate for heavy discounting.

SMALL CAP TRADE OF THE WEEK

Addus Homecare (ADUS) is a \$1.26B provider of home healthcare services which trades 27.8X earnings, 2.2X sales, and 23X cash. ADUS has been busy with smaller deals all year as they look to consolidate a fragmented industry. Their recent deal in the Southeast is immediately accretive and adds notable scale. ADUS is benefitting from secular tailwinds in the hospice industry.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Aerojet (AJRD)	CBRE Group (CBRE)	Merit Medical (MMSI)
Verint (VRNT)	Achillion (ACHN)	Carbonite (CARB)
Constellium (CSTM)	Fresh Pet (FRPT)	Alder (ALDR)
Signet (SIG)	Avis Budget (CAR)	Floor & Décor (FND)
Int'l Paper (IP)	Sleep Number (SNBR)	Nio (NIO)
Michaels (MIK)	Coty (COTY)	Flexion (FLXN)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Aramark (ARMK)	Cincinnati Bell (CBB)	Aurinia (AUPH)
Carrols (TAST)	Dova Pharma (DOVA)	United (UAL)
Elanco (ELAN)	Alder (ALDR)	Celgene (CELG)
Rambus (RMBS)	Delek US (DK)	Hexo (HEXO)
Michaels (MIK)	Floor & Décor (FND)	Ally Financial (ALLY)
Carters (CRI)	Stericycle (SRCL)	MellanoX (MLNX)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Michaels (MIK)	Comcast (CMCSA)	Axxome (AXSM)
Exelon (EXC)	Fresh Pet (FRPT)	Solid Bio (SLDB)
Ally Financial (ALLY)	Fitbit (FIT)	Wave Life Sci (WVE)
Aerojet (AJRD)	PG&E (PCG)	Mirati (MRTX)
Barclays (BCS)	Occidental (OXY)	Overstock (OSTK)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
P&G (PG)	Wells Fargo (WFC)	Avis Budget (CAR)
General Electric (GE)	Michaels (MIK)	Sleep Number (SNBR)
Vale SA (VALE)	Comcast (CMCSA)	Coty (COTY)
Snap (SNAP)	Foot Locker (FL)	Int'l Paper (IP)
Tesla (TSLA)	Taiwan Semi (TSM)	Michaels (MIK)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
American (AAL)	Kraft (KHC)	CMCSA, 10,000 Jan. 2021 \$60/\$37.5 collars with stock
Snap (SNAP)	Amgen (AMGN)	DK, 2500 November \$35/\$30 put spreads
Adobe (ADBE)	Irobot (IRBT)	GEO, January 2021 \$13/\$5 put spread 1700X
United (UNH)	Amerisource (ABC)	RTN, December \$210/\$220 call ratio spread opening 1500X3000
Coca Cola (KO)	CBRE	ADBE, 3500 November \$275/\$280 call spreads

Stock Specific News and Media

Options Traders Wager on Negative U.S. Interest Rates – WSJ

Workday (WDAY) Casts a Large Cloud Over Expensive Software Sector – WSJ

Barneys reaches deal with **Authentic Brands** for \$271M – Reuters

FCC approves **T-Mobile (TMUS)**, **Sprint (S)** deal along party lines – Reuters

China says worst of African Swine Flu may be over (**TSN**, **SAFM**, **HRL**) – Bloomberg

Extras

PetMed Express (PETS) with 1000 March \$15 puts bought \$1.15 to \$1.20, recent November \$20 put accumulation

Workday (WDAY) late day buy 1500 December \$180/\$190 call spreads for \$1.75

Pinterest (PINS) spread sold 2000 November \$22 puts to buy 2000 November \$28/\$32 call spreads, earnings 10-31

NVIDIA (NVDA) buyer of 2500 December \$205 calls against the sale of the June 2020 \$250 calls.

Netflix (NFLX) interesting large spreads started around 2:20pm with 8000 October \$302.50 calls bought against sales of the December \$345 calls, opening

Home Depot (HD) afternoon spreads opened 1500 Nov. 29th (W) \$232.5/\$215 put spreads

Post Holding (POST) buyer 750 November \$95/\$90 put spreads for \$1.05

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AA	Alcoa	-\$0.44	-\$0.28	\$2,567.00	\$2,581.98	-24.30%	
CNS	Cohen & Steers	\$0.65	\$0.61	\$104.97	\$102.42	6.70%	
CCK	Crown	\$1.56	\$1.56	\$3084.0	\$3,189.14	-2.8%	FY Below
CCI	Crown Castle	\$1.49	\$1.43	\$1,514.00	\$1,477.62	10.10%	FY In Line
CSX	CSX	\$1.08	\$1.02	\$2,980.00	\$2,983.50	-4.80%	
IBM	IBM	\$2.68	\$2.66	\$18,028.00	\$18,285.71	-3.90%	
KMI	Kinder Morgan	\$0.22	\$0.24	\$3,214.00	\$3,510.12	-8.60%	
LLNW	Limelight Networks	\$0.01	\$0.01	\$51.32	\$49.89	4.10%	

NFLX	Netflix	\$1.09	\$1.05	\$5,245.00	\$5,247.81	31.20%	FY Lower
SLG	SL Green Realty	\$1.75	\$1.73	\$248.03	\$243.02	-1.10%	
STLD	Steel Dynamics	\$0.69	\$0.69	\$2,500.0	\$2,670.32		
URI	United Rentals	\$5.96	\$5.77	\$2,488.00	\$2,456.26	17.60%	FY In Line

IBM – Beat on EPS and Missed on Revenues (-3.9%)

"In the third quarter, as we continued to help clients with their digital reinventions, we grew revenue in our Cloud & Cognitive Software segment and in Global Business Services," said Ginni Rometty, IBM chairman, president and chief executive officer. "Our results demonstrate that clients see IBM and Red Hat as a powerful combination and they trust us to provide them with the open hybrid cloud technology, innovation and industry expertise to help them shift their mission-critical workloads to the cloud."

URI – Beat on EPS and Revenues (+17.6%)

In the third quarter, we delivered solid revenue growth driven primarily by strength across our core construction markets, partially offset by slower industrial growth. Operating costs were higher than expected as we repaired and repositioned fleet. Our updated guidance reflects these dynamics, as well as our expectation for higher free cash flow generation.

NFLX – Beat on EPS and Missed on Revenues, FY Below (31.2%)

Total paid net adds of 6.8M increased 12% year over year and was an all-time Q3 record. As a reminder, the quarterly guidance we provide is our actual internal forecast at the time we report and we strive for accuracy. In Q3, our guidance forecast was our most accurate in recent history. In the US, paid net adds totaled 0.5M in Q3 vs. our 0.8M forecast, and year to date paid net adds are 2.1m vs. 4.1m in the first nine months of 2018. Since our US price increase earlier this year, retention has not yet fully returned on a sustained basis to pre-price-change levels, which has led to slower US membership growth. For Q4, we're expecting consolidated revenue to increase 30% year over year with 9% streaming ARPU growth. We're forecasting 7.6m global paid net adds (vs. 8.8m last Q4), with 0.6M in the US and 7.0M for the international segment. This implies full year 2019 paid net adds of 26.7M, down from 28.6M last year. While we had previously expected 2019 paid net adds to be up year over year, our current forecast reflects several factors including less precision in our ability to forecast the impact of our Q4 content slate, which consists of several new big IP launches (as opposed to returning seasons), the minor elevated churn in response to some price changes, and new forthcoming competition. As we outline in more detail below, our long term outlook on our business is unchanged. Many are focused on the 'streaming wars,' but we've been competing with streamers (Amazon, YouTube, Hulu) as well as linear TV for over a decade. The upcoming arrival of services like Disney+, Apple TV+, HBO Max, and Peacock is increased competition, but we are all small compared to linear TV. The launch of these new services will be noisy. There may be some modest headwind to our near-term growth, and we have tried to factor that into our guidance.

CSX – Beat on EPS and Missed on Revenues (-4.8%)

Q3 operating ratio of 56.8%, improved from 58.7% in the prior year. "I am extremely proud of our dedicated team of CSX railroaders for once again setting new records for operating efficiency, customer service, and safety this quarter," said James M. Foote, president and chief executive officer. "These results reflect our continued commitment toward being the best run railroad in North America and providing our customers with best-in-class service."

STLD – EPS In Line and Revenues Below

The team delivered a solid third quarter performance in a challenging steel pricing environment, as average steel pricing declined in the quarter more than offsetting the benefit of lower scrap costs. Steel customer inventory destocking has subsided, and underlying domestic steel demand remains principally intact for the primary steel consuming sectors, with particular strength in construction, as supported by our continued seasonally strong steel fabrication backlog. "Based on domestic steel demand fundamentals, we are constructive regarding 2020 North American steel market dynamics," said CEO Millett. "We believe North American steel consumption will experience modest growth and will be supported by further steel import reductions and the end of steel inventory destocking. We believe current trade actions could have a positive impact in further reducing unfairly traded steel imports into the United States, including coated flat roll steel, which could have a significant positive impact for Steel Dynamics, as we are the largest non-automotive flat roll steel coater in the United States. In combination with our existing and newly announced expansion initiatives, there are firm drivers in place for our continued growth. We are excited about our Sinton, Texas flat roll steel mill project, and the associated long-term value creation it will bring through geographic and value-added product diversification.

Pre-Market Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BMI	Badger Meter		\$0.43		\$110.39		
BBT	BB&T Corp	\$1.07	\$1.03	\$3,003.00	\$2,993.13	2.60%	
GTLS	Chart Industries	\$0.77	\$0.76	\$357.80	\$378.53	31.40%	FY In Line
DOV	Dover	\$1.60	\$1.51	\$1,825.34	\$1,805.41	4.50%	FY Above
ERIC	Ericsson	-\$1.80	\$0.96	\$57,127.00	\$56,603.24	6.20%	FY Above
GPC	Genuine Parts		\$1.47		\$5,031.28		
HON	Honeywell	\$2.08	\$2.01	\$9,086.00	\$9,122.31	-15.60%	FY In Line
IIIN	InSteel Industries	-\$0.09	\$0.19	\$113.40	\$126.88	-6.60%	
KEY	KeyCorp	\$0.48	\$0.46	\$1,630.00	\$1,642.42	1.70%	
MTB	M&T Bank	\$3.50	\$3.59		\$1,529.52		
MS	Morgan Stanley		\$1.12		\$9,626.70		
PM	Philip Morris International	\$1.43	\$1.36	\$7,642.00	\$7,651.08	1.80%	
POOL	Pool	\$1.84	\$1.78	\$898.50	\$883.54	10.70%	FY Above

PPG	PPG Industries	\$1.67	\$1.61	\$3,826.00	\$3,890.61	0.20%	
SNA	Snap-On	\$2.96	\$2.93	\$901.80	\$909.23	0.40%	
SON	Sonoco Products	\$0.91	\$0.91	\$1,353.90	\$1,391.43	-0.80%	FY Light
STI	SunTrust Banks	\$1.40	\$1.40	\$2,353.00	\$2,332.37	2.60%	
TSM	Taiwan Semi	\$3.90	\$3.70	\$293,045.00	\$284,721.56	12.60%	FY Above
TXT	Textron	\$0.95	\$0.86	\$3,259.00	\$3,309.79	1.80%	FY In Line
UNP	Union Pacific		\$2.31		\$5,649.49		
WNS	WNS	\$0.79	\$0.67	\$220.70	\$216.08	12.90%	

Small-Cap Focus

Addus HomeCare (ADUS) an intriguing small-cap which is consolidating around 10% from new highs after a strong trend earlier in the year. ADUS is a leader in personal care for elderly, chronically ill, or disable consumers and has recently expanded in hospice care as a complementary vertical. They provide non-medical services to individuals who are not quite 'nursing home ready' and would prefer to stay in their homes. The range of services they offer includes personal hygiene assistance, meal prep, and dressing. Hospice can also attend to nursing care, social work, counseling, and bereavement services. They've seen strong multiple expansion since 2015 and continue to see drivers from expanding hospice and a big Medicare Advantage opportunity. The FY2019 final rule included personal care for the reimbursement for the first time. Home and community services remains a highly-fragmented market and ADUS stands to benefit from further deals as regulatory and system-wide pressure grows. They also have opportunity to market to MCOs as their coordinated care model is likely attractive. ADUS has around 40K customers in 24 states and long-term tailwinds from a massive population of Baby Boomers hitting their elderly years. Shares trade 28.3X earnings, 2.26X sales, and 23.4X cash with mid-teens EPS growth. Short interest is 4.8%. Sidoti with a Street High PT of \$115. The company will report earnings on 11/4 and higher each of the last four and six of the last seven with an average move of 3.65%.