



Bulls See Value in Xerox as It Attempts HP Takeover

Ticker/Price: XRX (\$34.85)

Analysis:

Xerox (XRX) on 2/24 with a buyer of 10,000 April \$36 calls to open at the \$1.30 offer, size trade in a name with 10,000 March \$40 OTM calls recently opened and 10,000 April \$37 calls bought to open back on 1/24 for \$1.337M. XRX shares dipped back to just above its rising 200 day MA to start the week, and closed just above its 38.2% retracement level of the Summer 2019 low to late 2019 high. The \$7.63B IT Services company specializing in document management and digital solutions trades 9.4X Earnings, 8.47X FCF and 6X EBITDA with a 2.87% dividend yield. XRX's outlook for revenues continues to see contraction while EPS seen growing just 3% in 2020. The company recently revised its proposal to merge with HP (HPQ) but it continues to be shot down. Carl Icahn is involved in both companies and could become a swing-factor. XRX has also been focused on its Project Own It, an enterprise-wide transformation initiative to optimize operations, drive investments back into its business and create a culture of continuous improvement. At the heart of Project Own It is simplification, redesigning 7 key areas across the organization so it can better serve clients, generate savings that can be reinvested in the business and position Xerox for a return to growth. The 7 areas of focus we laid out are: shared services, procurement, IT, delivery, supply chain, real estate and organizational design. On its last earnings call it spoke about the HP offer "With respect to our proposed acquisition of HP, the value of this transaction goes beyond economics. The printing industry is decades overdue for consolidation, and the first mover will have a significant advantage. As laid out in the investor deck we released in December, we have identified significant costs and revenue synergies that are only achievable through a combination. A combined company would be both more profitable and better positioned to diversify into higher-growth markets. Any restructuring that either company undertakes in the interim is simply incremental and does not diminish the scope or scale of this opportunity for both HP shareholders and Xerox shareholders." Analysts have an average target of \$41 on XRX shares and short interest is 3.6% of the float. Loop Capital raised its target on shares to \$47 in November positive on the company's prospects with or without the HP deal as new management is committed to a transformation and shares are cheap on a FCF basis. Hedge Fund ownership rose 6% in Q4 filings with Coatue Mgmt. taking a new position.

Hawk Vision:



Hawk's Perspective: XRX versus the 200 MA looks attractive and its valuation and flows continue to suggest eventual upside coming, nice reward/risk down here.

Confidence Ranking: \$\$



Kansas City Southern Momentum Seen Continuing

Ticker/Price: KSU (\$167.3)

Analysis:

Kansas City Southern (KSU) shares pulled back to start the week and hit the 8 week rising MA, a name with impressive strength since clearing a bull flag in late 2019 and now back retesting its late January flag breakout level. KSU on 2/21 with a buyer of 1000 March \$165 calls to open for \$1.1M as February calls adjusted and also has notable open interest in March \$155 calls while also having Iron Condors seeing a \$145/\$175 range in March. The \$16.25B Rail trades 18.3X Earnings, 5.7X Sales, 17.65X FCF and 12.5X EBITDA with a 0.96% dividend yield. Forecasts see revenues growing 5.5% the next two years annually with EPS growth of 13-17% per year. KCS' franchise cross-border volumes have grown at a 12% CAGR from 2010 through 2018, and represent over 30% of revenue. It has a single connection between Mexico and all major markets in the US and Canada. KSU is also benefitting from Precision Rail, currently in Phase 1 and seeing sustainable operating expense savings.

Analysts have an average target of \$177 and short interest at 4% of the float has risen 46.7% Q/Q. KSU will speak at the Raymond James Conference on 3-2 and next reports in mid-April. Deutsche Bank cut shares to Hold with a \$178 target on 1/22 noting the company's turnaround efforts have surpassed expectations, but now sees it rich to peers. BMO downgraded on 2/6 with a \$175 target noting though a favorable demand outlook and better growth profile than peers, upside is limited due to recent outperformance and valuation. Wells Fargo upped its target to \$193 in January seeing the strategic plan in the nascent stages of operational improvement and cash flow growth. KSU has a more economic resilient cross-border business model and low exposure to Coal. UBS moved its target to \$190 on 1/21. Hedge Fund ownership fell 10.4% in Q4 filings, no notable concentrated holders.

Hawk Vision:



Hawk's Perspective: KSU into some further weakness to \$163 near the 50 MA would set up as a nice March \$165/\$175 call spread play.

Confidence Ranking: \$\$



Perrigo Bull Spreads Positive on Transformation Efforts

Ticker/Price: PRGO (\$61.85)

Analysis:

Perrigo (PRGO) at multi-month highs seeing spreads sell August \$55 puts to buy the \$65/\$75 call spreads 1000X in the opening hour of trade, and a name lacking any notable open interest. PRGO shares have a major weekly volume node up near \$70 as next likely resistance, a name making higher lows trending higher since May 2019. The \$8B maker of OTC healthcare products announced FDA approval of a new generic version of ProAir HFA last night and recently raised its dividend 7% and a \$113M deal for High Ridge Brands. Shares trade 13.55X Earnings, 1.7X Sales and 27.3X FCF with a 1.52% dividend yield. Forecasts expect revenue growth to accelerate to 4.3% in 2020 which would be its best since 2015 while EPS seen rising 8.7%. PRGO gets 80% of sales from consumer businesses and 20% from RX Pharmaceuticals. It is in year one of a 2-3 year transformation reconfiguring its portfolio. Analysts have an average target of \$60 with short interest at 3.8% of the float. Cantor raised its target to \$70 on 1/21 expecting multiple expansion after solid execution. Argus upgraded to Buy in October positive on the business transformation. Hedge Fund ownership fell 16% in Q4 filings, Sound Shore a notable concentrated holder.

Hawk Vision:



Hawk's Perspective: PRGO is an interesting story I had not looked at in a while, but currently in a market to sit back and be patient and let names set back up once headlines fade.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Materials (XLB) buyer 2000 June \$53 calls \$6.10 into day lows and 2000 June \$55 calls \$4.55 offer.

Semi (SMH) ITM buyer 1000 August \$133 calls \$13.35 to \$13.60

S&P (SPY) buyer 1500 Apr. 3rd (W) ITM \$307.5 calls \$17.47. **SPY** opening sale this morning 5000 May \$302 puts \$5.09

Gold (GLD) with 8000 September \$152/\$170 bear call spreads opening for \$5.90 credit

Treasury (TLT) seeing 8500 May \$150 puts open into its new highs, \$3M in contracts

NASDAQ (QQQ) with 40,000 Mar. 31st (Q) \$220 puts opening as the \$225 puts adjust

Biotech (XBI) afternoon buyer 5000 June \$100 calls \$2.38 to \$2.39

MSCI EAFE (EFA) with 25,000 April \$64 puts sold to open \$1.25 today

Regional Banks (KRE) with 22,750 March \$52.5/\$49.5 put spreads bought for \$0.83

Consumer Discretionary/Services

Xerox (XRX) block of 10,000 April \$38 calls opening \$1.24 in stock replacement

NexStar (NXST) opening buy 1000 April \$130 calls for \$2.20 and also 300 August \$110 ITM calls opening \$15.40

Five Below (FIVE) buyer 500 April \$100 puts to open \$3.83 to \$3.85

Croc's (CROX) with 1650 March \$35 puts bought \$2.25 to \$2.35 offer to open, earnings 2-27

Starbucks (SBUX) with 2000 Mar 6th (W) \$83 calls opening \$2.10. **SBUX** 2000 April \$85 calls bought \$2.48 as March \$87.5 adjust

MGM Resorts (MGM) under 200 MA and 5000 Mar. 13th (W) \$31 calls bought \$0.36 to \$0.39 in sweeps

Penn Gaming (PENN) with 3000 October \$30 puts bought \$2.55, stock-tied. **PENN** also seeing 2000 March \$34 puts bought to open \$1.60 to \$1.65

Carnival (CCL) with 4450 Mar. 6th (W) \$34 puts bought to open, likely a long time before the Cruise industry recovers

Macy's (M) on lows after its earnings and 15,000 March \$14 puts bought into the early strength

Capri (CPRI) with 36,000 March \$24 puts bought \$0.35 to \$0.40 as luxury brands struggle with the virus impact

Tempur Sealy (TPX) with 900 April \$80 OTM puts bought up to \$2.75 to open

Kohl's (KSS) with 2000 January \$42.50 puts sold \$7.10 to open

Dollar Tree (DLTR) with 1400 Mar 27th (W) \$92 calls opening this morning, sellers \$4.50 down to \$4

Chipotle (CMG) with 750 April \$875/\$850 put spreads bought to open

Best Buy (BBY) weekly \$83/\$764 put spreads bought 2500X into earnings 2-27

Melco (MLCO) back to lows from January when casino names sold off on virus fears and 5000 July \$21 calls are bought \$1.25 to \$1.30 to open

Decker (DECK) with 1500 April \$200 calls being sold to open down to \$3.30. **DECK** with 775 April \$190 calls bought tied to the \$200 call sales, ratio spreads

CBS Viacom (VIAC) into new lows seeing 5000 March \$27 calls bought up to \$0.70 looking for a bounce

ActiVision (ATVI) with 2000 June \$65 calls opening \$2.37 into weakness

Marriott Vacations (VAC) drops hard with 2000 ITM July \$120 puts opening up to \$18.30, earnings tomorrow night

Extended Stay (STAY) with 1400 December \$12/\$10 bull risk reversals opening at \$0.25 debit

eBay (EBAY) stock buyer puts on 5000 June \$39/\$33 collars

Abercrombie (ANF) with spreads 1000X selling March \$14.5 calls to buy Aug. \$15 calls

Advanced Auto (AAP) working off day with as 4000 January \$145 calls open up to \$15, size trade, and holding up as it back-fills the recent earnings gap. AAP has a lot of size call OI in June expiration from large buys still.

Lowe's (LOW) buyer 1000 Mar. 13th (W) \$123/\$128 call spreads into earnings

Live Nation (LYV) with 3000 July \$70 calls opening \$4 offer into 2-27 earnings as a stock replacement

Expedia (EXPE) with January \$110 calls opening 5000X as the \$120 now adjust back

Consumer Goods

Clorox (CLX) a name that continues to benefit from the outbreak seeing March \$170 calls active with buyers today 2000X

Molson (TAP) with 800 January \$52.5 puts sold \$5.30 bid to open

Herbalife (HLF) block of 4000 August \$25 puts opens \$0.86

Estee Lauder (EL) with 1500 July \$210 calls bought \$7 to \$7.20 into weakness, a high quality name hitting its 1 year channel support

ConAgra (CAG) into day lows with 1000 September \$29 calls bought \$2.25

Energy

Petrobras (PBR) with 6000 September \$16 calls bought \$0.45 offer to open. **PBR** also with 5000 Jan. 2022 \$10 puts sold \$1.06 to open today

Marathon Petro (MPC) with 1775 April \$47.5 calls opening \$8.10. **MPC** buyers coming in active here for 3000 Mar. 6th (W) \$56 calls \$1.30

Apache (APA) seller 1500 March \$25.50 calls \$2.20 to \$2.15

Clean Harbor (CLH) buyer 1000 March \$80 puts \$2.30 offer aggressively into earnings tomorrow morning

Williams (WMB) with 5000 March \$20.50 calls bought \$0.34 to \$0.40

Energy Transfer (ET) with 3000 October \$11 calls opening \$1.21

Conoco (COP) with 2000 January \$60/\$45 bull risk reversals opening at \$1.36 debit

Scorpio Tanker (STNG) buyer 1000 January \$15 calls to open ITM at \$6

Targa (TRGP) buyer 1000 July \$33 puts \$1.65 offer

Financials

Zillow (Z) has pulled in to its 8 MA after a big earnings move and 2000 May \$65 calls trade \$4 offer

FleetCor (FLT) opening sale 500 March \$290 puts \$5.30 bid, pulled back not far from 200 MA, size 2800 Aug \$310 calls bought sit in OI

CME Group (CME) with 500 June \$200 puts sold to open \$5.90

Capital One (COF) shares very weak and seeing 1700 May \$90 puts sold to buy the \$105/\$115 call spreads

Citi (C) September \$67.50 puts sold to open 7000X at \$3.85, also 2000 December \$60 sold to open \$2.45

MasterCard (MA) with 2000 April \$280 puts sold to open near \$3.80 into weakness

Wells Fargo (WFC) deep ITM January 2022 \$37.5 calls with 5500 opening \$9.70

Simon Property (SPG) with 1850 April \$135 puts opening \$3.65, struggling Mall REIT

Morgan Stanley (MS) put sales remain popular with 1200 January 2022 \$45 sold to open \$5.50 bid

Ally (ALLY) with another 5000 January 2022 \$25 calls bought for \$5. **ALLY** also 2200 September \$25 puts bought \$1.95 offer to open today. **ALLY** now another 10,000 Jan. 2022 \$25 calls bought \$5

Meta Financial (CASH) unusual buy 945 March \$40/\$35 put spreads \$2.30

Prudential (PRU) opening sale 500 June \$80 puts \$8.40

Realogy (RLGY) strong in an ugly tape after earnings with 5000 January 2022 \$7.50 puts sold to open \$1.25

Northern Trust (NTRS) into weakness buyer 1000 April \$100 calls \$1.30 offer

PayPal (PYPL) opening seller 800 October \$100 puts \$5.45

Noah Holding (NOAH) IV moving lower this afternoon as shares jump off lows with over 4000 April \$25 puts being sold to open for \$1, earnings mid-March. The \$1.89B wealth and asset management service provider in China trades 12.1X Earnings and 1.65X Book. NOAH shares are back near support from Q4 2019 lows. Citi downgraded shares 2/11 as a name vulnerable to the virus outbreak given its high-tough and offline-heavy distribution model and its clients are entrepreneurs and business owners facing tough times.

Healthcare

Varian Medical (VAR) with 750 March \$135/\$140 call spreads trading in early action

HCA Corp (HCA) the lead Hospital name with a big buy of 1500 January \$130 puts to open \$10.70 to \$10.80

Becton Dickinson (BDX) with 2300 April \$270/\$230 strangles sold to open for \$4.35

Danaher (DHR) with 700 April \$165 calls opening \$2.30 to \$2.35

Mallinckrodt (MNK) with 14,000 January \$8 ITM puts opening near \$4.50 into its earnings rally that is now fading

Regeneron (REGN) opening sale 500 May \$465 calls for \$26.20

Merck (MRK) with 8000 April \$75 puts sold to open down to \$0.80 this morning

Eli Lilly (LLY) back near its 55 MA and 1600 June \$130 puts are sold to open for \$4.10

Gilead (GILD) buyer 1000 January 2022 \$70 puts for \$11.80

CVS Health (CVS) buyer 1500 June \$57.5 puts \$1.50 offer

Bristol Myers (BMY) buyer 2800 June \$62.5 calls \$3.50 offer

Cardiovascular (CSII) with 1600 March \$40 puts bought for \$4.15 as the \$47.5 puts adjust

BioMarin (BMRN) retesting recent breakout level into 2-26 earnings and 2000 March \$95 calls bought for \$2.50 this afternoon

Iovance (IOVA) shares now 22.8% higher after reports it was exploring a sale, the June \$40 calls in a block of 5000 opened \$2.90

EXACT Sciences (EXAS) down 11.6% after a convertible note offering seeing 1250 April \$80 puts sold to open down to \$3.80

Mirati (MRTX) with 900 April \$95/\$70 bear risk reversals opening, potential stock collar

Brookdale (BKD) with 8000 March \$7 puts opening \$0.37 to \$0.45

AstraZeneca (AZN) buyer 1700 July \$42.50 puts \$1.10 to \$1.25

Industrials

Tenneco (TEN) buyer 1000 April \$10 calls \$1.30 offer aggressively

Tri Pointe (TPH) with 1300 July \$17.50 calls being bought \$1.40 to \$1.50 today, strong small cap builder

Knight Transports (KNX) more bullish flow with 2200 April \$40 calls bought \$1.15 to \$1.20 into weakness. **KNX** now aggressive buyer 1500 April \$40 puts \$4.50 to \$4.60

Heico (HEI) with 885 March \$115 puts being bought \$2.65 into earnings tonight

AerCap (AER) with 5000 April \$52.5 puts sold to open for \$0.90

MasTec (MTZ) with 1000 March \$55 puts being bought up to \$1.95 offer in sweeps, earnings 2-27

TE Connect (TEL) buyer of 1800 March \$95/\$100 call spreads into weakness

Caterpillar (CAT) with 4000 March \$131 puts sold \$4.25 bid to open. **CAT** also with 3000 April \$130 puts sold to open \$5.80 bid

Norfolk Southern (NSC) trade buys 600 September \$200/\$185 strangles for \$24.50, leans bullish with Net Delta

American Air (AAL) buyer 2500 June \$21 puts \$1.23 as May \$25 adjust

Stanley (SWK) buyer of 1500 July \$145 puts \$10.50 offer with shares firmly taking out its 200 MA today

3M (MMM) remains weak and continues to break lower out of weekly bear pattern seeing 7500 April \$145 puts bought \$4.75 today with March \$160 puts adjusting, and June \$130/\$120 put spreads closing

CH Robinson (CHRW) breaking support and buys active in March puts, the \$67.5 puts with 1400X at \$2.40 and the \$65 puts 1,595X at \$1.70 offer

Ferrari (RACE) with 2000 June \$130 puts opening \$1.95 to \$2.05

Tesla (TSLA) with 1000 May \$860 calls bought near \$95 to open just after 2pm

Union Pacific (UNP) afternoon buys 1300 Mar. 13th (W) \$177.5 calls near \$2.45 to open

Materials

PPG Industries (PPG) IV falling as 5500 April \$105 puts sold to open \$1.275

Lyondell (LYB) with 1335 January \$80 calls opening \$6.20 as June calls adjust

Westlake (WLK) with 475 October \$60 puts bought \$6.60 to open

DuPont (DD) active with put sales since news of the CEO change today with June \$45/\$40 bull risk reversals opening 2430X at \$4.30 debit

Tech and Telecom

Amazon (AMZN) buyer early 100 March 6th (W) \$2032.50 calls for \$46.60

Salesforce (CRM) buyers active June \$190 calls again early with 2000X at \$12 to \$12.40

Applied Materials (AMAT) with 800 July \$55 deep ITM calls opening \$9.40 with April \$48 adjusting

Yelp (YELP) seeing speculative activity in the opening 20 minutes with 2000 March \$35 and 1,580 March \$36 calls active with buyers. YELP had a PR this morning noting 150% growth in diners seated via YELP Y/Y. **YELP** catching more eyes, March \$36 calls jump to 8000X here, a change of control update sparking some M&A talk also

Expedia (EXPE) bullish positioning continues today with a buyer of 1,150 June \$120 calls \$5.60 offer that also sells 1,750 April \$105 puts to open for \$2.65

NetEase (NTES) buyer 290 March \$340 calls \$17 to open

Zoom (ZM) seeing 800 August \$125 calls bought up to \$13.50 early for over \$1M. **ZM** rising here and August \$125 calls climb to over 2000X

TI (TXN) with 825 March 6th (W) \$122 puts being bought up to \$2.85 to open

Broadcom (AVGO) buyer 1000 April \$260/\$250 put spreads

Bilibili (BILI) buyer 1000 April \$25 calls \$4.40 offer. **BILI** also today with 1000 October \$17.5 puts sold to open \$1.20 bid

Trip.com (TCOM) buyer 1000 January \$23 OTM puts \$1.40

Palo Alto (PANW) with 2300 June \$250 calls opening \$2.10 with shares down 16%

T-Mobile (TMUS) with 1400 Mar. 27th (W) \$102 calls opening \$1.25 to \$1.35 this morning

CommVault (CVLT) unusual put buying as IV jumps, the April \$45/\$40 put spreads bought \$1.10 for 1500X, and April \$47.5 puts with some smaller buys

ZenDesk (ZEN) with 2500 May \$95 calls sold to open for \$2.15 mid-market, likely writing against a stock holding

Booking (BKNG) with 225 March \$1700 puts bought \$46.10 into earnings tomorrow night as \$1850 puts adjust, a \$1.28M position

Intel (INTC) big buy steps in for 2000 March \$59.5 calls \$3.10 offer. **INTC** also with 2000 October \$50 puts sold to open \$1.59

Micron (MU) with 2000 October \$45 puts sold to open for \$3.45, also seeing buyers of April \$55/\$65 and \$60/\$70 call spreads into downgrade weakness

Microsoft (MSFT) opening sale 1500 October \$145 puts for \$5

Sea (SE) with 1200 ITM August \$46 calls sold to open \$7.20 to \$7.10

Analog Devices (ADI) with 1600 April \$120 calls opening \$3.60 to \$3.70 as Apr. 3rd (W) \$125 calls adjust

Qualcomm (QCOM) buyers active for 3000 April \$85 calls in size lots \$3.10 to \$3.35 into weakness today

GDS Holding (GDS) holding up strong seeing 675 June \$47 calls open for \$970K as March \$46 adjust

Tencent Music (TME) popular with opening put sales the past week today seeing April \$10 OTM calls open 2750X near \$2.70

Lyft (LYFT) with 11,000 July \$50 calls bought to open \$2.61 as April \$47.5 from call spreads adjust out. **Lyft (LYFT)** opening seller 1300 October \$40 puts \$4.50

Service-Now (NOW) with 750 April \$360 calls opening \$8.30

Yandex (YNDX) into weakness with 3000 May \$40 puts being sold to open down to \$2.75

Upwork (UPWK) reaching fresh lows and 5000 July \$12.50 calls are bought in offer sweeps \$0.35 to \$0.50, earnings 2-26

Cisco (CSCO) into multi-week lows seeing offer buys of 3000 June \$42.5 calls here \$2.44

DocuSign (DOCU) with 1000 September \$75 calls opening \$15.60 as June \$65 adjust

Sea (SE) buyer 2500 March \$41 puts \$1.20 to \$1.25 to open

Pure Storage (PSTG) afternoon buyer 1500 May \$17.5 puts \$1.75 offer

Utility

Next-Era (NEE) with 2,095 April \$250 puts sold to open for \$1.55

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