



## Unusual Call Buying in Leidos

**Ticker/Price:** LDOS (\$63.60)

### Analysis:

**Leidos (LDOS)** trading 18X average calls today with 3,750 May \$65 calls bought up to \$2.60 to open. LDOS doesn't have any other notable positions outstanding and today's flow is nearly 2X all of open interest. Shares are back above their 233-MA and above \$65 has room to a big volume node back at \$70. A longer-term channel breakout target \$77.50 and new highs while monthly MACD is turning higher and RSI is back above 50, look ready to run. The \$9.41B company trades 12.67X earnings, 0.92X sales, and 13.5X FCF with a capital-light model. They expect 10.6% EPS growth and 4-5% revenue growth with margins set to hit their best levels since 2011 after a period of contraction. LDOS is a leader in government services with IT solutions for defense, civil, and health markets. They get nearly half of their revenue from defense with 33% from civil. They have seen 20% growth in their backlog since 2017 at 1.3X book-to-bill with higher contract win rates due to scale, more competitive costs, and a growing portfolio of product services. Analysts have an average target for shares of \$75 with limited coverage, 3 buy ratings and 1 hold. CSFB with a \$73 PT on 2/19. They think margins are poised to improve as the ramp of new programs is nearing an end and their mix improves. They think as more programs mature, LDOS is poised to see better topline growth and return to a shareholder-friendly capital deployment structure. Institutional ownership rose 6% last quarter. Southpoint Capital and Causeway Capital two notable buyers. Short interest is 2.4% and down from 4% in late 2018.

### Hawk Vision:



**Trading Strategy:** LDOS is attractively valued and an intriguing name that could be a nice M&A target, alert in for move above value area near \$64.90.

**Confidence Ranking:** \$\$