Ryder Seen Continuing to Struggle as Large Puts Bought

Ticker/Price: R ($51.3)

Analysis:

Ryder (R) with 2,300 August $50 puts bought for $5.20 to open, some February $50 puts adjusting, and also 300 August $52.50 puts bought $6.40. Ryder still has some size February puts in OI that could continue to adjust into 2-13 earnings. Shares are bouncing back today up over 4% and just below the declining 20-day MA and multi-month VPOC at $52.50. Ryder continues to form a multi-month bear flag above $45 with a breakdown targeting $30. The $2.73B company trades 18.7X earnings and 0.31X sales with a 4.6% yield but they've cut estimates quite a bit since early October and now seeing $4.80/share in earnings in 2021 vs $6.75 previously. They also continue to stair-step revenue estimates down seeing 1.5% growth in 2020 after near 6% last year. Ryder has been under pressure due to lower used vehicle prices that forced them to take a significant cut to the value of their fleet in October and the company says it likely is a multi-quarter event. They noted that continued action to downside their fleet and move off-leased vehicles through the out-service process will pressure Q4 earnings as well. Analysts have an average target for shares of $64. Loop Capital upgrading to Buy on 1-13 with a $70 PT. Stifel downgrading to Hold in October noting that while the policy adjustment was the right step, "it doesn't clear the deck," as further accelerated depreciation is still planned through 2020. Short interest is 5.7% and up since the start of 2020 when it was 4.2%. Hedge fund ownership fell 3% in Q3 and Luminus Management a buyer of more shares and now a 2.3M share position. Ryder has seen two small insider buys since November with two directors buying around $100k in stock at $57.25 and $54.60. Ryder reports on 2-13 and lower the last three and seven of the last nine.

Hawk Vision:

Hawk's Perspective: R looks like an attractive short into results as we have seen plenty of weakness across the Transports space and not a great performer historically.

Confidence Ranking: $$