



FEATURED OPTIONS RADAR REPORT



S&P Global Bulls See Upside as Transformational IHS Markit Deal Nears Close

Ticker/Price: SPGI (\$410)

Analysis:

S&P Global (SPGI) with 1,465 September \$430 calls bought for \$6.90, closing the July \$410 calls from mid-June and rolling, and name that has seen a lot of bullish flows recently including the Feb. \$380 calls, November \$420 calls, and September \$400 and \$410 calls. Shares have traded well in 2021 and recently broke out of a weekly bull flag above \$400 that has room to \$440 in the short-term. SPGI is also continuing higher from a monthly flag breakout in April that targets \$560. The \$100.5B company trades 29.55X earnings, 13X sales, and 34.6X FCF with a small yield. SPGI is working towards a mega-merger with **IHS Markit (INFO)** and reports in late May they're exploring divestitures including their Oil Price Information (OPIS) business and INFO's Coal, Metals and Mining business. SPGI sees a lot of opportunity to grow quickly after the deal citing expansion of the index business, growth in ESG demand as the energy transition continues, and growth in data services with more robust analytics offering. Analysts have an average target for shares of \$434 with a Street High \$476. RBC starting coverage at Outperform on 7/7 citing the transformational acquisition of IHS Markit which should deliver significant synergies. The firm thinks the deal should accelerate S&P's normalized revenue growth profile and deliver double-digit earnings growth. MSCO positive on 7/8 as debt issuance continues to outperform expectations. Raymond James positive in July as high yield and leveraged loan issuance, as well as all three structured finance issuance categories, should post robust year-over-year growth during 2Q21. Short interest is 6.6% due to the pending deal and arbitrage. Hedge fund ownership rose 7.5% in Q1, Edgewood Management with 5.5M shares.

Hawk Vision:



Hawk's Perspective: SPGI has been an under-appreciated star for years now and the IHS Markit deal positions them very well for continued long-term growth; they report on 7-29 and think the setup could be favorable with more clarity around their path forward

Confidence Ranking: \$\$