



FEATURED OPTIONS RADAR REPORT



Union Pacific Bulls Target Strength into 2H as Industrial Recovery Accelerates

Ticker/Price: UNP (\$216.50)

Analysis:

Union Pacific (UNP) with 1200 August \$220 calls bought for \$12.45 to \$12.75 and follows the April \$220/\$240 call spread bought last week over 2,000X. Shares are starting to work out of a small flag today after pulling back to the recent breakout range and just below new highs at \$220. A very coiled name, UNP is clearing a big volume node and a run higher has a measured move up to \$240-\$250. The \$143B rail leader trades 20X earnings, 7.3X sales, and 47X FCF with a 1.8% yield and low-double digit growth. UNP was at the JP Morgan conference this week noting that they continue to see tailwinds into the 2H of the year from improvements in GDP and industrial production. The company expects to continue winning share over trucking in the near-term as fuel costs weigh and freight car velocity is rebounding with a pickup in premium being driven by ecommerce volumes. UNP should see a 2H boost as the auto bottlenecks from the chip shortage get resolved. Hedge fund ownership fell 2.5% in Q4. Analysts have an average target for shares of \$205 with a Street High \$250. Raymond James positive in January noting that they continue to expect UNP's implementation of Precision Scheduled Railroading to yield a more profitable and reliable network than some may think. Bernstein upgrading to Buy in January noting that UNP should continue to work as higher highway costs and modal advantages make the idea of a more growth focused rail narrative more of a reality.

Hawk Vision:



Hawk's Perspective: UNP is a high-quality operator in the rail space and looks to be at the start of a nice potential move here that can accelerate over \$220

Confidence Ranking: \$\$