



XPO Logistics Bullish Open Interest with Shares Back to 200 MA

Ticker/Price: XPO (\$75.95)

Analysis:

XPO Logistics (XPO) shares pulling back to the rising 200-MA on Friday and area where a lot of institutional support sits with 2,000 May \$75 and 3,800 May \$70 short puts in OI, both opened with calls in bull risk reversals in February. On 2-28, XPO had 2,000 August \$100 calls bought around \$2.20. In September, a director also bought over \$100k in stock at \$75.42. Shares have rallied since the early 2019 lows near \$45 and pulling back to the 50% retracement of that run last week. XPO traded as high as \$115 in 2018. The \$7.21B company trades 13.4X earnings, 0.43X sales, and 19.2X cash. XPO sees 18.2% and then 28% EPS growth the next two years with revenues continuing to accelerate in the mid-single digits. XPO is undergoing a strategic review and could potentially sell or spin off a number of business segments to become more streamlined. The NewCo is likely centered around their strong North American less-than-truckload business. The company has spent the majority of the last decade as a serial acquirer with significant deals for Norbert Dentressangle and Con-Way. Units under consideration for separation could include their EU supply chain, NA Transportation Ex-LTL, and other supply chain businesses. Analysts have an average target for shares of \$97.50. Benchmark positive on 2-18 with a \$120 SOTP target. They think “tremendous value could be unlocked as the multiples that some of the business lines could garner are much greater than XPO's current trading multiple.” Jefferies estimates \$30 to \$60 per XPO share in value could be unlocked through the strategic process. Short interest is 9.4% but down steadily since May when it was near 16%. Hedge fund ownership was flat in Q4. Lyrical Asset Management a top holder.

Hawk Vision:



Hawk's Perspective: XPO is a name that looks to be a clear opportunity in the “baby with the bathwater” selling, and a nice candle near its 200 MA to trade against.

Confidence Ranking: \$\$