



## Sirius Attracts Unusual Sized Call Buying

**Ticker/Price:** SIRI (\$6)

### Analysis:

**Sirius XM (SIRI)** with buyers of 15,000 May \$6 calls today up to \$0.31 to open and follows buyers of 15,750 June \$6 calls last week for more than \$630K. On 2/4, a buyer opened 7,000 January \$7 calls for more than \$1.47M. Shares have traded in a narrow range since October and nearing a downtrend break and move back above the 200-EMA at \$6.25 which targets a gap from September and retracement to \$7. SIRI has been in a strong bull trend since 2009 and pulling back in late 2018 to the 23.6% Fibonacci of the move. The long-term target above \$7.65 targets \$10.60. The \$26.16B company trades 22.3X earnings, 4.5X sales, and 19.77X FCF with a small yield and 17-20% EPS growth expected in FY20. SIRI sees 35% revenue growth in 2019 due to their recent deal for Pandora before settling into a 6.5% to 7% growth range in 2020 and 2021. SIRI is coming off a quarter with record revenues and customer adds, over 346K, while churn hit its lowest level since 2007. SIRI sees 2019 as a big year as they roll out their new 360L system which will improve user experience, generate new avenues for ad revenue, and fully integrate their XM platform with Pandora. The system rolls out with GM, FCA, and others later this year. They also just added a new long-term contract with Toyota, one of the largest adds in years which will increase penetration across all product lines. Both moves are helping them add share in new vehicles and SIRI sees a lot of untapped opportunity in used vehicles which is a 2.5X bigger market. The company recently hit 40% penetration in the space. Analysts have an average target for shares of \$7.20 with 6 buy ratings, 4 hold ratings, and 3 sell ratings. Short interest is 3.8% and down from around 6% in late 2018 due to the Pandora deal. Institutional ownership rose 16% last quarter. Berkshire Hathaway a top holder with 137.9M shares. Buckingham recently upgrading shares to Buy citing significant synergies from the Pandora deal and seeing their spectrum undervalued, potential upside being \$9.25/share given recent auctions.

### Hawk Vision:



**Trading Strategy:** SIRI looks very attractive here with this long base, options activity, and improving fundamentals, a low \$ stock that likely can be an equity trade instead of using options.

**Confidence Ranking:** \$\$