



Large Put Sales in YY Inc. Confident in Move Higher

Ticker/Price: YY (\$80.75)

Analysis:

YY (YY) with 620 August \$85 puts sold to open ITM \$12.30 to \$11.70 and continuing all morning with over 2,625X on the day now down to \$11.10. YY also seeing some May \$85 puts sold to open from \$9.10 to \$8.70. Last week, the April 5th (W) \$85 puts were sold to open 700X and the name has short puts in August and January as well. The August \$75 calls have also seen buyers. YY is working out of a wide multi-month base which stretches back to August and running into the 233-MA today around \$81. Shares have a big low-volume gap to work through back to \$95/\$100 which was the breakdown level in June 2018. Longer-term, shares traded as high as \$140 in early 2018 and pulled back right to the 78.6% Fibonacci in the Fall which held firm. The \$5B company trades 9.4X earnings and 2X sales with a significant cash balance. YY sees 22% and 29.3% EPS growth over the next two years with revenue growth of 53.6% and 30.1%. YY is coming off a strong quarter with active users growing 18% and paid users up 36.6%. The company is in the earliest stages of expansion outside of China after their \$1.45B buyout of Bigo last Summer. The deal is a huge boost their long-term addressable market as YY has long been constrained to China where it faces competition from its spin-off HUYA and peer Douyu. The company's first international platform, HAGO, launched late last year in 33 countries and hit 20.9M active users. Analysts have an average target for shares of \$100 with 7 buy ratings and 3 hold ratings. Short interest is 2%, down from 4.5% in Summer 2018. JP Morgan upgrading to Overweight on 3/6 with a \$100 PT. They are turning more positive on YY's core monetization outlook and see upside to guidance of high single digit core revenue growth in FY19 as they expand Internationally. Institutional ownership rose 26.85% last quarter. Alkeon Capital a buyer of 624K shares.

Hawk Vision:



Trading Strategy: YY is moving out of a large weekly base that should target a move back to \$100 and looks to be generating investor interest again. It's hard to chase near the highs, but \$75 be an optimal entry level.

Confidence Ranking: \$\$