



Extended Stay Calls Accumulate Amid Revamp

Ticker/Price: STAY \$17.90

Analysis:

Extended Stay America (STAY) call buyers active over the last two weeks including 5,000 April \$20 calls bought yesterday and the May \$20 calls bought yesterday 1,600X. The July \$17.50 calls with 5,000 in OI from a buyer while the July \$20 calls have over 16,000 in OI with another 7000 trading today. STAY shares have been steadily higher since December and pulling back this week just above the 50-day EMA and 38.2% Fibonacci of the move. Shares cleared a downtrend from the August highs and above \$18.75 have room out to a high volume node around \$21.25. The \$3.46B company trades 15.8X earnings, 2.7X sales, and 9.36X FCF with a strong 4.78% yield. STAY has been slimming down their portfolio since June 2016 and recently completed their 77th divestiture to Singerman Real Estate. Their “ESA 2.0” strategy is focused on asset sales, franchising and new-build development of owned properties in a push for growth. Analysts have an average target for shares of \$22 with 6 buy ratings and 1 hold rating. Jefferies positive on 3/20. The firm is upbeat about further strategic actions and notes the highest value-maximizing path could be for the company to split its paired share, sell its C-Corp assets to a strategic acquirer and leave a real estate investment trust entity. Goldman upgrading to Buy on 3/4. They have a \$26 SOTP target. Short interest is 1.7% and up from 0.8% in October. Institutionwl ownership fell 10%. In August 2018, the CFO bought \$211K in stock at \$21.

Hawk Vision:



Trading Strategy: STAY is certainly intriguing with the potential for further strategic actions and the pullback this week gives a nice entry.

Confidence Ranking: \$\$