



SeaWorld Weakness Brings Call Accumulation

Ticker/Price: SEAS (\$24)

Analysis:

SeaWorld (SEAS) more bullish flow today with 400 June \$21 calls bought today \$3.90 to \$4 and follows buyers in the September \$25 calls 4,800X recently spread against 8,500 of the \$33 calls. SEAS has also seen the May 3rd (W) \$23.50 calls bought 2,000X this week while the Jun \$24 calls have 1,250 in open interest from 3/8. Shares have traded weak relative to the overall market but trying to base here above \$24 and key support from November and February. Longer-term, shares are forming a big bull wedge stretching back to the August highs and a move over \$26 can start a big trend shift back to \$30-\$32 recent highs. SEAS has recovered strong since late 2017 and holding the 38.2% Fibonacci retracement. The \$1.94B company trades 16.4X earnings, 1.4X sales, and 17X FCF with expectations for 54.1% and 23.5% EPS growth through 2020. SEAS has been raising estimates recently and now sees 3.8% revenue growth next year and 3% in 2020. SEAS has been investing in new rides and events over the last twelve months and seeing an uptick in attendance last quarter, up 8% while in-park spending is growing 2.7%. The company has shifted focus to season pass sales which give them a more predictable flow of revenue and their 2019 program is seeing strong early returns. Analysts have an average target for shares of \$32.50 with 7 buy ratings, 1 hold, and 1 sell. Short interest is 15% but down sharply from 2018 highs near 36%. B Riley upgrading to Buy on 3/28 with a \$34 PT. The firm sees attendance getting back to pre-Blackfish levels and the company now with a better cost structure and FCF. Wells Fargo positive on 3/20 noting that the departure of their COO is disappointing given his role in the turnaround but SEAS has a 'deep bench' and they don't see any material changes to the plan. In 2017, SEAS was noted as a potential sale target for theme park operator Merlin while others have been discussed as buyer of their Busch Gardens franchise.

Hawk Vision:



Trading Strategy: SEAS has a weak look but also seems tradable versus recent lows as a potential event-driven upside mover as we keep seeing flows.

Confidence Ranking: \$\$