



Bulls Active in the New Fox Corp.

Ticker/Price: FOXA (\$37.45)

Analysis:

Fox Corp (FOXA) last week with bullish positioning in July and today 10,000 May/January \$40 call calendar spreads open for \$2.30. The July \$37 calls with 6,000X bought last week and sellers of the \$35, \$34, and \$33 puts to open. FOXA also with 5,500 May \$36 puts sold to open last week. The recent sale of 21st Century Fox's entertainment assets to Disney (DIS) that closed on 3/20 will make comparable numbers tricky, and the remaining company consists of US broadcast news and sports networks. FOXA is trading 14.4X Earnings, 8.4X EV/EBITDA, and 2.2X Book. CSFB and JP Morgan each initiated shares at Outperform with \$46 price targets last week while BAML at Buy with a \$52 target. The new FOXA shares put in a base last week above the \$36 level and have moved higher. BAML values shares at 10X Forward EV/OIBDA on the core business plus the ROKU investment and tax shield from the 21st Century Fox spin-out. It notes a premium valuation is warranted with superior earnings visibility and FCF generation to CBS. It sees shares outperforming with proven brands, concentration in durable live news and sports businesses, subscription revenues now 50% of the business and growing double digits, healthy margins, and significant FCF generation. It sees key catalysts as a shareholder rotation into the cleaner growth story, potential analyst day near-term, affiliate renewals, and buybacks with risks of higher NFL renewal costs in 2024, dilutive M&A and Pay TV sub losses.

Hawk Vision:



Trading Strategy: FOXA looks like an eventual best of breed name in cable and likely opportunity until the story is more understood. If shares get back closer to the short put strike levels it would provide ideal entry, while longer term holders can start accumulating at current levels.

Confidence Ranking: \$\$\$