



## Netflix Bulls Active as Bullish Divergence Shows into Key Support

**Ticker/Price:** NFLX (\$340)

### Analysis:

**Netflix (NFLX)** shares back to support at the 200-EMA and the key \$340 level which has held multiple times in 2019 and buyers on Friday active for 4,350 July \$350 calls for more than \$6.3M. NFLX has seen buyers in the August \$350 calls and July \$340 calls over the last week as well, the latter a sizable \$15M buy. NFLX has sizable call open interest across August, October, December and January expirations. A move higher has room back to the high-end of this recent range around \$380 and a breakout targets \$420. NFLX has been in a strong 3-year trend higher. The \$150.15B company trades 57.5X earnings and 9X sales with revenue growth between 30-35% over the next two years and EPS nearing \$10/share. The company topped International sub adds last quarter at 7.86M and domestic adds also above consensus at 1.74M. They are entering a strong period of original releases with Black Mirror Season 5 out in early June and their hit Stranger Things set for a return on July 4. Analysts have an average target for shares of \$386 with 29 buy ratings, 8 hold, and 4 sell. Loop Capital upgrading to Buy on 6/4 citing their strength in streaming. The firm has a \$425 PT for shares. They think Netflix has built an "unstoppable lead" in subscription video streaming while the company's margin opportunity is expanding as it increasingly becomes a content producer, distributor and retailer. They think the company could hit earnings power of \$32 with operating margins increasing 240 basis points per year to 2025. The stock should attract a 25 times price-to-earnings multiple, which implies potential to almost triple the market capitalization over a five-to six-year timeframe. NFLX has earnings in mid-July. Hedge Fund ownership rose 7%. Tiger Global adding to their stake, now a 4.2% weight and over 2M shares, while Melvin Capital, Point72, and Maplelane all adding call positions.

### Hawk Vision:



**Trading Strategy:** NFLX remains a great opportunity for upside in my view as a dominant player in streaming media with pricing power and a defensible MOAT, the August calls attractive to give time for next quarterly report to play out.

**Confidence Ranking:** \$\$