



Unusual Calls Bought in Laureate into Weakness

Ticker/Price: LAUR (\$15)

Analysis:

Laureate Education (LAUR) with buyers of 1,500 December \$17.50 calls this morning for \$0.75/\$0.80 and then volume jumping to over 10,000 with buyers at \$0.90. Today's action is running 42X average with IV30 up 51%. LAUR has 5,000 September \$15 calls in OI from a buyer on 2/16. Shares are lower over the last two weeks after an offering was announced and back at key channel support from the 2018 lows. LAUR has a measured move back up to \$17 while a move out of this nearly two-year range would target \$20. The \$3.49B company trades 14.3X earnings, 1.04X sales, and 12.5X cash with EPS up to \$1.40/share in 2021 from \$0.62 in 2019. LAUR sees 4% and 6.4% revenue growth the next two years with margins hitting multi-year highs as they focus more on costs and reducing debt. LAUR is a for-profit university with locations across Mexico, Brazil, Andean, and online. The former Sylvan Learning has professional programs as well as undergraduate programs. They have been focusing on slimming down their focus and paying down debt with unit sales in EU, Asia, and Central America totaling over \$2B in the last year. They are coming off a strong quarter with new enrollment up 8%, driven by Brazil and their Distance Learning programs. Brazil is considered a big opportunity with limited spots for their Federal Universities and demand for education rising from a rapidly expanding working class. LAUR sees Mexico as being seasonally strong in the 2H. Analysts have an average target for shares of \$18.65 with limited coverage, 2 buy ratings and 1 hold. Citi assumed coverage at Buy in December with a \$19 PT. Short interest is 0.8% and down steadily from 2% in late 2017. Hedge Fund ownership rose 2%. KKR, Corsair, and Secor Capital all notable holders.

Hawk Vision:



Trading Strategy: LAUR is an interesting education play on emerging markets, not really one to be trading options on, but the stock versus March lows looks intriguing.

Confidence Ranking: \$\$