



Bulls See More Upside for Yandex

Ticker/Price: YNDX (\$39.70)

Analysis:

Yandex (YNDX) buyers active today for more than 4,850 August \$40 calls for \$2.40 as traders close the \$35 calls and roll higher. YNDX has recently seen buyers in the August \$39 calls over 3,500X as well as the July \$39 calls while the November \$35 puts sold to open 1,000X. The January \$45/\$50 call spread remains in OI 20,000X as well from March. Shares are working out of a weekly bull flag above \$39.25 this week with a measured target out to \$45. Longer-term, big inverted head and shoulders pattern breaking this week which targets new highs. The \$13B company trades 20.17X earnings, 6X sales, and 11.4X cash with estimates for 45% and 38.7% EPS growth through 2021. They see revenue growth up 27.3% and 23.7% driven by market share gains in search, classifieds, other bets like cloud and growth in Yandex Taxi. They've been expanding their food delivery ambition as well with grocery delivery starting recently in Moscow. The company has been making hires around mobile video as well and could see advertising become another revenue stream. Analysts have an average target for shares of \$45.25. Renaissance Capital upgrading to Buy on 6-11 with a \$44 PT. HSBC positive on 5/29 noting that recent talk about taxi licensing issues is noise as the final law will look much different from what's been discussed. The firm thinks the company's stake in Taxi is worth \$13 per share, well below what the current share price implies, estimated by the analyst at \$4 per share, or a 69% discount. On 6/7, the owner of Russia's TCS Group suggested that the two companies merge as the NewCo – TCS's bank assets with Yandex's scale – could be worth \$20B. Hedge Fund ownership rose 16% last quarter. Cadian Capital, Somerset Capital, and Light Street all notable concentrated holders. Short interest is 0.6%.

Hawk Vision:



Trading Strategy: YNDX is an Internet name that has long been a favorite as an undervalued growth name mainly due to it being tied to Russia, and continue to like it longer-term.

Confidence Ranking: \$\$