



## Unusual Call Buying in Alliance Data on Portfolio Restructuring

**Ticker/Price:** ADS (\$148.50)

### Analysis:

**Alliance Data (ADS)** trading over 700 calls in early action with 100 of the August \$140, 170 of the August \$145, and 375 of the August \$150 being bought aggressively with IV30 up 7.3% in the opening thirty minutes. ADS does not have any other meaningful open interest but on the chart at an interesting spot, recently hitting a low as a laggard that was an exact 61.8% retracement of the 2009 low to the high in 2015. It is also showing a weekly bullish RSI divergence and has room to run back to \$163 as an initial target. The \$7.6B provider of data-driven marketing and loyalty solutions trades 6.35X Earnings, 3.5X Book, and 10.5X EV/EBITDA with a 1.7% yield though also carrying a lot of debt while also having a ton of cash. ADS sees 7% and 8% revenue growth the next two years and will next report on 7-18. Its card services unit has 145 brands with a ROE above 30% and 43M active members. It announced a deal in April to sell the Epsilon business to Publicis for \$4.4B in cash. Analysts have an average target of \$176.5 and short interest muted at 3.8% of the float. Melisa Miller took over as CEO on June 5th. Wells Fargo has a \$200 target and saw the Epsilon deal as a positive and sees potential for ADS to also sell the Loyalty-One business. SunTrust lowered its target to \$180 on 6/14 and sees the risk of earnings growth disruption as overstated. Hedge Fund ownership rose nearly 4% in Q1 filings, Lyrical with a new 3.71% weighted position, while Value-Act remains the largest holder as its 5th largest position.

### Hawk Vision:



**Trading Strategy:** ADS action, although small, is interesting as I see the event-driven potential here and Value-Act as a top holder means we could see some major moves. Bullish moving average crossovers now supportive to rise this base breakout higher.

**Confidence Ranking:** \$\$