



## Six Flags Bulls Position for Upside Off Base

**Ticker/Price:** SIX (\$52.30)

### Analysis:

**Six Flags Entertainment (SIX)** has seen some unusual call buying recently with July \$50 calls opening 1500X on 6/28 and 1800 August \$45 calls ITM now in open interest from buys on 6/26. SIX also had 300 January \$52.5/\$45 bull risk reversals open back on 4/11. SIX has also seen insider buying this year with two Directors in March between \$49.46-\$50.77 per share for around \$1M in stock. On the chart shares have been trending lower since peaking in 2018 and a recent low to start 2019 was right at a 61.8% Fibonacci of the 2014-2018 range, and now needs to clear \$54 to move out of a falling wedge pattern and weekly RSI already starting to break out of a downtrend. The \$4.35B Company trades 17.4X Earnings, 12.4X EV/EBITDA and yields a large 6.27% dividend. SIX expects 4-5% revenue growth the next two years and 6-7% EBITDA growth annually. It will next report earnings on 7-24. SIX continues to expand in North America and Internationally with industry-leading EBITDA margins. Its five strategic growth initiatives include membership & season pass penetration, improving ticket yields, in-park initiatives, expansion in N.A. and International licensing. Analysts have an average target of \$59 and short interest is 7.1% of the float but near a multi-year low. Wells Fargo upgraded shares to Outperform this morning with a \$56 target citing concerns on Q2 weather, China trade, and dividend sustainability are fairly discounted at current valuation. It sees upside with improving July/August weather and improved understanding of tax related cash flow items supporting the dividend and buybacks beyond 2020. Wedbush upgraded in June to Outperform with a \$62 target citing easy weather comps, improved spending with the new Membership 2.0 program, and positive news flow with the International business. SIX has a re-approval process proceeding for its Chongqing, China development. KeyBank upgraded to Overweight on 7/1 with a \$62 target citing its First Look data supporting above-consensus attendance trends and rock bottom sentiment in the name. Hedge Fund ownership rose 7.15% in Q1 filings, though no notable concentrated holders.

### Hawk Vision:



**Trading Strategy:** SIX has a clear base to trade against and the stock offers a fat yield for the patient investor and definitely more of a stock play than an option play for me with this set-up as an improving sentiment and fundamentals play that can take time to play out.

**Confidence Ranking:** \$\$