



Madison Square Garden Bull Trades into Potential Spin-Off

Ticker/Price: MSG (\$282)

Analysis:

Madison Square Garden (MSG) with 395 September \$300 calls opened \$5 with shares pulling back 1.2% today back near recent \$280 support. MSG has some notable August open interest expiring this week with the \$290 calls bought 500X and the \$300 calls bought 1000X while December \$310/\$270 bull risk reversals in OI for 300X and November \$300 calls have 689X in open interest that opened in late June. MSG is set to report earnings next week on 8/20. MSG shares are sitting just above weekly cloud and two year trend support. The company has outlined a plan to separate sport franchises and media assets into separate companies that could be an upcoming upside driver while the emergence of sports betting could benefit the company's value as well. The \$6.8B Company trades 30.8X EV/EBITDA and has a lot of cash. Analysts have an average target of \$365 and short interest subdued at 3.6% of the float. MSG posted a wide miss on expectations last quarter. On 7/2 Imperial noted valuation is likely to rise despite the Knicks poor showing in NBA free agency and has an Outperform rating with a \$377 target. Gabelli has been bullish as well seeing \$350 valuation and is hoping for a spin-off catalyst. Blue Harbour and Corvex are activists with positions in MSG.

Hawk Vision:



Hawk's Perspective: MSG has near-term event risk on earnings but like the potential spin-off catalyst and see this as a beneficiary of sports betting legalization which has scarcity value.

Confidence Ranking: \$\$