



Lions Gate Longer Term Bulls Look for Bottom

Ticker/Price: LGF.A (\$12.90)

Analysis:

Lions Gate (LGF/A) buyers yesterday afternoon for 5,000 March \$15 calls for \$1.60, sizable trade in the name at 7X average volume. LGF/A saw some March \$15 calls bought on 7-29 in spreads with the \$12.50 puts and \$20 calls sold. LGF has been in a steady downtrend below the 200-day MA which sits around \$16 and aligns with YTD VPOC. Shares are forming a small base above \$11.45 with positive RSI divergence into the recent low. Cloud resistance and the 50-day just above yesterday's highs. The \$2.7B company trades 16.6X earnings, 0.73X sales, and 8.26X FCF with a 2.79% yield. The company sees 27.3% and 35.9% EPS growth through FY22 with sales growth of 8.4% and 8.1%. Shares have been weak given concerns over the balance sheet and competitive headwinds. Starz remains a bright spot despite a slight miss on subs. The company reportedly turned down a \$5B offer from CBS for Starz seeing continued integration upside and a strong schedule with five new series greenlit. LGF is also working on better packaging and bundling options for the premium service. They also are investing in International. Analysts have an average target for shares of \$24. Goldman upgraded to Buy on 7-24 with a \$19 PT. The firm thinks shares are trading at a 'trough multiple' with potential catalysts to re-rate higher including upward revisions to estimates, improving sub growth for Starz streaming, balance sheet de-levering, and M&A optionality given the growing scarcity of scaled content libraries and production assets. Loop Capital out in May noting that LGF likely sells Starz at the right price. Short interest is 2.3%. Hedge Fund ownership rose 0.3%. MHR Fund Management, Fairpointe, Soros Fund and Eagle Asset Management top holders. Shapiro Capital a top holder of the B shares. In December, a director bought \$11M in stock at \$14.23 for MHR while the CFO bought stock at \$13.58 and another director bought \$1M in stock at \$14.21. In September, the COB bought \$1M in stock at \$20.43.

Hawk Vision:



Hawk's Perspective: LGF.A does feel overly cheap here with M&A potential as it has some key strategic assets, worth a speculative play in upside calls.

Confidence Ranking: \$\$