



TAL Education Bull Positions Accumulate into Weakness

Ticker/Price: TAL (\$32.15)

Analysis:

TAL Education (TAL) buyer today of 1,800 September \$33 calls for \$1.45, spread vs a sale of the \$30 puts 600X and name popular with put sales recently into weakness. TAL has seen sellers this week in both the January 2021 \$25 puts as well as the January \$31 puts while last week the February \$30 puts, February \$29 puts, and September \$32 puts were sold. TAL has size short put open interest across the November options as well from April. Shares have been on a strong run since October and pulling back on earnings this month to the 50% retracement of the move. Long-term, TAL has downtrend resistance at \$36/\$37 which targets a move back to \$45. The \$18.68B company trades 34X earnings, 6.88X sales, and 12.3X cash with 61.9% and 34.6% EPS growth the next two years. TAL expects to settle into a 2-3 year period of 35-40% revenue growth. Shares fell this quarter as margin growth slowed after nearly a year of rapid expansion but comes as they invest in their infrastructure to gain share in both online/offline spaces. TAL remains best positioned to take advantage of a large and growing TAM with plenty of room for growth as they expand content, build out mobile, expand to new grade levels and subjects and enter new cities. Analysts have an average target for shares of \$32. MSCO with a \$43 PT seeing a more favorable regulatory environment after a period of volatility in 2018. The firm think TAL will benefit long-term as a more established player as barriers to entry get harder. Short interest is 3.5% and down from around 5% in early 2019. Hedge Fund ownership fell 10.5%.

Hawk Vision:



Hawk's Perspective: TAL has a lot of institutional put sales supporting shares near this level but want to see it reclaim the 200 MA.

Confidence Ranking: \$\$