



## GDS Holdings Relative Strength, Option Traders Position

**Ticker/Price:** GDS (\$38.88)

### Analysis:

**GDS Holdings (GDS)** name which is holding up well and yesterday 1,600 March \$43 calls bought for \$4.10 to open. GDS has 13,750 January \$35/\$45 call spreads still in OI from a buyer in October as well and also seen a number of smaller call sales out to the \$50 strike, many against stock. Shares are consolidating around YTD VPOC at \$39 and in a four-month bull flag under \$41 which targets a ten-point move higher and continuation of the run from the December lows. GDS held cloud support and the 200- day MA recently on earnings. The \$5.73B company trades 23X EV/EBITDA, 13X sales and 6.72X cash with 40.5% and 31.5% sales growth the next two years. GDS expects to be profitable in FY20. GDS is the leading developer and operator of data centers in China. They offer co-location and managed services including connection to public cloud platforms. They have end-market exposure to financials, telecom, IT, and private sector businesses. Last quarter, GDS added nearly 21K sqm of space, up 54.3% Y/Y, while capacity expanded by 53%. On 8-14, the company announced a deal with Singapore's GIC to build hyperscale data centers in smaller Chinese cities for a leading cloud service provider. The deal will allow GDS to build out their network beyond just Tier 1 cities. It's similar to a deal they struck with Equinix (EQIX) in Europe. Analysts have an average target for shares of \$43 with 5 buy ratings and 1 sell. RBC raising their PT to \$58 on 8-14, their "favorite datacenter pick" given the significant valuation discount relative to its market-leading growth rate. Sun Trust has a Buy rating for shares, \$46 PT, and they expect new capacity in China to grow more than the developed markets and similar growth in data center. GDS has a unique opportunity to build the leading carrier- and cloud-neutral data center footprint in the world's largest internet market. Short interest is 8.4% and down from around 10% in December. Hedge Fund ownership rose 24% in recent filings. Tiger Global with a new 5.73M share position while Nuveen Asset Management and Light Street Capital other notable holders. Zimmer Partners started a new position as well.

### Hawk Vision:



**Hawk's Perspective:** GDS is tricky because always have to be extra cautious with Chinese names but the data center opportunity should be massive in its markets and relative strength is impressive, seemingly one of the quality China Tech names to own.

**Confidence Ranking:** \$\$