



Nexstar Media Bulls Position for Upside

Ticker/Price: NXST (\$103)

Analysis:

Nextstar (NXST) seeing adjustment trades with 10,000 November \$110 calls adjusting to January \$110 that are bought \$4.42 while January risk reversals also adjusting and the \$100 puts sold \$4.80 to open 3000X. Shares are trading in a wide inverted head and shoulders under \$110 targeting \$130 on a move higher. NXST has been on a strong run since May 2018 and pulled back to the 50% retracement level this year at \$90 where it held. The \$4.5B broadcaster trades 6.2X earnings, 1.72X sales, and 11X FCF with a 1.75% yield. NXST expects EPS to double next year with revenues up 60% after the close of their deal for Tribune which closed in early September. The deal makes them the largest US broadcaster in the space with reach into 39% of homes as well as some interesting properties like WGN America and a 33% stake in Food Network. It's expected to boost FCF by 51%. For NXST, the boost in scale is significant ahead of the 2020 Presidential election where ad spending is expected to be at an all-time high. Short interest is 7.5%. Benchmark has a \$150 PT for shares citing the company's upwardly revised synergies and free cash flow guidance. They think 2020 EBITDA should be well north of \$2B when factoring in the Food Network cash distribution and he sees greater than anticipated upside from retrans through next year. Hedge fund ownership rose 10.4% in Q2. Park West a sizable call position as well as stock holding.

Hawk Vision:



Hawk's Perspective: NXST has a nice set-up and above the trend line \$105.75 can make a run, the play on the Election for 2020 makes it a nice theme play as well over the next year.

Confidence Ranking: \$\$