IntelSat Attracts Bullish Positioning into 2020

Ticker/Price: I ($24)

Analysis:

Intel-Sat (I) with a lot of bullish flow recently including yesterday when 2,000 January $21 synthetic long spreads rolled up to the $24 strike. It has recently seen buyers in the December $26 calls, November $26 calls, and December $25 calls in size. On 10/3 a trade sold 5000 December $24 calls to buy 10,000 of the March $30 calls. Shares moved strong in September out of a four-month consolidation and pulling back recently to re-test the breakout zone at $22. Shares are back above their 8- and 20-MA with a move above $25.35 setting up for a measured move to $28 and then $32. The $3.34B company trades 1.58X sales and 4X cash. Intelsat provides communications services for media companies, telecom, ISPs, and satellite services for both commercial and government use. Intelsat is not profitable but instead an event-driven trade ahead of a potential opening of the C-band spectrum for mobile services. Intelsat is part of a group which is lobbying to auction off 200 and 300 mhz spectrum to those companies for use in 5G operations. The 3.7-4.2 GHz band will give 5G better bandwidth and coverage than current options. Intelsat owns a very significant percentage of this range. Analysts have an average target for shares of $31. JPM raising their PT to $32 from $27 on 9-19. The firm thinks the FCC and C-Band Alliance are working toward a November order that would include 300 MHz. The analyst estimates ~$26B of total proceeds across 280 MHz and the market is now underpricing the likelihood of Intelsat and the CBA's eventually selling spectrum and "reaping substantial proceeds." Hedge fund ownership fell 7% in Q2. Discovery Capital, Pointstate Capital, Kerrisdale Advisers, and Pentwater notable holders. There is 15.7% of the float short.

Hawk Vision:

Hawk's Perspective: I is an interesting story and showing impressive price-action of late, but clearly an event-driven play and best to structure with defined risk using options and using price objectives based on the options positioning. Calendar spreads make sense to position for the eventual auction.

Confidence Ranking: $$