



Alibaba Size Calls Bought into Singles Day, End of Year

Ticker/Price: BABA (\$174.75)

Analysis:

Alibaba (BABA) IV rising this morning with buyers of 15,000 December \$175 calls up to \$9.65 and follows buyers of more than 11,000 December \$180 calls on 10-2 and buyers in the December \$170 calls yesterday for more than \$1M. BABA has sizable bullish open interest in the November \$165 and \$170 calls from buyers over the last two weeks as well. Shares are consolidating in a multi-month range under \$182.50 with a breakout targeting \$215. Longer-term shares are forming a series of higher lows and lower highs in a bullish wedge from the 2018 highs which has significant upside to \$250+. The \$427B Chinese retail leader trades 19.8X earnings, 7.4X sales, and 13.8X cash with mid-20% EPS growth and sales up 29.1% and 25.5% the next two years. BABA held an analyst day on 9-24 and outlined ambitious plans for their 5-year outlook targeting 1B+ active users in China as well as \$1.4T in GMV. They also outlined initiatives to grow their Alipay business which currently has around 900M users. Analysts have an average target for shares of \$223. HSBC raising their TP to \$233 on 10-4 as BABA remains dominant in online retail and their analysis shows Tmall is more effective in new products launches, with higher profits for Alibaba versus Pinduoduo. Citi with a \$233 PT citing healthy core marketplace margins and a disciplined approach to new initiatives. Short interest is 0.7%. Hedge fund ownership rose 10% in Q2. Fisher Asset Management a top holder with 11.5M shares while Lone Pine, Tiger Global, Soroban, and Coatue all notable holders. Melvin Capital added as well as now their third largest. BABA will report earnings in early November, shares higher each of the last three. Singles Day will be 11/11. In 2018, they set record sales numbers with more than \$30.8B in sales.

Hawk Vision:



Hawk's Perspective: BABA rallied off key support and is looking great here back above key moving averages, the calls attractive for catalysts into the end of the year.

Confidence Ranking: \$\$